

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

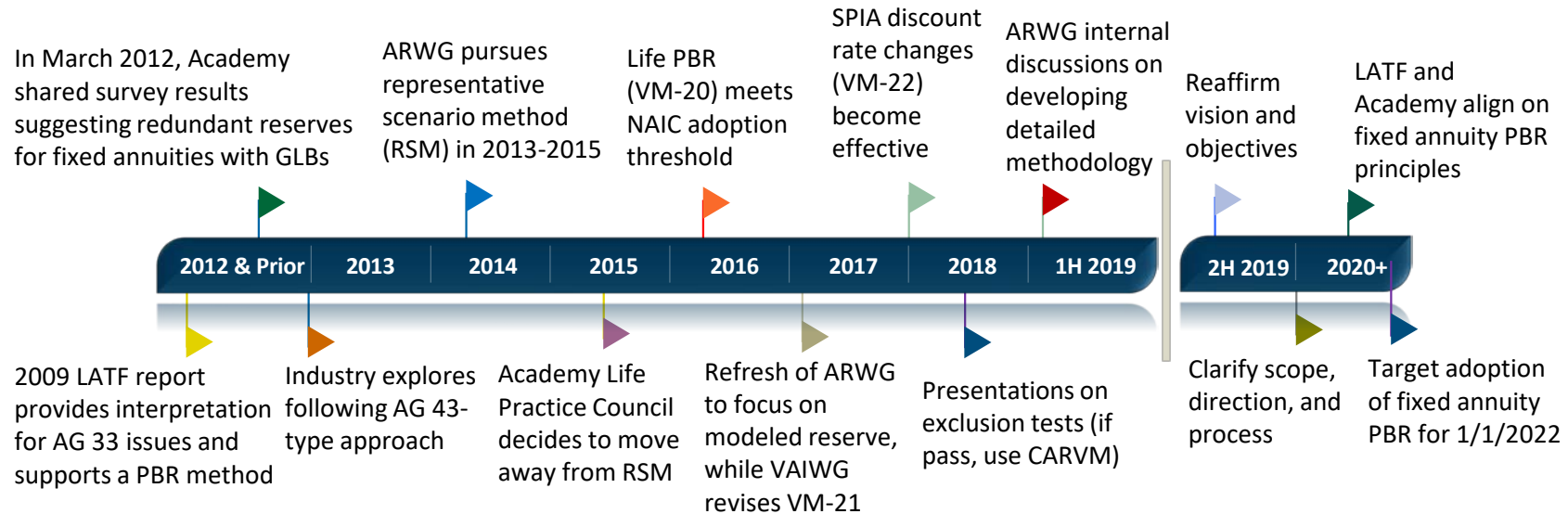


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From Dawn to Drafting: History of ARWG



- 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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