

**GRET; AG 38**

After concerns expressed by some members, LHATF exposed for comments the two disparate items cited.

1) The SOA developed GRET factors for 2011, which are expenses for use with the Illustration Regulation as an alternative to a company's own expenses. Two noteworthy items of that development are:

- SOA assigned a company to one of 8 distribution channels based on its predominant marketing type, even if that company had multiple channels.
- SOA limited changes from 2010 to 2011 in all categories to a range of  $\pm 10\%$ .

NY was not enamored of either item, recommending that for future years companies be split among all their channels if possible, and also noting that Branch Office would have risen a significant 40% if the change limit did not exist. (However, Direct Marketing and Brokerage would have declined by 23% and 30%, respectively.)

2) Because of likely delays in PBR, ACLI proposed extending the use of lapse rates for UL in AG 38. If not extended, their use would expire for issues after 2010. ACLI did not specify a "sunset" date so that the guideline would not have to be updated if PBR gets pushed back farther.

The goal is to get both items to the (A) Committee at the August NAIC meeting.

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