

LHATF – Actuarial Guideline VA CARVM Subgroup

The VA CARVM subgroup of the Life and Health Actuarial Task Force (LHATF) held a conference call to continue work on VA CARVM. Regulators from the following states participated in the call: ND, OR, PA, CT, KY, NC, IL, NY, OH, FL, KS, UT, AK, CA, NE. Several interested parties also participated.

To date, regulators have been unwilling to reach an agreement on a number of issues related to VACARVM (e.g. the inclusion of revenue sharing, standard scenario aggregation, the appropriate CTE level, policyholder behavior, etc). In a prior call, it was decided that surveying the large variable annuity companies would be a good way to gauge the impact of the exposed September 2006 version of VACARVM. Fred Anderson of New York has provided a wish list of what would be included in such a survey. Larry Bruning of Kansas has also provided a list of items to include.

Both surveys request inforce information, reserves according to the September 2006 exposure draft and sensitivity testing. NY's version also requests calculations using the June 2006 exposure that includes NY's capital market option value floor. Neither survey was deemed to be superior.

Most agreed that this would be a lot of work. One proposal was to introduce the concept of a replicating scenario for sensitivity testing. The replicating scenario would be the scenario that is closest to the 70 CTE level. Then this scenario could be rerun with different sensitivities to gauge the impact of the individual margins on the results.

Others suggested that perhaps using a subset of the scenarios would be a good.

NY countered that they would rather see all the scenarios for a smaller number of sensitivities than using fewer scenarios.

CT offered that the product descriptions should also include how the money is invested. Products may not limit policyholder investment choices, may limit choices to certain funds, or may automatically rebalance among restricted funds. If you don't make these distinctions up front, the results will have little value.

Most agreed that using year-end 2006 data would be preferred. The hope is to get responses by March of 2007 so that results could be presented at the June 2007 NAIC meeting.

A "closed" meeting (i.e. no interested parties) has been scheduled for this Friday to discuss what should be included in the survey.

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15 November 2006

