

## PBR Net Premium Reserves

The ACLI presented its draft of Net Premium Reserves for scheduled premium policies. It expects to complete the flexible premium draft in a few weeks.

The draft modifies VM-20 in the following ways (sections have been renumbered with the addition of new Section 3):

- Adds relevant definitions in Section 1,
- Modifies Section 2, defining the minimum reserve as the Net Premium Reserve plus the excess of the deterministic reserves or the stochastic reserves as appropriate,
- Adds a new Section 3 defining the standards for the Net Premium Reserves,
- Defines the stochastic exclusion test, the deterministic exclusion test, and the order in which they must be performed, in Section 4,
- Adds a drafting note in Section 5 about possible amortization of excess margins, and
- Eliminates the concept of “modified deterministic reserve”, which applies to policies excluded from stochastic testing, in Section 6 (since the Net Premium Reserve will apply to all policies).

NY is not willing to eliminate the deterministic reserve, and thus objected to the deterministic exclusion test.

Other states did not want to expose the changes to Sections 4, 5, and 6 – not because they disagree with them but because they had not had time to consider them.

As a consequence, LHATF voted to expose for comments only Section 2, Section 3, and the definition of Net Premium Reserves in Section 1.

VM-20 is on the LHATF call schedule almost every Thursday through March 4.

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