

## PBR Life Subgroup

This call covered some major issues related to PBR, and although the subgroup reached no firm conclusions on most issues, the discussion highlighted important regulatory concerns.

### CTE level

- NY prefers CTE 80, will settle for CTE 70, but insists that CTE 65 is too low. The ACLI fears that CTE 70 is too conservative, and should not be done without an analysis of the effect.
- The group leans toward having one CTE level for all products, but has not ruled out varying the level by product.

### Aggregation

- NY definitely does not want aggregation across major product lines.
- The primary fear of regulators seems to be that aggregation could have adverse effects if a company divests a profitable block and must then increase reserves significantly on the residual blocks.
- ACLI replied that companies would take those effects into consideration when considering the sale of any blocks.

### Stochastic Exclusion Test

The subgroup has accepted the Academy's recommendation of 4% as the pass/fail threshold for the 16 deterministic scenarios that a company could use to prove that stochastic testing is not necessary for selected blocks.

### Policyholder behavior assumptions

- The issue is how to determine these assumptions when relevant and credible data do not exist.
- NY favors prescribed assumptions for risky products such as UL with secondary guarantees.
- Industry strongly opposed this position.

### Revenue sharing

The subgroup leans towards following whatever approach comes out of VACARVM, although industry observed that it is also a significant issue for variable universal life.

### Deterministic scenario economic assumptions

- This relates to the method of prescribing yield curves, S&P returns, and fund performance.
- NY recommended equity returns of 3% per year.
- Industry opined that 3% is too conservative for variable life.



The underlying theme of all the issues above is the level of conservatism needed. ACLI remarked that it would not be a good thing if PBR produces reserve levels above current formula-based reserves.

This subgroup has no calls scheduled before the next meeting in September, but it might add one in the interim.

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