

## LRWG Report

LRWG has received several comments about the need for simplified approaches to PBA. Today LRWG offered possible frameworks for solutions and asked for guidance from LHATF.

The comments raised concerns about complexity and costs related to:

- The process by which to justify not doing stochastic testing,
- The independent review,
- Experience reporting requirements, and
- Small companies in general.

LRWG presented these general frameworks to solve those concerns:

- A phase in, starting with the most complex products,
- An “opt in”, whereby the actuary would issue an opinion describing each product and whether the corresponding reserves may be formulaic or must be stochastic; the actuary would have to support his opinion with scenario tests or some such demonstration, and
- An exclusion for stochastic testing on some products based upon the results of prescribed scenarios, but not applicable to products with risks such as significant asset/liability mismatches, equity-based assets or lapse-supported pricing.

The devil being in the details, LHATF did not accept or reject any option. LHATF members are leery of blanket exemptions for products, since any product can be made risky through design or mismanagement. The ACLI would support a phase-in, but did not reject the other alternatives. This discussion will continue at the March meeting.

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9 February 2007

