ARWG Next Phase in Fixed Annuity PBR

American Academy of Actuaries Annuity Reserves Work Group (ARWG)
NAIC Life Actuarial Task Force—Summer 2019

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ARWG’s Next Phase

- **ARWG Status Update**
  - Thought leadership and progress toward principle-based reserving (PBR) framework for non-variable annuities
  - Internal ARWG discussions to develop methodology

- **Transition**
  - Ben Slutsker to chair ARWG with John Miller continuing to lead as vice chair
  - Use transition as opportunity to align members within the ARWG and interested parties across key aspects of framework
  - Identify necessary steps to get to adoption of a PBR framework
  - Provide transparency of mission/objectives both within Academy and to outside parties
  - Focus on development of fixed annuity PBR methodology and design proposal
Began expressing desire for non-variable PBR-type framework starting 2009-2012
The Representative Scenario Method (RSM) was pursued 2013-2015
Pursued initial development of PBR reserve while VAIWG revised VM-21 over 2016-2019
Clarification of scope/key framework aspects will be the focus before continuing in 2020
Next Steps

- **Reaffirm Objective – Short Term (Fall 2019)**
  - Transparency of PBR need, objective, group vision
  - Develop Group “Manifesto” with vision/objectives
  - Modeling Effort: Sample calculation in targeted economic scenarios

- **Create Framework – Medium Term (Spring and Summer 2020)**
  - Map out potential process for advancing proposal
  - Clarify key concepts of proposal:
    - Scope of products, exclusion test, aggregation, hedge modeling, asset methodology
  - Model product designs or consider field test
  - Seek LATF blessing over fixed annuity PBR framework

- **Drafting Phase – Long Term (Fall 2020+)**
  - Support VM drafting effort with comments and input
  - Target adoption: 1/1/2022
Questions?

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