

**LHATF – Standard Scenario Subgroup Conference Call**

On Monday, August 8<sup>th</sup>, the standard scenario subgroup of LHATF held a conference call to discuss alternatives to the seriatim requirement for the standard scenario for VA CARVM. The following states were represented: TX, AL, CT, KS, MN, NY, PA, IL, MO, NC, VA, and AR. Several interested parties also participated.

Mike Boerner (TX) led the call. He briefly reviewed the results of the Academy's Variable Annuity Reserve Work Group Analysis Subgroup June report. In the June report, the results for four alternatives to the seriatim requirement of the standard scenario were presented: two integrated approaches and two non-integrated approaches.

The integrated approaches layer on top of existing CARVM calculations. The present value of the largest accumulated loss is added to the guideline 33 greatest present values. The subgroup agreed that the integrated approach makes the calculations more difficult while offering little additional value. The results were not significantly different from the non-integrated approaches. The integrated approaches have been abandoned for now.

The non-integrated approaches received most of the discussion. The current standard scenario calculation is a non-integrated approach with no aggregation. The alternatives assume full aggregation and limited aggregation. The full aggregation approach was viewed to lower the standard scenario reserves too much. None of the subgroup members supported full aggregation. Limited aggregation assumes that individual gains are zeroed out for the first 5 projection years (but these gains are reflected in the results for the subsequent projection years). Some felt, that while there is no actuarial justification for limited aggregation, it could still be a viable approach.

Allen Elstein (CT) proposed that a percentage (e.g. 80%) be multiplied times the standard scenario amount to obtain the standard scenario reserve. This will lower the standard scenario amount to a more "practical" level without making the calculation significantly more difficult. This new "method" has been named the "applied percentage" approach.

After much discussion, it was agreed that both the limited aggregation and applied percentage approach would be presented to LHATF for discussion. Mark Peavy (LHATF) will accept comments on these two approaches until Monday August 15<sup>th</sup>. Mike Boerner (TX) will formalize the proposal and forward the information to LHATF by August 19<sup>th</sup> so that the information may be available for the fall NAIC meeting.

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