

PBR Standard Valuation Law

The NAIC Life Insurance (A) Committee met to consider the SVL for PBR.

On a prior call, LHATF passed the SVL, accepting one proposed change from ACLI to not prohibit a net premium valuation. LHATF had also rejected ACLI changes about uniformity of application and the need for prescribed assumptions in the absence of company experience.

Today ACLI again made its case for the two outstanding proposals. Its fear about the lack of uniformity is that the current draft allows a Commissioner to question individual assumptions instead of concentrating on the overall adequacy of reserves. Commissioners supported LHATF and rejected any such changes.

At that point, it seemed as if SVL would pass, but a few commissioners stated their reservations about the scope (wanting to limit it initially to life insurance) and the lack of a prescribed floor for reserves. The underlying concern is that commissioners are in essence "flying blind" because the SVL refers to the unfinished Valuation Manual, and there is no guarantee that the completed VM will contain those items. So (A) Committee will add language to the SVL that insists that the VM address those issues.

With those changes, (A) Committee passed the SVL unanimously, with NY abstaining (NY at this point neither supports nor rejects SVL, but merely wants more time to complete its analysis).

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