

## **PBR Life Subgroup**

The subgroup discussed proposed amendments to VM-20 covering aggregation, retained profits, lapse assumptions for UL with secondary guarantees, and non-guaranteed elements (NGE). The subgroup passed the UL lapse amendment and took no final action on the others. Since this is the last LHATF call before the NAIC meeting this month, discussion on those will continue in Denver. Details on all four proposals follow.

### **Aggregation**

NY fears that companies can define subgroups for aggregation such that the resulting aggregate comparison of stochastic and deterministic reserves masks a relatively risky subgroup. NY would thus require comparison of stochastic and deterministic reserves for each subgroup and then summation of results over the aggregate group.

ACLI countered that it is unlikely to happen unless either (a) base deterministic assumptions are not standard, or (b) deterministic reserve requirements are too strict.

NY agreed to redraft the requirement and move it from VM-20 to VM-31 (Reporting and Documentation Requirements), so now it becomes akin to a disclosure item, depending on what the redraft states.

### **Retained Profits**

NY cited the potential for stochastic scenarios to produce early profits and unfavorable results afterwards. To fix that, NY proposed that cash flow models reflect some portion of interim profits being released consistent with company practice.

ACLI observed that it complicates the projection process and in essence forces companies to reserve for future dividends to stockholders.

The motion to accept the proposal died for lack of a second.

### **Lapses on UL with SG**

NY wants to avoid companies' assuming inefficient policyholder behavior when experience is not available, and thus would require companies to relate UL lapses to the CIA's Term-to-100 study. This motion passed with no opposition.

### **NGE**

ACLI proposed excluding any portion of NGEs from modeling if (a) they do not arise from some aspect of the policy's experience, and (b) if authorized by the Board of Directors (including the amounts so determined). NY was somewhat sympathetic to the proposal, but time ran out; thus discussion will continue in Denver.

Donald P. Maves, FSA, MAAA

8 March 2010

---

To view past LHATF conference call and meeting notes, visit [www.polysystems.com](http://www.polysystems.com)

---