

LHATF – Actuarial Guideline VA CARVM Subgroup

On Monday, August 27th, 2007, 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 dialed in for the call: CT, OR, ND, KS, FL, IL, KY, AL, PA, NY, NC, UT, MO, OH, and RI. Only 3 of 7 subgroup members were present for the call. Several interested parties also listened.

To review, a survey was sent March 2nd to 26 annuity companies requesting information regarding C3 Phase II values, current reserves, etc. The due date for the surveys was 7/1/2007. 14 of 26 companies responded. Larry Brunning of Kansas is in the process of compiling the results. At this point, he needs to follow up with a few companies. A second call has been scheduled for 9/5/2007 to discuss the results. It seems likely that this call will be canceled and that the survey results will be discussed at the NAIC meeting in September.

The remainder of the call focused on 2 submissions: one from Allen Elstein of Connecticut and one from Fred Anderson of New York.

Elstein (CT) Document

Allen Elstein talked for about 15 minutes setting the background for his points/example. He has become concerned in recent weeks that the scenario processing and CTE measures will fail as a method for calculating reserves. The recent losses of “quant” funds in the market lead him to believe that scenarios are not the correct way to go. “The losses that the “quant” funds incurred were a one in 10,000 year event. The losses that long term capital incurred were a one in 100 year event...”

Elstein’s two points were: 1- the current version of VA CARVM assumes all future profits are available to fund the reserve, and 2- the reserve is funded at the last possible moment.

New York agreed that only a portion of future profits should be used for calculating accumulated deficiencies.

None of the other regulators or interested parties agreed with either point.

The next 20 minutes were spent shredding Allen’s example. Although the call was civil, it was clear that none were happy with the discussion. The discussion reminded me of my great uncle who used to play the accordion at Thanksgiving. He was not good and a bit hard of hearing, but out of respect nobody would ask him to stop playing.

Anderson (NY) Document

Fred Anderson’s document proposed that the sunset provision for Guideline 39 (currently 1/1/2008) be dropped, rather than extend it for another couple years.



Larry Brunning almost conceded that perhaps we should be thinking about a contingency plan. We may not have this reserve methodology in place for 2008. Larry suggested that there could be a few options: 1) eliminate the sunset provision, 2) extend it, or 3) extend it and add a mechanism for releasing some of the accumulated charges.

Elstein suggested that the sunset provision be extended through 2010.

John Bruins of the ACLI suggested that if necessary, there should just be an extension and that if the sunset provision is extended, a release mechanism must be included. John suggested that the ACLI is currently discussing how the release mechanism could work.

Tentatively, next call is 9/5/2007. Stay tuned.

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