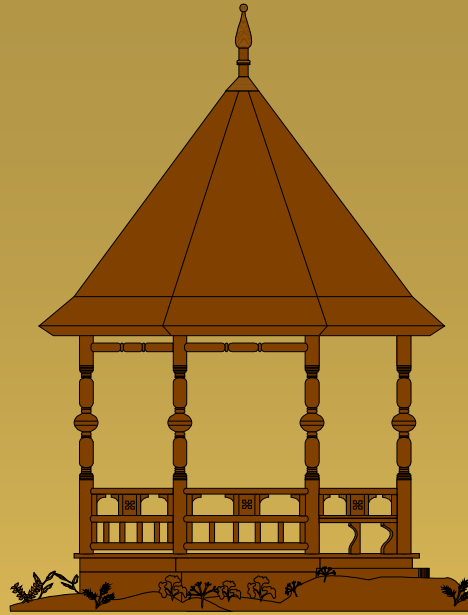


# Small Company Issues

Valuation Actuary Symposium

Thursday, September 24, 1998

Orlando, Florida



James N. Van Elsen

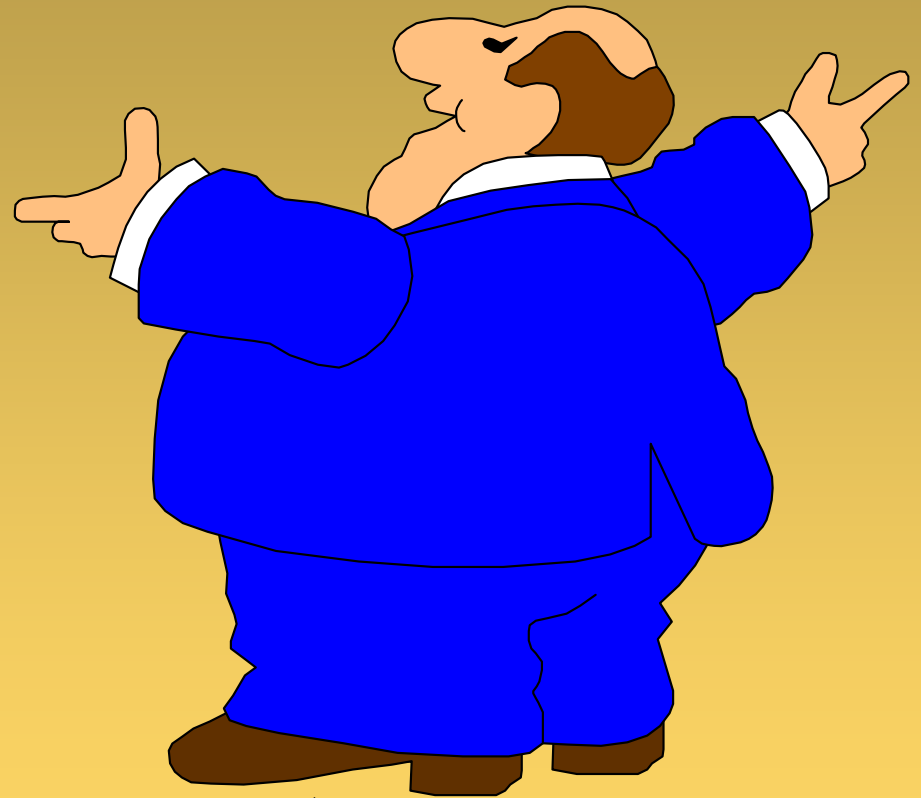
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Colfax, Iowa

# Presentation Outline

- ☞ “XXX” Update
- ☞ “AOMR” Update
- ☞ Upcoming Issues
- ☞ Keeping Involved



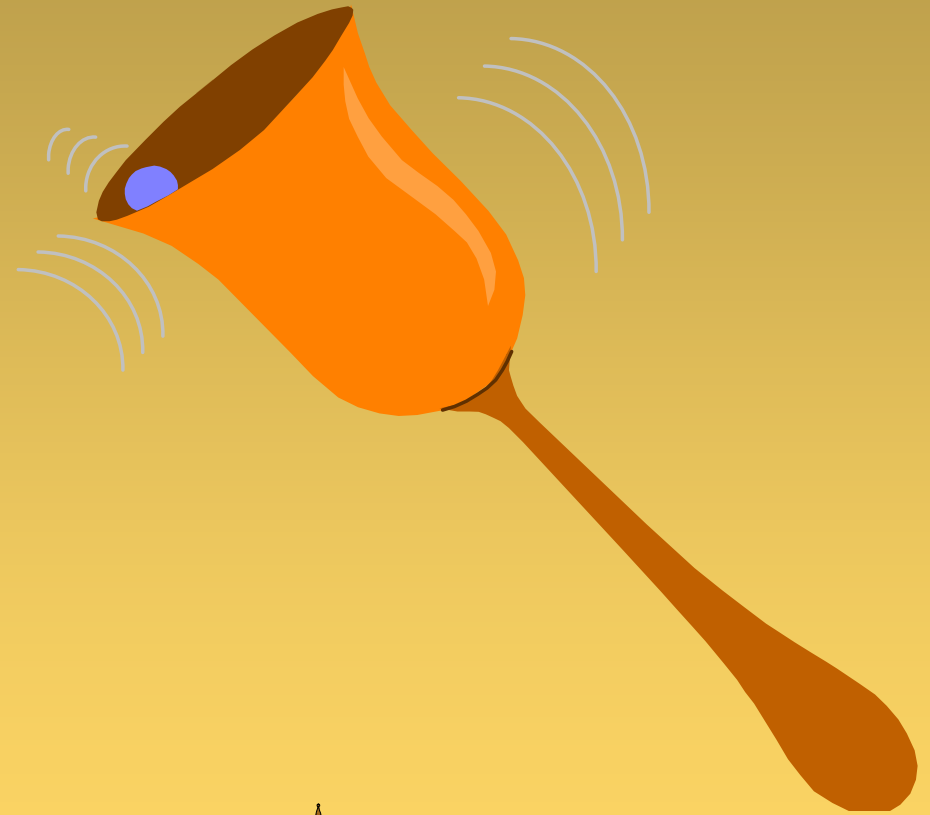
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# “XXX” Update

- Current Status
- Update on Today’s Meeting
- Small Company Aspects



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# Current Status

- ☞ Draft Exposed - September 12, 1998
- ☞ Comment Deadline - September 24, 1998
- ☞ L&HATF Meeting - September 28, 1998
- ☞ L&HATF Meeting - October 5, 1998
- ☞ “A” Committee Meeting - October 5, 1998



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# Current Status

- Executive Committee Approval - Before December NAIC Meeting
- Plenary Approval - December 1998 in Orlando
- State Approvals - 1999
- Effective Date - January 1, 2000



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# Latest Draft



[www.naic.org](http://www.naic.org)

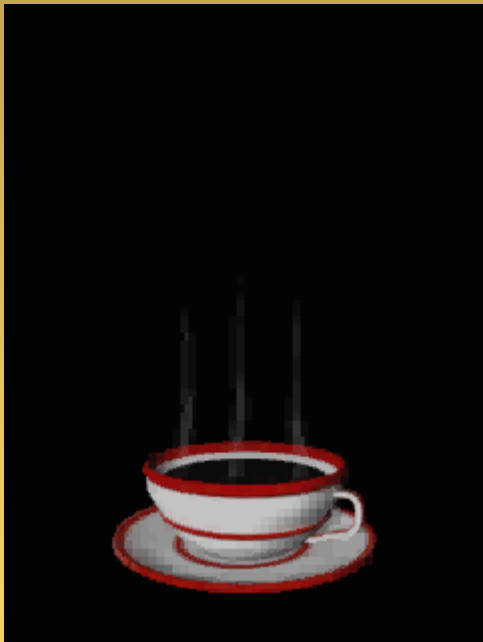


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# Update on Today's Meeting



- ☞ Conference Call During Symposium Workshop
- ☞ Members of L&HATF Expected to Participate



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# Small Company Aspects

- ☞ Deficiency Reserve Methodology
- ☞ Exemption for YRT Reinsurance
- ☞ Universal Life Secondary Guarantees
- ☞ Wisconsin Update
- ☞ West Virginia Update



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# Deficiency Reserve Methodology

- ☞ Will be Permitted to Adjust Valuation Mortality for Deficiencies by “X”
- ☞ If “X” < 100%
  - Section 8 Opinion (Asset Adequacy Analysis)
  - Mortality Opinion
  - May be New Summary Required for Actuarial Memorandum



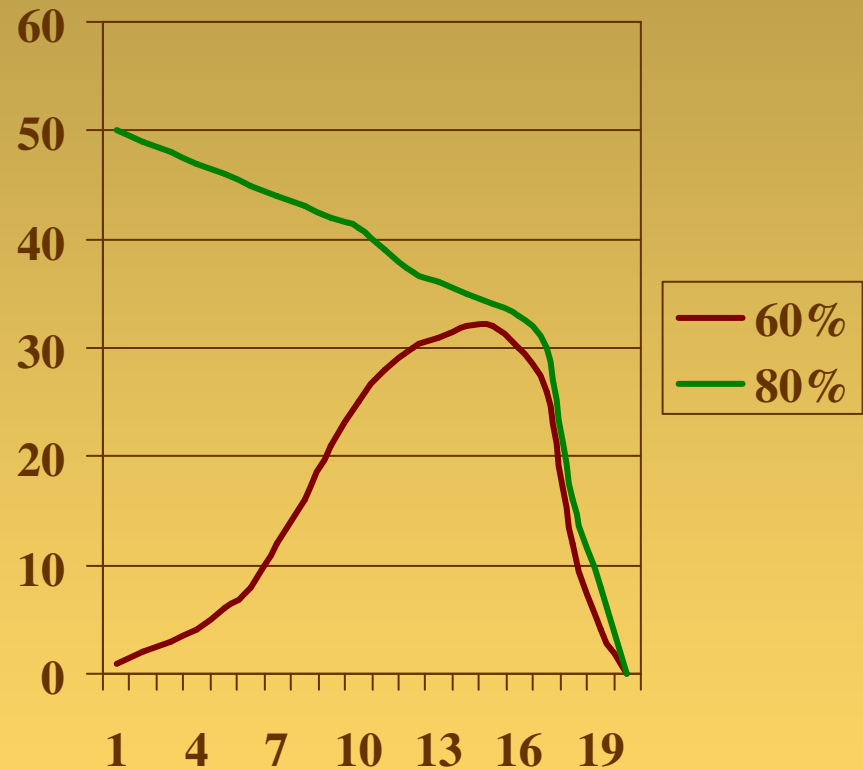
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# Small Company Concerns

- ☞ Cost of Section 8 Opinion
- ☞ Ability to Justify “X”
- ☞ Complications of Valuation Methodology
- ☞ Impact of Change in “X”



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# Exemption for YRT Reinsurance

- Allows “True” YRT Reinsurance to Escape the Complications of “XXX” Reserving
- If Assuming Company Elects => Ceding Company Credit Limited to Amount of Assuming Company



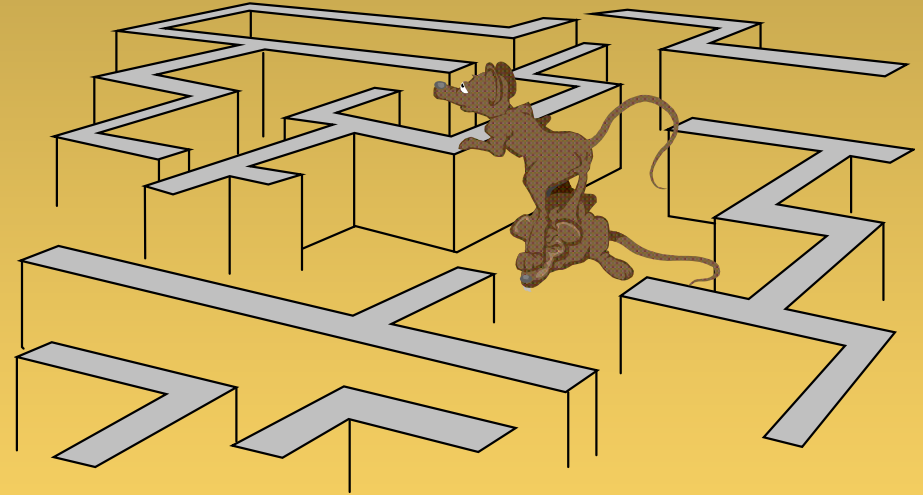
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# Universal Life Secondary Guarantees

- Product of Choice for Many Smaller Companies
- Exemption for Some Policies
- Subject to Same Rules As If a Term Product Within Universal Life

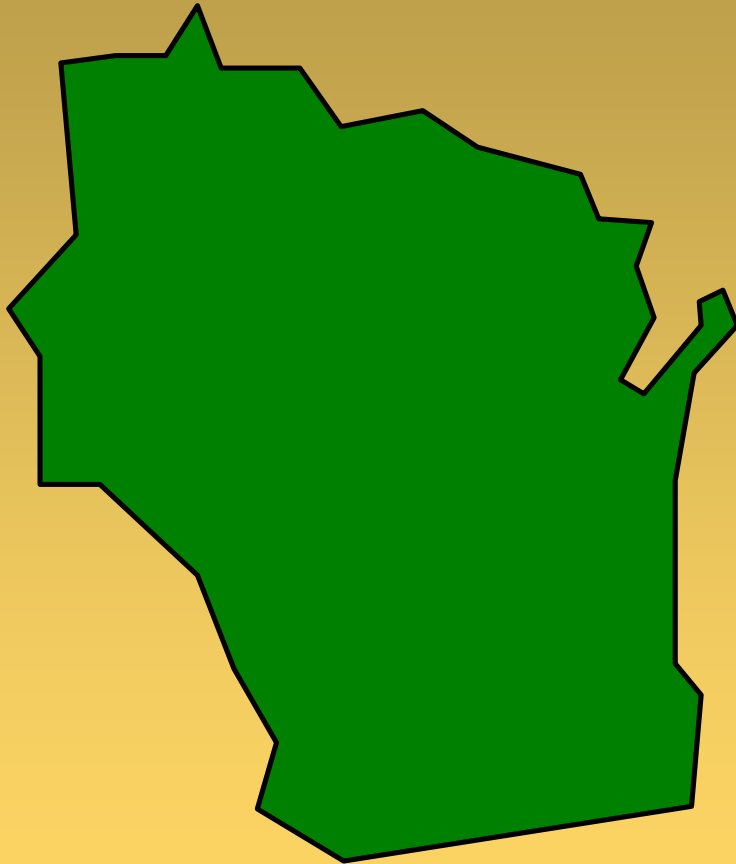


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# Wisconsin Update



- Effective 1/1/1999
- May Move to New Proposal
- May Move to 1/1/2000
- “A” Committee Action Important

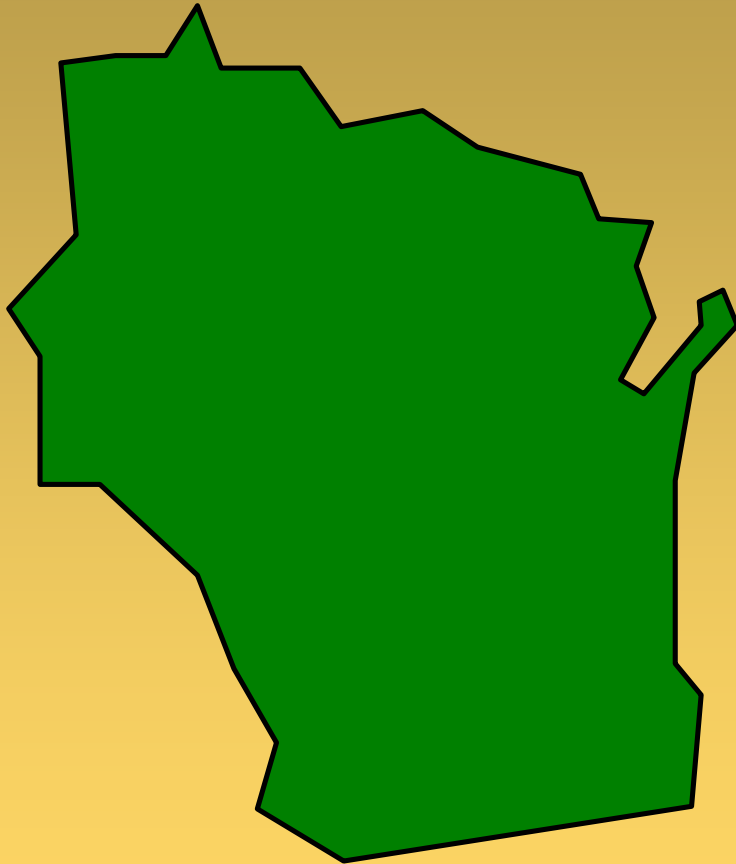


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# Wisconsin Myths



- ☞ Don't File Product in WI
- ☞ Withdraw from WI
- ☞ WI Cannot Affect Products Sold in Other States
- ☞ Long Guarantees Will Disappear

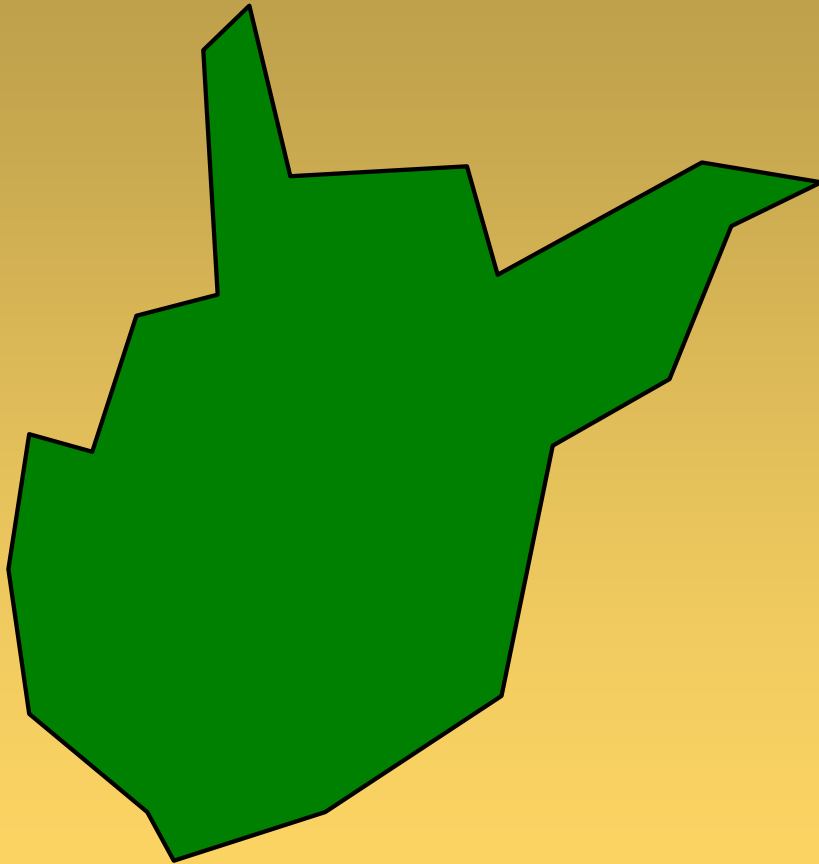


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# West Virginia Update



- ☞ Emergency Rule Repeals “XXX”
- ☞ Must be Repealed by Legislature Within 18 months
- ☞ Many Companies are Likely Impaired If Not Repealed



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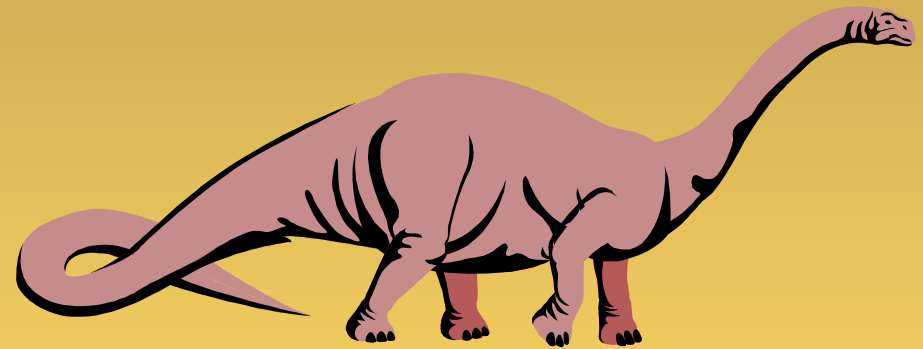
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# “AOMR” Update

- Proposal to Eliminate Section 7
- Would Permit Actuarial Opinion Based on “State of Domicile”
- Remaining Issue of Benchmark



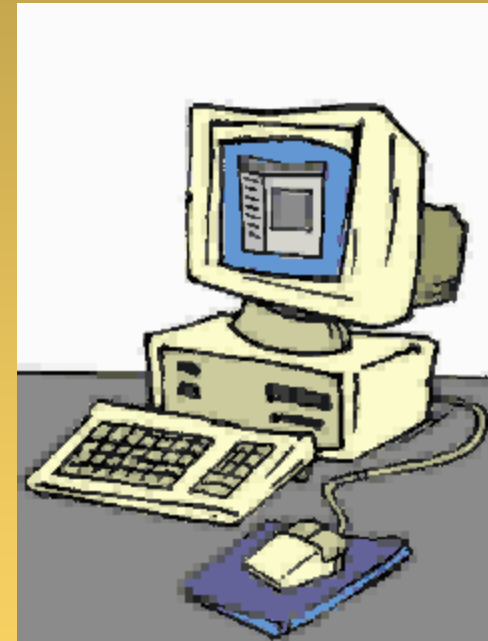
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# Eliminate Section 7

- All Companies Required to Opine Based on “Moderately Adverse”
- Regulation Silent on Requirements for Opinion
- New Actuarial Standards Would Address
- ASB to Consider Revising ASOP #7



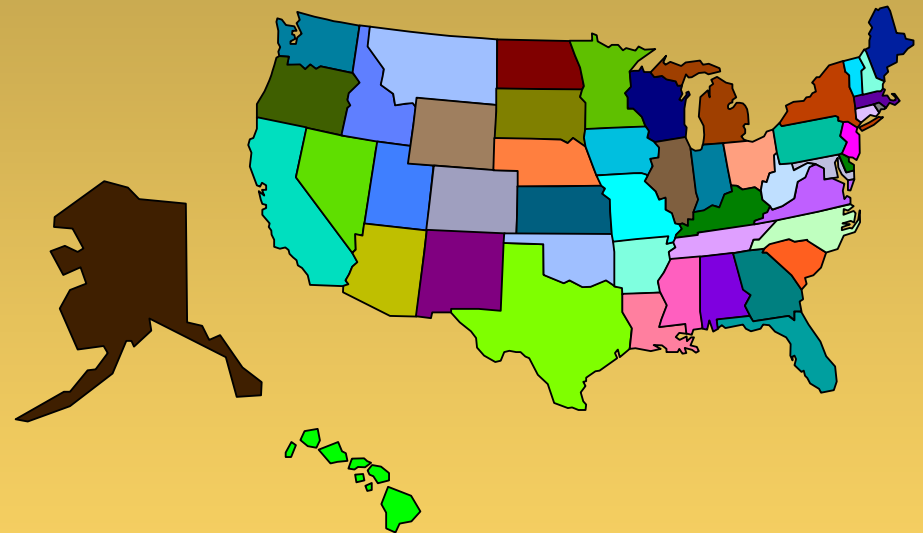
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# State of Domicile

- Opinion Based on “State of Domicile”
- Would Eliminate “XXX” Problems in Future
- Commissioner Can Still Require Opinion Based on “State Where Filed”



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# Benchmark

- ☞ Need Method to Determine When State Should Investigate
- ☞ Several Options Being Considered
- ☞ Less Focus If Section 7 is Eliminated



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# Upcoming Issues



- ☞ UVS
- ☞ Nonforfeiture
- ☞ Annuity Disclosure
- ☞ “ZZZ”
- ☞ “ZZZZ”
- ☞ “MNOP”



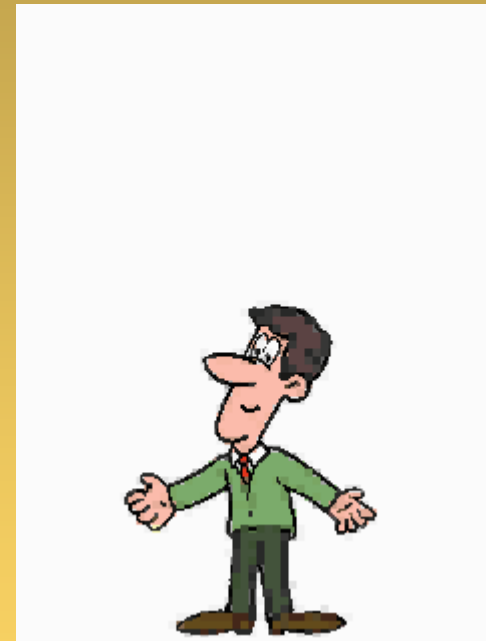
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# Keeping Involved

- Trade Associations
- Professional Organizations
- Trade Publications
- Meetings
- Committees

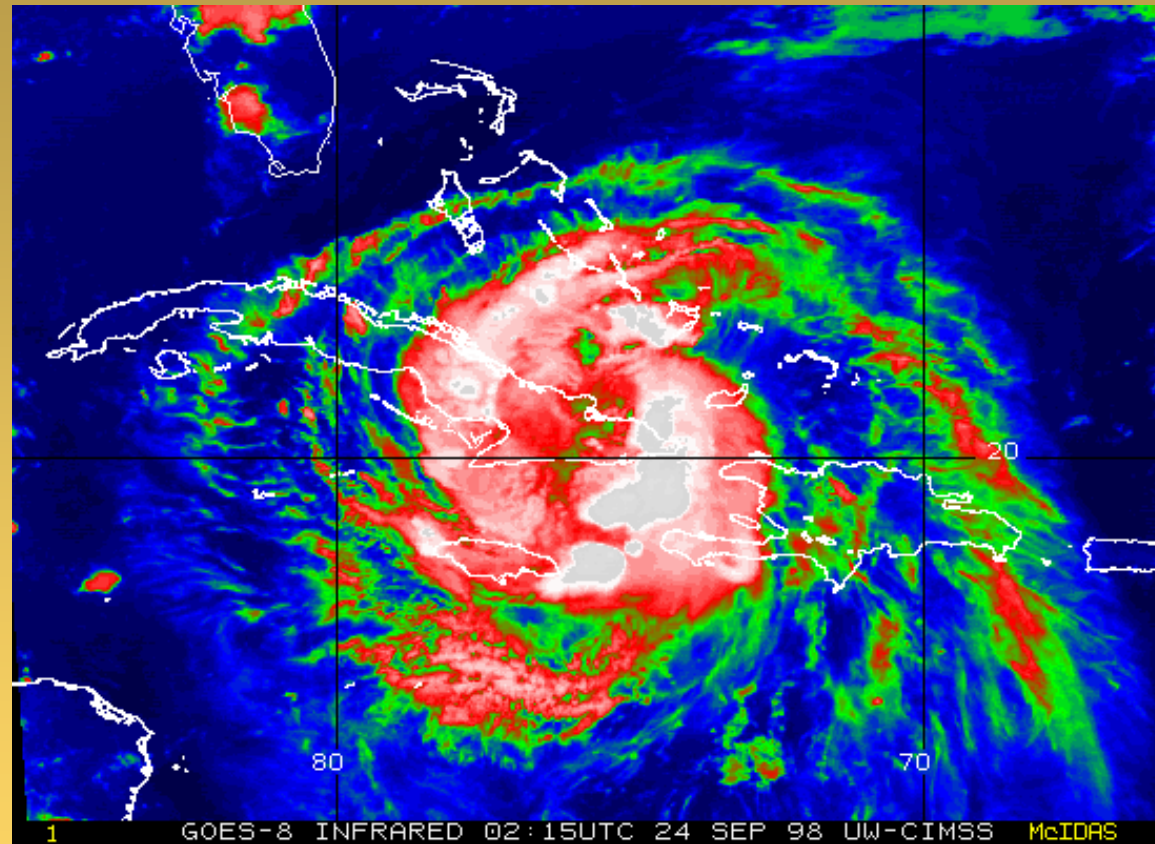


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# The End



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