SVL2/ PBA

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Presentation to LHATF March 9, 2007
Overview

- Handout of PBA Master Time sheet
- Lists Work groups, Chairs, deliverables
- Coordinated effort
- Most work scheduled to be done by end of 2007
Highlights of Academy PBA Efforts

- Many projects in or near final stages
- Major outstanding effort now the Valuation Manual
- NAIC Life Risk-Based Capital Working Group has an exposure out for comment – can be passed this year, implemented next year
- PBA Valuation Review Opinion regulation exposed by LHATF; being incorporated into Valuation Manual
Reinsurance Work Group under Sheldon Summers is reviewing documents for reinsurance implications

Governance Work Group is reviewing what should be in Valuation Manual, elsewhere

Accounting Practices Work Group is working on Blanks

Support projects such as Economic Scenarios close to finishing work
Consistency Work Group

- Has clarified “Principles” definition
- Is working on other projects, such as what is in reserves and capital
- Also in charge of Glossary of PBA terms; reporting format
ARWG Activities Since December LHATF

- Continued to identify risks to be included in reserves
  - Spawned issue of role of reserves & TAR in Authorized Control Levels and Dividend Distribution Limits
- Subgroup formed to develop Valuation Manual component for non-variable annuities
- Contributed to revisions to Principles
ARWG Activities Since December LHATF

ARWG Analysis Subgroup Developments

- A simplified ALM Model on 5 modeling systems was developed & is being validated
- Certain key modeling assumptions & methodologies identified as cause of differences (e.g., fractional qx, handling of capital gains & losses, etc.)
- Multiple patterns of scenario rates being reviewed
ARWG Activities Since December LHATF

Concern expressed over need for full ALM projections

- Significantly longer processing times than C-3 PII projections
- May be a need for a subgroup to explore simplifications and techniques to speed up projections so as to report reserves in reasonable timeframe
Webcast/ Website

- Next webcast:  March 21, 2007 from noon to 1:30pm EDT
  - Free for regulators and work group members, all others pay $160
  - Speakers: Mike Boerner, Tom Campbell, Tom Kalmbach, Larry Gorski
  - Register at www.actuary.org

- Website:  www.actuary.org/risk.asp
Summary

- Due to the tremendous efforts of many volunteers, we are on the verge of coming up with a reserving and capital system that produce results that are reasonable to cover the risk, but not too high to stifle business.