

LHATF – Standard Scenario Subgroup Conference Call

On Thursday, April 28th, the standard scenario subgroup of LHATF held a conference call. The following states were represented: TX, AK, CA, NY, PA, WV, District of Columbia, AL, IL, CT, FL, KS. Several interested parties were also represented.

Tom Campbell (Hartford Life) gave brief updates regarding the work of the analysis subgroup and the Variable Annuity Reserve Workgroup (VARWG).

Since March, the analysis subgroup has been focusing on adding assumptions for guaranteed withdrawal benefits (GWBs) to be used for calculating conditional tail expectation amounts (CTEs). The next step is to produce reports summarizing the results of the GWB work. This should happen prior to the June NAIC meeting. They are also working on assumptions that could be used with the standard scenario.

VARWG has produced some reports to show that the new calibration points and the most recent set of scenarios have reduced the gap between the sample CTE reserves and the reserves that are calculated using the standard scenario. Additionally, VARWG has proposed several alternatives to the seriatim calculation that is required by the standard scenario, including: aggregation, partial aggregation, and integration. All of the alternatives are aimed at reducing the standard scenario reserves. New York remains unimpressed.

New York would like to revise the existing standard scenario by changing the drop and recovery rates that are in the current draft. They developed their assumptions using the original version of the scenarios prior to the calibration adjustment. They feel it is necessary to modify their assumptions to match the new scenarios. Naturally, the standard scenario reserves go up with the new assumptions. Additionally, New York objected to the language in the current draft that calls for a comparison of the existing Guideline 33 reserves to the standard scenario reserve at an aggregate level. New York had intended for this comparison to be on a contract-by-contract basis. Again, this change would boost the standard scenario reserve.

LHATF will have a conference call April 29th to review these issues and get a more general update on the status of VA CARVM.

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