PBR Economic Scenarios Subgroup

This call picked up from where LHATF had left the topic at the Washington meeting, which was that NY had reservations about the interest scenario generator.

The current thinking of the group is that it will prescribe an interest scenario generator keying off recent Treasury rate data. As a result, all companies will use the same interest scenarios.

NY reiterated its concern about the potential for not having enough "go low and stay low" scenarios, and suggested that the group consider splitting the generator into two parts, one emphasizing low interest scenarios and the other one high interest scenarios. Which one to use would then depend somehow upon the adverse impacts for a given product from either low or high interest scenarios.

Regulators generally had few qualms, but industry objected:

- It adds a level of conservatism above and beyond the existing CTE70 requirement,
- It penalizes companies with diversified portfolios of products,

Nevertheless, NY seemed unwilling to budge. This subgroup will continue the discussion on November 3.

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