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# Summary of the September 2008 NAIC Meeting

by Donna R. Claire



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The September NAIC meeting was in Washington (sort of—it was really in Oxon Hill, Maryland, a planned community that will probably be very nice when they finish it in a year or two.) As with the past meeting, the Life and Health Actuarial Task Force of the NAIC is devoting just about all its time to the principle-based approach (PBA) project. There were also a few important non-PBA topics that were discussed. A summary of the LHATF meeting and some subsequent conference calls as well as highlights from a few other meetings is given below:

**VACARVM Passed:** The new reserving standard for variable annuities has passed all needed levels of the NAIC, and will become effective as of 12/31/09. It is an actuarial guideline, so it will be effective in virtually all states at that time.

**Group Waiver of Premium:** LHATF adopted the Actuarial Guideline on Group Waiver of Premium, with a 1/01/09 effective date. This work replaces the Krieger table.

**GRET:** LHATF voted to accept the new GRET factors as developed by the Society of Actuaries. These Generally Recognized Expense Tables can be used as expense factors by illustration actuaries. Many of the factors are higher than the 2008 factors, so illustration actuaries should review these numbers if they are using GRET instead of their own companies' expenses.

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**Nonforfeiture for Deposit Term Contracts:** LHATF passed Actuarial Guideline CCC, The Application of the Standard Nonforfeiture Law for Life Insurance to Certain Policies Having Intermediate Cash Benefits. This requirement will become effective 1/01/10 for all contracts.

**SVL2 Exposed for Comments:** The major agenda item for LHATF in September and on two subsequent telephone calls was to go through the remaining amendment proposal forms and develop a document that represents the expected final changes to LHATF. This document is being exposed for comment until the December LHATF meeting.

**Valuation Manual:** There were brief updates on some of the valuation manual changes at the September LHATF meeting, and a number of additional conference calls on the various sections of the Manual. The Manual is expected to be the major topic of conversation at the December LHATF meeting.

**Preferred Mortality:** The joint SOA/AAA Project Oversight Group gave a presentation on margins that can be used with potential new mortality tables at the September LHATF meeting, and there was an additional conference call on this topic in November. The group recommends varying the margin by duration, which would be different than what was done for prior CSO tables.

**Nonforfeiture Developments:** The Academy's Nonforfeiture Group gave an update on the project to update the standard nonforfeiture law at the September LHATF meeting. They expect to have the majority of their work completed in the next six months or so.

**International Developments:** LHATF heard a short presentation in September on developments in international accounting and solvency issues, and will hear a lengthier presentation on the same at the December meeting. The PBA project is going in the same direction as international in terms of requiring a look at all material risks and reflecting cash flows. There may be some differences that develop. LHATF will be following the discussions to see whether they should try to influence some of the international direction or whether they would eventually need to revise some of the U.S. requirements. Note that one difference currently is that international accounting looks like it is headed toward market values, which

is a bit controversial in light of the contribution of market value disclosures made to the volatility of the markets in the last few months.

#### SUMMARY

We live in interesting times. I believe that PBA will provide better protection than the current

system of reserving and capital because all material risks will need to be considered and disclosed. With this goal in mind, there is a tremendous amount of work by the professional organizations, regulators and industry to develop a principle-based approach that will identify and measure risks on a reasonable basis. □



## 2009 Ninth Annual Product Development Actuary Symposium

Springtime is coming (think positively) and once again we will be co-sponsoring the Ninth Annual Product Development Symposium (PDS) with the Tax, Marketing and Distribution, and Reinsurance Sections.

The meeting will take place on June 29-30, 2009 at the Hyatt Century Plaza in Los Angeles, Calif. The planning committee has constructed a strong program, including plans for a general session on the state of the industry from Wall Street analysts and a general day-one luncheon discussion on the product life cycle from the consumer products division perspective.

#### CONCURRENT SESSIONS AT THE PDS WILL INCLUDE SESSIONS SUCH AS:

- Regulatory and tax
- Variable, fixed, and income annuity products
- Term insurance, permanent life, and conversion topics
- Mortality, underwriting and reinsurance
- Illustration actuary issues
- Pricing: setting assumptions, product life cycle, ERM, and profit measures

#### POST-SYMPOSIUM OPTIONAL ACTIVITIES INCLUDE:

- a group dinner on the evening of June 29
- a full day seminar: Profit Measure Bootcamp—potential topics include Stat, GAAP, Embedded Value, Market Consistent, etc.

Preceding the PDS will be the Fourth annual PDS Golf Outing, teeing off early on the afternoon of June 28. Golfers of all skill levels are welcome to play.

Watch for the entertainment-related session themes (e.g., “Law & Order”). The complete agenda, including activities, will be available in March on the SOA Web site [www.soa.org](http://www.soa.org).