

SVL II Subgroup

This subgroup of LHATF made a number of changes to the February 13, 2007 draft of the Standard Valuation Law (SVL) to allow for Principles Based Reserves:

- The SVL covers life, annuity and health products,
- P&C insurers writing health insurance must comply with the SVL,
- The Valuation Manual (VM) will contain specific AOMR requirements,
- LHATF expanded the confidentiality provision to allow commissioners to share information with the ABCD,
- The VM will contain specific reserve requirements for business issued after its operative date and could be designed to specify requirements applicable to existing business,
- The VM does not become operative until it is adopted by at least: (a) 75% of the NAIC plenary and (b) 39 states,
- The seriatim floor is the greater of cash value or present value of cash flows,
- The SVL grants authority to a Commissioner to exempt from PBR a domestic company operating only in one state, and
- Companies must formally notify the Commissioner of the name and terms of engagement of the independent qualified actuary.

The group heard the following comments on the revised draft:

- NY still wants companies to compute and report reserves subject to PBR on both the new and the old bases, although some regulators and interested parties believe that the extra information would not be worth the effort,
- Bill Weller, representing AHIP, reminded the subgroup that a fair amount of health insurance reserves are currently computed by plan or on some other broad basis, and are often not appropriate for seriatim calculations, and
- There was an extended discussion on the treatment of replacements – i.e., whether they would be subject to the new requirements or the requirements of the original policies; the concern is how to balance the treatment of manipulative replacements with those serving a legitimate purpose such as 1035 exchanges.

The subgroup voted 5-1, with NY opposed, to expose the revised draft for comments. The SVL II subgroup must receive comments by August 17 in order to be considered on its next call on August 23.

Donald P. Maves, FSA, MAAA

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