

## SVL-2 Subgroup

This subgroup had hoped to complete a revision of the Standard Valuation Law incorporating Principles-Based Reserves for LHATF to review at its meeting in two weeks. However, the subgroup did not resolve all the issues raised by industry; thus the plan is to redraft to the extent possible and discuss the remaining issues with the entire LHATF group next week. A summary of today's comments follows.

1) The application of conservatism to each assumption or in the aggregate:

- CT argued that aggregation weakens PBR, assumptions are not necessarily independent and offsets might not persist in the future (e.g., sale of a profitable block that was supporting a losing block).
- AR warned that a provision for adverse deviation in every assumption might lead to huge aggregate PADs.

2) The role of the independent actuary:

- As drafted, he would have to opine on the adequacy of the PBV.
- The intent is to have him opine on the models, methods, processes of determining assumptions, etc.
- The group will modify the draft to conform to the intent.

3) Confidentiality of information sent to the Commissioner:

- NY wants the opinion, but not necessarily the supporting documentation, not to be confidential.
- Industry fears that broad non-confidentiality will inhibit actuaries.

4) Authority of a Commissioner to require changes to assumptions or methods:

- TX supports a Commissioner having authority over any assumption.
- Industry fears that a Commissioner might focus on one assumption deemed too liberal while ignoring other conservative assumptions that offset it.

5) Coordination with capital requirements:

- The Valuation Manual should not define capital requirements.
- The group will modify the draft.



6) A Commissioner's authority to have additional analyses performed:

- Industry believes this might go beyond the scope of the independent actuary's assignment.
- Regulators will consider modifications.

7) Establishment of internal controls:

- Industry believes that, as written, this provision creates too much additional cost.
- However, regulators are reluctant to change the draft.

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