

## Life and Health Actuarial Task Force Amendment Proposal Form\*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Dave Neve, chair, American Academy of Actuaries Life Reserves Work Group  
Clarify the requirements to be met for implementing scenario reduction techniques.

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

3/25/10 VM-20 Exposure Draft

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See attached.

4. State the reason for the proposed amendment? (You may do this through an attachment.)

Clarification and separation of

- (1) what the definition of a scenario reduction technique is, and  
(2) the general requirements needed to be followed for implementing scenario reduction techniques.
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\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

| Dates: Received | Reviewed by Staff | Distributed | Considered |
|-----------------|-------------------|-------------|------------|
|                 |                   |             |            |
| <b>Notes:</b>   |                   |             |            |
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**Make Section 7.G.2.d a part of Section 7.G.2.e**

- d. A scenario reduction technique is a methodology that derives a reduced set of economic scenarios from a larger set while maintaining the characteristics and robustness of the larger set.

Scenario reduction techniques may be considered acceptable as long as:

- i. the larger set of scenarios is produced by the generator prescribed by the NAIC;
- ii. the scenario reserves of a representative subset of policies, run using the reduced scenario set, are consistent with the scenario reserves of the same subset of policies, run using the larger scenario set; and
- iii. in the actuary's judgment, use of the full set of scenarios would not result in a materially different reserve.

**Deleted:** The company shall use a large enough number of scenarios such that using a broader or more robust range of additional scenarios does not materially understate the minimum reserve.

e. Scenario reduction techniques

- i. A scenario reduction technique is a methodology that derives a reduced set of economic scenarios from a larger set while maintaining the characteristics and robustness of the larger set.
- ii. Scenario reduction techniques may be considered acceptable as long as the larger set of scenarios is produced by the generator prescribed by the NAIC and as long as the scenario reserves of a representative subset of policies, run using the reduced scenario set, are materially consistent with the scenario reserves of the same subset of policies, run using the larger scenario set.