

Academy Valuation Law & Manual Team (AAA VLMT)



Mike Boerner, A.S.A., M.A.A.A.
Chair, Valuation Law & Manual Team



Who is the AAA VLMT?



- 45 members, actuaries, non-actuaries, including a number of regulators.
- Members include actuaries involved with small, medium, and large companies.
- Members also include those knowledgeable of the Accounting Practices and Procedures Manual and process.



VLMT Objectives



- Develop a draft of the Valuation Manual (VM) for NAIC LHATF consideration.
- Respond to LHATF requests in their deliberation of this manual.
- Provide input to LHATF on remaining issues regarding the changes to the Standard Valuation law which enable principles based reserves and enable state uniformity through the Valuation Manual.



How Can The VM Enable State Uniformity?

- Changes to the SVL allow an adopting state to follow the reserve requirements provided in the Valuation Manual.
- Some adopting states may be able to follow VM requirements when effective and as they change without needing to adopt by rule each year.
- Other states may need their version of the SVL to provide for adoption of the VM each year by rule and/or ability by rule to change VM requirements for their state.
- Such SVL variations may be needed to provide for state authority. However, uniformity will be encouraged to minimize any variations.





Current Direction of VM

- In force business on effective date of the VM would follow that state's requirements on that date with the exception of business that would be within the scope of VACARVM and would therefore follow those requirements.
- Business on and after the effective date of the VM for which new principles based requirements have been adopted would follow those requirements.
- Business on and after the effective date of the VM for which new principles based requirements have not been developed would follow VM requirements which would be based on NAIC requirements as of that date.



How will VM Requirements Coordinate With the APPM?

- It's envisioned that reserve requirements in Appendices A & C will be transferred from the Accounting Practices and Procedures Manual (APPM) to corresponding appendices in the VM.
- The APPM will then reference as appropriate reserve requirements as found in the VM.
- Timing of the Valuation Manual and changes to the APPM will be worked so they are effective on the same date.



Draft Principles Based Requirements (PBR) for VM



- VACARVM (AAA chair – Tom Campbell)
- AAA Life Reserve Working Group (LRWG) rule and actuarial guidelines. (AAA chair – Dave Neve)
- AAA Annuity Reserves Working Group (ARWG) rule. (AAA chair - Jim Lampson)
- Annual PBR Review rule. (AAA chair – Shirley Shao)





VLMT Approach For PBR Drafts

- Intend to incorporate model requirements in appropriate VM appendices but may combine similar principles based sections and put these in one versus multiple places.
- May make suggested revisions based on review of drafts individually as well as together when put in the VM. Any revisions suggested would consider consistency with other principles based requirements as well as clarity and efficiency.



AAA VLMT Subgroup Tasks

Include the Following:

- Subgroup 1: Annual PBR review requirements and PBR reporting.
- Subgroup 2: Incorporating PBR and non-PBR requirements and any exemption/transition requirements for certain business including small company considerations.
- Subgroup 3: Experience reporting requirements.
- Input on ASOP considerations to be discussed across subgroups and entire VLMT.



AAA VLMT Coordination with NAIC LHATF



- Input provided to LHATF SVL2 Subgroup (Chaired by Larry Bruning, KA DOI). This subgroup is charged by LHATF for changes to the SVL and development of the Valuation Manual.
- AAA VLMT Report to be provided to LHATF for the Winter NAIC 2006 Meeting in San Antonio.
- Will respond to any requests by LHATF and SVL2 Subgroup.
- Several members of the AAA VLMT are on both LHATF and the LHATF SVL2 Subgroup.



Possible Timing of SVL Changes and the VM

- March/September 2007: NAIC Adoption of SVL Changes. Longer if NAIC first needs to review completed Valuation Manual.
- Early 2007: AAA VLMT initial draft of Valuation Manual.
- September/December 2007: AAA VLMT substantive completion of Valuation Manual.
- March/September 2008: NAIC adoption of Valuation Manual.
- January 1st 2009 or 2010: Effective Date of Valuation Manual for adopting states.



Want More Involvement?



- Principles Based Exposed Draft Requirements:
See Committee Activities under NAIC.org
- Check the Academy of Actuaries website at <http://www.actuary.org/risk.asp> for more information regarding principles based efforts.
- Monitor the Academy website for future webcasts and meetings on principles based approaches.

