

**PBR: Use of Company-Generated Scenarios**

On this call the Academy tried to persuade LHATF that the optional use of company-generated scenarios with calibration criteria set by regulators is appropriate and necessary for the optimal results under PBR, citing these reasons:

- Ties directly to company investment and risk management,
- Captures company-specific risks effectively,
- Minimizes chances of misstatement of material risks,
- Provides a direct way to recognize hedging programs, and
- Addresses the use of less common types of indices and funds.

Regulators were leery of moving away from prescribed scenarios, countering with these arguments in favor of the latter:

- Helps auditing,
- Improves consistency between companies,
- Aids transparency in financial statements, and
- Removes fears of “black box” results.

The call ended with regulators not changing their position, but leaving the door open to industry to show that company-generated scenarios can overcome the objections.

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