

**AAA Principles-Based Approach Presentation**

Donna Claire provided an update of all projects related to PBA.

These projects require critical decisions at or before the September meeting. Likely activity is also listed for each project:

- Changes to SVL – expected to be exposed for comment in September,
- Valuation Law Manual – table of contents and other items available in September,
- Life Model Regulation and Actuarial Guideline – to be discussed on an August 9<sup>th</sup> call,
- Principles-Based Review Regulation – expected to be available for exposure in September,
- Actuarial examiners team – refers to the possibility of centralized regulatory review of PBA results, and will be discussed at the meeting,
- VACARVM – crucial to adopt as soon as possible because many of its issues apply to other annuities and life, this will be discussed on an August 8<sup>th</sup> call and at the meeting, and
- Governance – expected to evolve over time, but something needs to be ready when PBA takes effect, as it involves Boards and senior managements.

These projects will be discussed at the September meeting and will likely extend into 2007:

- RBC changes,
- Consistency,
- Preferred mortality – tables expected to be available by March of 2007,
- Other assumptions,
- Reinsurance,
- Stochastic scenarios,
- Economic assumptions,
- Impact of PBA on the Standard Nonforfeiture Law,
- Non-variable annuities,
- ASOPs – Actuarial Standards Board has two task forces working on this project, and
- Communications and input from industry – all-day seminar on September 17<sup>th</sup> and quarterly webcast on September 28<sup>th</sup>.

There was not much time for discussion, but there were some items to note:

- NAIC is developing a PBA training seminar for regulators,



- Some regulators want a well-defined process for handling disagreements between a regulator and a company,
- The Damoclean issue of taxes arose, but Paul Graham reminded everyone that asking Congress for tax law changes opens a huge potential can of worms.

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