

VACARVM Subgroup

This subgroup of LHATF, consisting of KS, AK, CA, CT, NE, NY and TX, spent the hour discussing a potential survey of the leading variable annuity writers. LHATF wants to see results based upon the currently exposed Hartford draft of VACARVM. Perhaps “survey” in this instance is misleading, as it looks to be not a simple fill-in-the-dots exercise, but rather a task involving significant calculation and analysis.

The discussion ranged over the following items:

- Interested parties urged LHATF to act quickly so companies can avoid logistical conflicts with year-end looming,
- It would be helpful to quantify results under the current exposure and the prior, more conservative, one,
- Results are likely to be quite sensitive to the economic starting point – e.g., the Dow currently at or near an all-time high – so results must be taken with a grain of salt,
- How will one know if the current proposal is too liberal, too conservative or just right? And,
- What issues need to be tested (and how to do so), such as –
 - a) CTE level,
 - b) Reserves compared to capital,
 - c) Capital markets floor,
 - d) Contractholder behavior assumptions,
 - e) Non-guaranteed revenue sharing,
 - f) Assumption margins, and
 - g) Standard Scenario discount rate.

The subgroup decided not to have an interim meeting devoted to VACARVM. Instead, they will continue with conference calls, most likely one call (for subgroup members only) to design the survey and then a public call to discuss the plans. Subgroup members were asked to have any comments about the survey design submitted by October 13 so that LHATF can schedule the calls.

Donald P. Maves, FSA, MAAA

6 October 2006

