

## **PBR Aggregation**

The Academy and NY revisited their respective arguments, pro and con, for aggregation.

The Academy proposed that companies be allowed to aggregate different product types to take advantage of inherent risk offsets. NY counter-proposed a mandate that specified blocks of business be modeled on a “stand-alone” basis.

The Academy opposed NY’s mandate because:

- It does not reflect properly the impact of risks,
- It eliminates any benefits of risk diversification that exist between products, and
- It is addressed adequately by disclosure requirements.

NY advocated its proposal because some blocks of business do not have natural risk offsets, and it makes auditing and review more effective.

After a lengthy discussion, LHATF compromised by allowing aggregation in computing reserves, but requiring disclosure of the effects had companies used a full “stand-alone” approach.

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