

## **PBR Scenarios Subgroup**

The purpose of this call was to choose a scenario generating method to recommend to LHATF from these three choices under consideration:

- The Academy's generator with its recommended Mean Reversion Parameter (MRP) that is based 50% on historical rates and 50% on a 3-year moving average,
- The Academy's generator, but with half of the scenarios generated with a relatively high MRP and half with a relatively low MRP, or
- The Academy's generator with an MRP weighted toward current rates, such as 50% 3-year, 30% 10-year, and 20% historical.

There was much discussion of the current low interest environment, but ACLI urged the subgroup not to devise a solution that works now, but then causes problems when interest rates are high.

NY favored the second option, reflecting its concern that otherwise there will not necessarily be a good mix of high interest scenarios and low interest scenarios.

ACLI was quite cool to the second option, indicating a preference for the first option.

The three non-NY subgroup members chose the third option, which the subgroup thus will recommend to LHATF.

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