

SVL II Subgroup Update

This call reviewed the activities of the SVLII Subgroup of LHATF. This subgroup's charge is to draft a Standard Valuation Law to: (1) permit a principles-based valuation (PBV) approach and (2) accommodate current proposals to move to a PBV system.

Donna Claire gave a brief overview of the AAA SVL 2 Working Group, which, despite a similar name, should not to be confused with the LHATF Subgroup. The AAA group, which actually does include some LHATF members, is an advisory group to LHATF. The AAA WG's broad projects cover life insurance and annuities, reserves and capital, reinsurance, actuarial standards and regulatory interfaces.

Larry Bruning (KS), Chair of the LHATF Subgroup, urged the members to consider the desired regulatory framework and structure with a focus on:

- The purpose of the law,
- How to determine compliance and who does it, and
- Dealing with non-compliance.

He also enumerated some subordinate issues:

- Retroactive versus prospective application,
- Uniformity of procedures,
- Uniformity of adoption, and
- Reinsurance.

The ACLI recommended a general law that refers to a "Valuation Manual" that contains the specific requirements and procedures. Sheldon Summers (CA) encouraged further consideration of this idea. The advantage is that legislatures would not have to revise the law for every change; rather, any changes could be made to the Manual. Some regulators suggested this approach might be made a condition of accreditation.

Bill Carmello (NY) asked the ACLI if its approach would still require an actuarial opinion, which the ACLI affirmed would be the case.

The LHATF group will continue the discussion at its March meeting. The AAA WG asked for time to discuss peer review at the March meeting and governance issues at the June meeting.

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