

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



AMERICAN ACADEMY of ACTUARIES

*Objective. Independent. Effective.™*

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# 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](http://actuary.org) and click on Principle-based Reserving (navigation bar on right)



OR

- [www.actuary.org/content/pbr-practice](http://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](#)

## PBR QUALIFICATION STANDARDS

[Qualification Standards Response on PBR](#)



# Minimum Requirements for Qualifications for Issuing an SAO Related to PBR

- Question answered by Academy's Committee on Qualifications (FAQ 49):
  1. Must meet Basic Education and Experience Requirements in primary area of practice in which the actuary intends to provide an SAO.
  2. This includes familiarity with Law, which includes statutes, regulations, judicial decisions applicable to PBR SAOs.
  3. USQS Section 4.3: For emerging areas of practice, can satisfy CE requirements by maintaining knowledge of applicable standards of practice, actuarial concepts and techniques relevant to the topic of the SAO.
  4. USQS Section 3.3: If signing Annual Statement opinion, must satisfy CE requirement, including CE on PBR valuation law.
  5. USQS #2: Must remain current in relevant, emerging advancements in actuarial practice and science relevant to the actuarial services provided.



# PBR Boot Camps

- 2½ days of intensive review of PBR
- May have Boot Camp this fall for regulators
- Planning next one in early 2019



# 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
- Is in peer review: goal is to have it out in time for PBR valuations starting with year-end data



# Update to VM-20 Practice Note

- Incorporates changes to VM since Practice Note last released (May 2017)
- Goal is to have it available this fall



# Question

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



# Contact

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