

## Actuarial Guideline ABC - Projection of Guaranteed Nonforfeiture Benefits Under CARVM

The agenda for the Monday Oct. 31, 2005 Life and Health Actuarial Task Force (LHATF) conference call was to receive comments on the exposure draft of AG ABC.

Attending the call were LHATF member states NM, AK, AL, AR, CA, CT, FL, KS, MN, NE, NY, OK, OR, PA, UT, TX, WV as well as IL, KY and MO. In addition there were other interested parties.

Three comment letters had been submitted and were scheduled for discussion. First on the agenda was John McBain. John commented that after having reviewed the other two submissions, he was in agreement with their version of the guideline and deferred to them by removing his comments from discussion.

The second comment letter was submitted by Sheldon Summers (CA) and Mike Boerner (TX). This was a revision to the exposure draft with the intent to simplify. The changes included:

1. Eliminating the offset when the EIA offset is not known
2. When the future nonforfeiture rate is not known, setting it equal to:  
Min [ 3% , Max (Valuation Rate (VR), Current NF Rate)]
3. When the indexed guaranteed rate is not known, setting it equal to:  
Min [ Largest Possible Guaranteed Rate (GR), Max ( VR, Current GR) ]

Comments were made for possible revisions to the wording which became moot later in the call. Then Corey Olsen reported on the AAA comments.

1. Support for direction of AG ABC
2. Suggestion that the future NF rate be limited by the statutory VR
3. Statement that further discussion of interest indexed annuities is warranted before they are included in the scope of AG ABC
4. Affirmed with other knowledgeable Academy members to recommend the current EIA offset be continued until the next rate redetermination date.

Additional discussion took place before Tom Campbell pointed out that with respect to EIA's it is more appropriate to modify the regulation first, then modify the AG so that it is consistent. The group agreed and proposed wording changes for non-EIA products and eliminated reference to the EIA offset. This revised version of AG ABC will be exposed for comment. Everyone was in agreement and the call ended.

Ron Takemoto, FSA, MAAA

3 Nov 2005

