



SOCIETY OF
ACTUARIES®

ValAct

2025 SOA VALUATION
ACTUARY MEETING

YRT Reinsurance Treatment Under PBR/VM-20

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August 19, 2025

SOA Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants. The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

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- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

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Presentation Disclaimer

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About the Academy



Mission:

To serve the public and the U.S. actuarial profession



Community:

Serving over 20K MAAs & public stakeholders for 60 years



Standards:

Setting qualification, practice, and professionalism standards



Impact:

Delivering over 300 insight-driven publications & resources annually

Topics

- YRT Contracts
- VM-20 Requirements
- Qualified Actuary Considerations (Judgement)
- Modeling Approaches

PBR & Reinsurance

- VM20-8.A.3: *A company shall include a reinsurance agreement or amendment in calculating the minimum reserve if, under the terms of the AP&P Manual, the agreement or amendment qualifies for credit for reinsurance*
- This applies to all types of reinsurance

Know your Treaty!

YRT Reinsurance in VM-20



VM-20 YRT Reinsurance Treatment

- NPR YRT reserve/reserve credit = $\frac{1}{2}$ cx regardless of guarantee
- Non-guaranteed YRT
 - Reserve/Reserve credit is NPR = $\frac{1}{2}$ cx
 - No modeling – DR and SR = $\frac{1}{2}$ cx
 - Applies to both cedant and assuming company
- Guaranteed YRT
 - DR/SR – model treaty provisions
 - No judgment required related to future YRT rates
- Partially Guaranteed YRT
 - Not contemplated by VM-20
 - VM-20 Section 8 requires professional judgment

Yearly Renewable Term (YRT) Reinsurance Contracts



Examples of YRT Reinsurance Guarantee Designs

- Fully Guaranteed – all years
- Specific period guarantee
- Guarantee for level term period
- Option for rate change triggered by
 - External event
 - Cedant policy actions
 - Assuming company experience with Most Favored Nation protection
- Guarantee unless cedant mortality deteriorates by [X]
- Non-guaranteed YRT (guarantee for single year only)



Trigger Options when Partially Guaranteed

- Audience participation encouraged

Actuarial Judgement

Actuarial Judgement Required for DR/SR Modeling

- Fully guaranteed YRT rates—no judgement required on rates
- Fully non-guaranteed—no judgement required
- Partial or guarantees with limits—needs actuarial professional judgement
 - Modeling treatment as fully guaranteed or non-fully guaranteed may not be appropriate



Qualified Actuary Considerations

- What would trigger an increase?
- Can the model handle this trigger?
- How likely is an increase?

Professionalism

- [ASOP 7](#) – Cash Flow Analysis
- [ASOP 11](#) – Reinsurance Cash Flows
- [ASOP 22](#) – Asset Adequacy Analysis
- [ASOP 41](#) – Actuarial Communications
- [ASOP 52](#) – VM-20 Compliance

Modeling Approaches and Actuarial Judgment



Modeling Practicalities

- Can the rate increase trigger be modeled? Or is an approximation acceptable?
- Alternatives to including rate increase in model

Questions?

For more information, please contact Amanda Barry-Moilanen
(barrymoilanen@actuary.org)

- Add Evaluation link



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Acronyms that may be Used in this Presentation

- AAT – Asset Adequacy Testing
- ASOP – Actuarial Standard of Practice
- CSO – Commissioners' Standard Ordinary (mortality table)
- CSV – Cash Surrender Value
- DR- Deterministic Reserve
- HMI/FMI – Historical and Future Mortality Improvement
- IMR – Interest Maintenance Reserve
- LTC – Long-Term Care
- NAIC – National Association of Insurance Commissioners
- NPR – Net Premium Reserve
- PBR – Principle-Based Reserves
- RBC – Risk-Based Capital
- SR – Stochastic Reserve
- YRT – Yearly Renewable Term (reinsurance)