

Report of the Annuity Reserves Work Group to the NAIC Life Actuarial Task Force

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ARWG's Purpose is Furthering Creation of VM-22

Developing suggestions to LATF for:

- Stochastic Exclusion Test and
- Deterministic Reserves
 - Could be based on AG-33
 - Better assures the reserve complies with the tax code
 - Avoids a “third reserve” as in VM-20
 - Could introduce prescribed incidence rates



2009 ARWG Assistance to LATF

- Question regarded proper valuation interest rates for Guaranteed Lifetime Income Benefits (GLIBs)
- ARWG developed modifications to AG-33 which were adopted by LATF
- ARWG is aware of industry concerns about GLIB reserve levels
- LATF may consider requesting industry input on current GLIB reserves to gather more information



CARVM Reserve Survey

- ARWG wanted a more complete picture of perceived “CARVM reserve problems”
- SOA sent survey focused on annuity writers & regulators to 330 email addresses
- Only 11 responses
- ARWG summarized results in March 1, 2012 Report to LATF



Summary of Reported Problems

- GLIB reserves
- Calendar Year Statutory Valuation Interest Rates
- Valuation of "CD" Annuity (not CDA)
- Settlement option valuation interest rates
- Additional specific CARVM valuation questions raised by ARWG members



Does LATF Want ARWG Help in Addressing Reported Problems?

- Could investigate possible solution to GLIB issues as bridge to VM-22 Deterministic Reserve
- Addressing Calendar Year Statutory Valuation Interest Rates likely needs change to SVL
- CD Annuity valuation question could be addressed as clarification to Change in Fund valuation
- Settlement option valuation may have already been addressed in 1997 report to LHATF by the Academy's CARVM Multiple Benefits Work Group
- How to best address specific questions of ARWG members is open issue

