

**LHATF – Actuarial Guideline VA CARVM Subgroup**

On Wednesday, August 30, 2006, the Life and Health Actuarial Task Force (LHATF)'s newly formed VACARVM subgroup held a conference call to work on producing a version of VACARVM to present to LHATF for adoption.

To review, some of the issues still on the table include:

- 1- The treatment of revenue sharing (should it be required to be guaranteed).
- 2- The standard scenario (is it overly conservative, is an option value floor appropriate).
- 3- The overall CTE level (is 65 CTE or 75 CTE appropriate).
- 4- Provisions for policyholder behavior (are they too prescriptive).

At this point, the majority of regulators feel ill-equipped to react to these issues without looking at some actual results. Three ideas were entertained:

- 1- Regulators could build some products and have the industry compute the reserve levels under various conditions.
- 2- Regulators could look at some of the C3 phase II sensitivity testing results.
- 3- Regulators could ask companies to respond to a confidential survey suggested by Fred Andersen (NY).

After much discussion the overwhelming conclusion was to have New York develop a survey with 9 to 15 questions. These questions would be sent to the larger Variable Annuity companies. The survey would be optional, but would be used to help resolve some of the lingering issues. The questions would include:

- 1- Detailed descriptions of a company's largest products (those that account for over 20% of their business).
- 2- Main issue years of these products
- 3- Account value
- 4- Cash value
- 5- Net amount at risk for in-the-money guarantees
- 6- Estimated unsmoothed total asset requirement (TAR) due to the product including cash value.
- 7- Amount of TAR the company would hold if it were completely based on judgment.
- 8- Estimated VA CARVM reserve for the product including cash value.
- 9- Reserve the company would hold if it were completely based on judgment.

Additional questions included calculating VA CARVM reserves with and without revenue sharing, various CTE levels, and the effects of the standard scenario.

Some regulators expressed concern about the length of time required to tally such results. Others insured that this would have to be a short-term project. The next step is to develop the survey. The survey questions will likely be the topic at the September NAIC meeting.

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