

Principle-Based Reserves (PBR) Resources from the Life Practice Council of the American Academy of Actuaries



AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

Donna Claire, MAAA, FSA, CERA

Academy Involvement in PBR

- The Academy's Life Practice Council has been working with regulators to replace the formula-based system for years
- Hundreds of volunteers on all aspects of PBR



PBR Page on Academy Website

- Go to actuary.org and click on Principle-based Reserving (navigation bar on right)



OR

- www.actuary.org/content/pbr-practice
- Page includes a PBR Toolkit



Academy PBR Toolkit

ACADEMY PBR TOOLKIT

- [Model Governance Checklist](#)
- [Model Governance Practice Note](#)
- [Life Principle-Based Reserves Under VM-20](#)
- [Principle-Based Reserves for Life Products](#)
- [Economic Scenario Generators](#)

ACADEMY COMMENTS ON PBR

- [Life Insurance Issues \(VM-20\)](#)
- [Variable Annuity Issues \(VM-21\)](#)
- [Fixed Annuity Issues \(VM-22\)](#)
- [Long-Term Care Issues \(VM-25\)](#)
- [RBC Requirements Under PBR](#)
- Read [reports](#) from Life Practice Council groups to the NAIC on the principle-based project.

NAIC RESOURCES

- [Valuation Manual](#), adopted August 2017
- [SVL Model Law](#)
- [NAIC Impact Study of VM-20 on PBR for Life Insurance](#)
- [Life Actuarial \(A\) Task Force of the NAIC](#)

ACADEMY PUBLICATIONS ON PBR

- [SVL Legislation in Brief](#)
- [PBA Perspectives](#)
- [PBR Essential Elements](#)



Academy PBR Toolkit (cont.)

PBR PRACTICE NOTES

[Life Principle-Based Reserves Under VM-20](#) (May 2017)

[Model Governance](#) (April 2017)

[More Practice Notes](#)

PBR-RELEVANT ASOPS

[Principle-Based Reserves for Life Products](#)



Actuarial Standard of Practice No. 52

- ASOP No. 52 – *Principle-Based Reserves for Life Products under the NAIC Valuation Manual* – has been released
- The standard is effective for valuation dates on or after Dec. 31, 2017 - Both company and regulatory actuaries need to comply
- Necessary to provide guidance for compliance with the Standard Valuation Law (SVL) because more reliance will be placed on the actuary in determining PBRs



Actuarial Standard of Practice No. 52 (cont.)

- Scope includes actuaries performing actuarial services in connection with the calculation or review of reserves subject to VM-20
- Includes guidance on cash flow models, assumptions, margins, and other aspects of PBR for life insurance



Assumptions Governance Resource Manual

- Resource with examples of inforce update process
 - ▣ Example roadmap for updating valuation assumptions
 - ▣ Step-by-step considerations
- Focus
 - ▣ Assumptions governance
 - ▣ Controls and review
 - ▣ Non-mortality assumptions
- Examples and case studies
 - ▣ Margin examples
 - ▣ Credibility examples
 - ▣ Decision points
- Expected release in mid-2018



Practice Note on PBR Projections

- New group
- Ben Slutsker chairs
- The goal is to come up with a practice note on modeling issues within PBR – e.g., the fact that one uses stochastic within stochastic to determine reserves
- Will be of interest to those with experience in the life and annuities, pricing/product development, reserving and/or capital areas and to modelers



PBR Boot Camps

- 2½ days of intensive review of PBR
- Planning next one in early 2019 unless there is enough interest expressed to do one in fall of 2018



Question

- Anything else the Academy can do to help with PBR?

