

SVL-2 Subgroup

Today's call was a continuation of this subgroup's October 4 call. They picked up right where they had left off on the discussion of the September 1 draft of SVL-2.

Some states questioned what would happen if the Valuation Manual failed to specify certain requirements or if a Commissioner disagreed with the requirements. In that case, SVL-2 provides that the Commissioner can set the requirements. How the Commissioner would do that – e.g., by regulation or some other mode – is still open. Also some states raised the specter of potentially having multiple state variations.

A lengthy discussion of a cash value floor ensued. NY wants a seriatim floor across the board. Bill Weller, representing AHIP, reminded the group that Health reserves in some cases use a cash value floor by block of business, not seriatim. Some states favored an approach in which the Manual specifies the details of the floor by product type.

This was followed by another fairly long discussion of setting assumptions where relevant and credible data are not available. NY recommended that the Manual contain tables for use when no credible data exist. NY also discussed the use of "optimal plausible" assumptions for policyholder elective actions. The group agreed that the definition of optimal plausible assumptions belongs in the Manual, not SVL-2. Although there is some question of how to define "optimal plausible", the group was clear that it does not mean assuming everyone elects the worst case for the company.

The group then considered issues related to the independent actuary. The draft specified a "review and opinion", which the group changed to "review and analysis". Other issues that still need to be resolved include the degree of confidentiality of the report and how to get additional analyses if a Commissioner deems it necessary.

NY wants companies to provide an estimate of the "fair value" of liabilities. Although other states were lukewarm at best to the idea, NY is likely to forge ahead with it.

Finally, the group emphasized in SVL-2 that the purpose of filing experience reports annually is for the purposes of determining industry experience and trends.

Because there is still a lot to be addressed, the subgroup decided to devote part of its scheduled October 20 call, originally set to discuss electronic filing of actuarial opinions, to a continuation of today's discussion, at which time the subgroup expects to have a redraft of SVL-2.

Donald P. Maves, FSA, MAAA

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