

AAA Valuation Law and Manual Team

This group presented a rough outline of the Valuation Manual at the June LHATF meeting and expects to present a polished product at the September meeting. Today the Team sought comments from LHATF on the main issues yet to be resolved:

1) Scope of the experience reporting requirement:

LHATF leans toward all US business, whether subject to PBR or not.

2) Products subject to PBR on the operative date of the Valuation Manual:

There will likely be a long laundry list of products.

3) Appointed actuary's reliance on other actuaries:

Some regulators want to prohibit it, but others, NY especially, do not see how it can be avoided in large companies with many lines of business.

4) Disclosure of disagreements between the appointed actuary and the independent reviewing actuary:

Some regulators would want to know the impact of the disagreements, but other regulators countered that the reviewing actuary opines on reserve methods and assumptions, not reserve adequacy. Thus the reviewing actuary would not actually have any numbers with which to compare.

5) Authority of Commissioner to waive certain requirements for the reviewing actuary:

There was little discussion on this point.

The discussion will continue on another call scheduled for September 5th.

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