



LHATF Interim meeting in Kansas City

AOMR draft finalized for Atlanta

AOMR Update

The Life & Health Actuarial (Technical) Task Force (LHATF) had a very productive meeting in Kansas City. A redline draft will be presented at the meeting in Atlanta for discussion. There were three ideas which were discussed in great detail during the last two days of the meeting.

State of Domicile vs. State of Filing. It was decided that companies would be given the option of filing one of three ways.

- A. The company may file an opinion that they meet the requirements set by their state of domicile.
- B. The Company may file an opinion that they meet the requirements set by their state of domicile with any additional information as required by the Commissioner of the state of filing.

C. The company may file an opinion that they meet the requirements set by the state of filing.

While the company may decide which method to use the Commissioner in the state of filing can reject an "A" or "B" filing and require the company to use the state of filing opinion "C".

Included in this draft will be the language for the State of Domicile vs. the State of Filing issue.

Reviewing Actuary. The purpose of the Reviewing Actuary is to review the work of the Appointed Actuary and to verify that the methodology used follows the accepted standards and practices. The Reviewing Actuary not to redo the work to check for accuracy.

Some issues will have to be finalized in Atlanta at the fall National Association of Insurance Commissioners (NAIC) meeting.

- 1. Who does the review?
 - a. Regulator's Actuary does the review for the regulator.
 - b. Independent Actuary does review for the regulator.
 - c. Independent Actuary does review for the company.

- 2. How detailed should the report be?
- 3. How do we resolve a difference between the Appointed and the Reviewing Actuary?
- 4. If the methodology used follows acceptable standards and practices can the Reviewing Actuary disagree with the methodology used?
- 5. What will be the requirements to be a Reviewing Actuary?

Mark Peavy (NAIC) and Tom Foley (Kansas) are working on these issues and will present the LHATF with recommendations so they may be discussed. If approved, these issues would be included in the redline draft.

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The Van Elsen Report

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Unified Valuation System. While this system which develops an "S Curve" seems to have some possibility, it was decided it would only be used for innovative products. The formula method would continue to be used for traditional products. There is still a lot of work needed before this system can serve as a viable option. Two issues stand out which will need to be discussed. If the UVS is found to be a reliable option:

1. Can a series of "S Curves" be used to do a viability analysis?
2. Could the UVS replace the formula method for traditional products in 4 or 5 years?

The UVS is not ready to approve at the fall meeting. The SOA will continue to work on the UVS while the LHATF works on how to implement the process.

Much of the credit for getting this redline draft ready for the fall meeting goes to Shirley Shao (Prudential) and Frank Dino (Florida). They resisted the urge to adjourn for the day and pushed forward through the 20 pages of corrections and suggestions to the draft to incorporate them into this redline draft.

Med Sup Issue Paper

A short discussion about the Medical Supplement Issue paper was held. The American Academy of Actuaries reported a claims study will be ready and presented in December at the winter meeting in San Francisco. The issue of banning attained age contracts was discussed and should be looked into as a possible future change. It will be added to the agenda for the fall meeting.

Med Sup Manual

The Health & Accident Working Group discussed the Medical Supplement compliance manual. The main issue discussed was policy conversion and if issue age policies should be allowed to be converted on an attained age basis.

The Group worked on some of the details to get the manual into a form which will be presented at the fall meeting in Atlanta.

LTC Model Reg

The first two days of this meeting were devoted to discussing the problems in the Long Term Care industry. The main issue discussed was rate adequacy and how to avoid companies filing for a rate increase.

These companies fall into two categories.

1. The companies which under price knowing they will file for a rate increase at some future date.
2. The companies which under estimated the utilization of the product due in part to the changing definition of long term care.

Another problem is long term care now including coverages other than nursing home care. These additions, such as assisted living facilities, are often overused as opposed to nursing home care which usually is looked on as a "last choice" option. Yet another issue is rate stability and the use of pooling. Should companies be allowed to increase rates on some unprofitable blocks of business and ignore other blocks of business which are profitable?

There are many questions to be answered before a viable long term care model regulation can be presented to the LHATF. In order to move the debate forward, a sub committee has been formed to write a paragraph on each section which would tie all the sections together. The volunteers were Tom Foley (Kansas), Julia Philips (Minnesota), and Frank Dino (Florida) who will try to have this document together for the fall meeting in Atlanta.

Father's Corner

Since Jim doesn't have anything to contribute about Sarah for this issue, I (Terry) am going to fill you in on my twins, Erin and Megan.

The summer was going along like you would expect any summer to unfold, softball, swimming, and church camp. Then I did something really stupid! The county fair is held in Colfax and one of the 4-H groups was raffling off a horse. A friend of ours was down there and asked if we were going to buy some tickets. He told us if you win you can keep it at my place. So I bought some. I gave them \$5 for 6 tickets, 3 tickets for each girl, as a donation. We live in town. What would we do with a horse? People were buying large numbers of tickets trying to win the horse.

Now most of you are actuaries, what are the chances of actually winning a horse in a raffle?

We won the horse! She is a 1 ½ year old, sorrel colored, registered paint, named "Badgers Joy." The girls are thrilled! They were at camp having breakfast the day of the drawing and Erin told Megan, "I feel lucky today!" I wish she had bought a lottery ticket!

Van Elsen Consulting

Van Elsen Consulting is an actuarial consulting firm. **James N. Van Elsen, FSA, MAAA** is the firm's owner and is responsible for the work completed. We specialize in product development and in serving the needs of smaller life insurance companies.

As you consider your product development needs in the future, consider the following:

What did your consulting firm do to help solve the impending disaster in the 1999 term market?

Van Elsen Consulting was the only consulting firm actively working to solve the XXX crisis.

How did your consulting firm advise you to prepare for the potential 1999 term crisis?

Van Elsen Consulting advised its clients to be ready with products on January 1, 1999 priced for XXX. To do otherwise is to risk being out of the term market completely in 1999.

What did your consulting firm advise you to do if XXX is effective on January 1, 1999?

Van Elsen Consulting advised its clients to reduce its guarantees to 5 years. Clients were specifically advised not to ignore the effect of Wisconsin. It is not sufficient to not market products in Wisconsin. To do so would be to risk the long-term solvency of the company.

As you consider your valuation actuary needs in the future, consider the following:

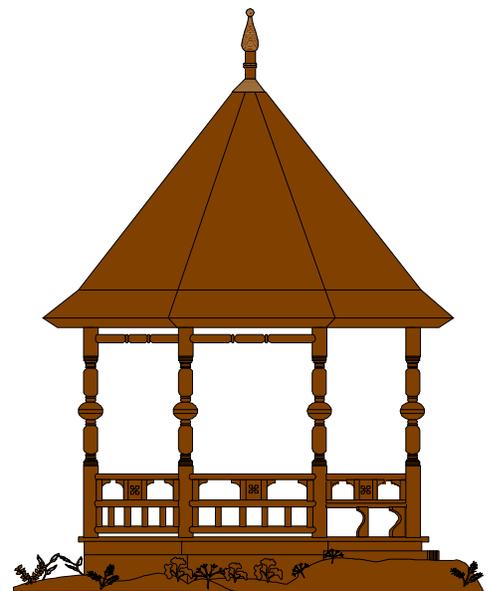
What is your consulting firm doing to help reduce the burden of valuation requirements for smaller companies?

Van Elsen Consulting is the only consulting firm fighting for more reasonableness in requirements for smaller companies. Many larger consulting firms have held that all life insurance companies should be subject to Section 8 opinions (Asset Adequacy Analysis), despite the cost or benefit to their clients.

As you consider your actuarial consulting needs in the future, consider the firm that works hard to reduce the cost of regulation for its clients.

Call Van Elsen Consulting!!!

James N. Van Elsen, FSA, MAAA
Lois Mast
Terry Hilker, LUTCF
Mike Staudacher
Jacob Flattery
Beth Ann Van Elsen
Sarah Ann Van Elsen



Annuity 2000 Update

 **States Expected to Have 1/1/2000 or Earlier Effective Date (25 States)**

- | | | | |
|-------------|------------|--------------|---------------|
| Alabama | Illinois | North Dakota | Utah |
| Alaska | Louisiana | Ohio | Virginia |
| Arkansas | Minnesota | Oklahoma | Washington |
| California | Nebraska | Oregon | West Virginia |
| Connecticut | Nevada | Pennsylvania | Wisconsin |
| Delaware | New Mexico | Rhode Island | |
| Florida | New York | | |

 **States Consideration Adoption (10 States & DC)**

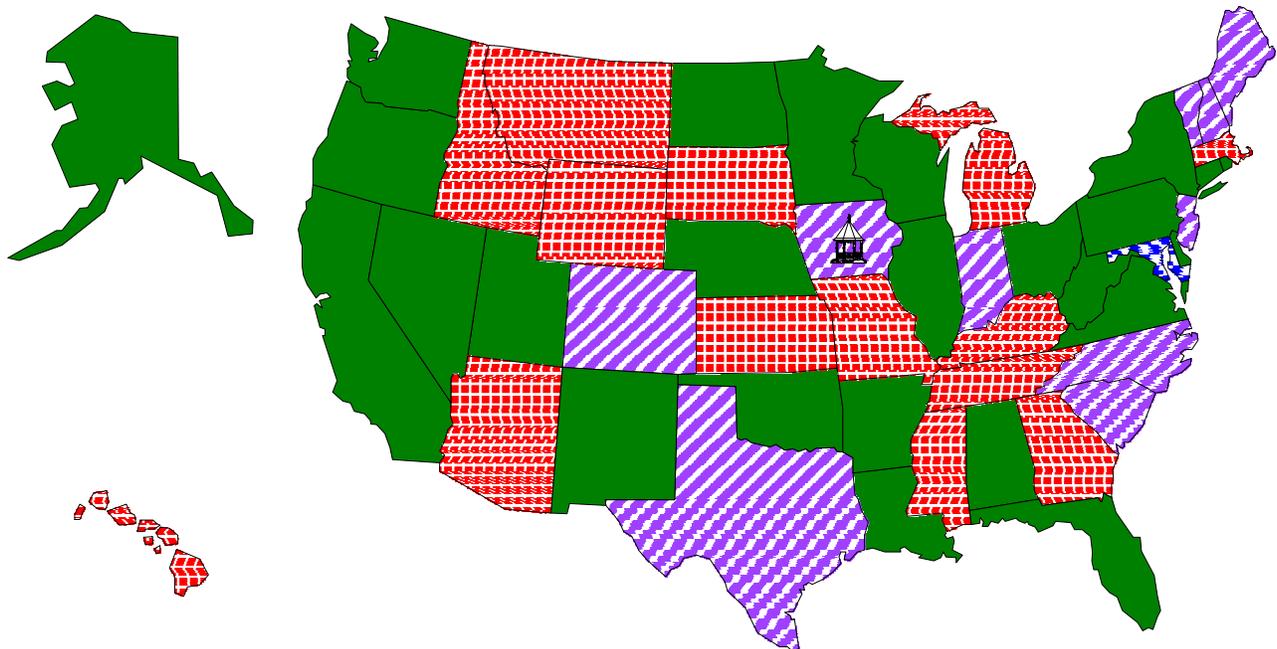
- | | | | |
|----------------------|---------------|----------------|---------|
| Colorado | Iowa | New Jersey | Texas |
| District of Columbia | Maine | North Carolina | Vermont |
| Indiana | New Hampshire | South Carolina | |

 **States Not Regulated (1 State)**

- Maryland

 **States Not Planning Action (14 States)**

- | | | | |
|---------|---------------|-------------|--------------|
| Arizona | Kansas | Mississippi | South Dakota |
| Georgia | Kentucky | Missouri | Tennessee |
| Hawaii | Massachusetts | Montana | Wyoming |
| Idaho | Michigan | | |



XXX Update

States Likely to Adopt XXX Effective 1/1/2000 (25 States)

Arizona	Kansas	New Mexico	Pennsylvania
Arkansas	Maine	New York	Texas
California	Minnesota	North Carolina	Utah
Colorado	Montana	North Dakota	Vermont
Illinois	Nebraska	Ohio	Virginia
Indiana	Nevada	Oklahoma	Wisconsin
Iowa			

States Under Active Review of XXX (12 States)

Alabama	Louisiana	Mississippi	Oregon
Connecticut	Maryland	Missouri	Rhode Island
Delaware	Michigan	New Jersey	West Virginia

States Without a Current Position on XXX (12 States & DC)

Alaska	Hawaii	Massachusetts	South Dakota
District of Columbia	Idaho	New Hampshire	Tennessee
Florida	Kentucky	South Carolina	Wyoming
Georgia			

States With Adverse Positions on XXX (1 State)

Washington Department making decision very soon as to direction to take. Options of action are 1) take no action, 2) move forward with NAIC model, 3) or move forward with the drafted version that does not contain the X factor.

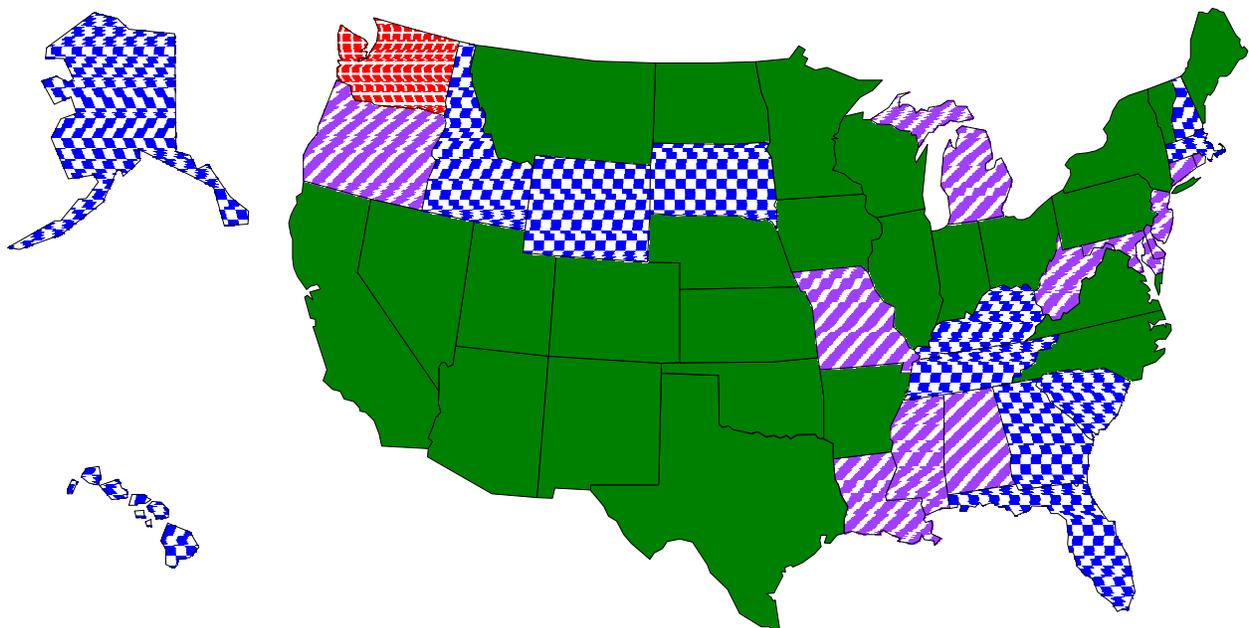


Illustration Regulation Update

States Expected to be Effective on Or Before 9/1/1999 (32 States)

- | | | | |
|-------------|-------------|----------------|----------------|
| Alabama | Kansas | New Jersey | Pennsylvania |
| Alaska | Louisiana | New Mexico | Rhode Island |
| California | Maryland | New York | South Carolina |
| Colorado | Michigan | North Carolina | South Dakota |
| Connecticut | Mississippi | North Dakota | Utah |
| Delaware | Missouri | Ohio | Vermont |
| Illinois | Nebraska | Oklahoma | Washington |
| Iowa | Nevada | Oregon | Wisconsin |

States Moving to Adopt (5 States)

- | | | | |
|---------|---------|---------------|-------|
| Indiana | Montana | New Hampshire | Texas |
| Maine | | | |

States On Hold (8 States & DC)

- | | | | |
|----------------------|---------------|-----------|----------|
| District of Columbia | Kentucky | Minnesota | Virginia |
| Florida | Massachusetts | Tennessee | Wyoming |
| Hawaii | | | |

States With No Plans To Adopt (5 States)

- | | | | |
|----------|---------|-------|---------------|
| Arizona | Georgia | Idaho | West Virginia |
| Arkansas | | | |

