

PBV Review

LHATF spent the hour discussing the two comments received so far on the exposure draft of the PBV Review Opinion Model Regulation.

The ACLI urged regulators to consider the overall framework of regulatory oversight in light of all the seemingly independent PBV initiatives being developed. ACLI cited these concerns:

- Significant amounts of overlapping oversight,
- Resulting redundant work,
- High costs, and
- Reluctance by some regulators to abandon a rules-based culture.

Thus the ACLI declined to comment specifically on the model itself. There was some sympathy among LHATF members for the ACLI's position.

Shirley Shao of Prudential then outlined three key issues of oversight with which the Academy continues to wrestle, asking for LHATF feedback on each one. LHATF took "sense of the group" votes on each – i.e., not an official position, but rather an informal poll:

1. Auditor as PBA reviewer?

- AAA recommends auditing actuaries be allowed to do PBA reviews for the companies that they audit.
- NY believes that a consulting actuary doing auditing or other work for a company, e.g., product development, has a conflict of interest.
- AAA responded that the reviewer would not be auditing his own work, but that of the company.
- LHATF favored the AAA's recommendation by a 7-4 result, with one abstention.

2. Confidential PBA review opinion?

- AAA recommends confidentiality, citing increased legal costs and other difficulties with public opinions.
- NY disagreed, but a few regulators believed that confidentiality would lead to the receipt of more useful information.
- LHATF favored the AAA's recommendation by a 5-2 result, but 5 LHATF members abstained.

3. Single or multiple PBA review opinions for a company?

- A few LHATF members liked the idea of multiple opinions to take advantage of flexibility and expertise of reviewers.
- Other members rebutted that multiple opinions strain resources for small states.



- LHATF favored the single opinion approach by 9-0, with 3 abstentions.

The next discussion of the draft, which is still open for comment, will occur at the December meeting of LHATF. The issues above have by no means achieved final resolution.

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