Due Premiums and PBR in VM-20

The Life Reserves Work Group submitted a revised amendment proposal on Feb. 5 to the Life Actuarial Task Force of the National Association of Insurance Commissioners regarding treatment of due premiums in the VM-20 reserve calculation. The current draft of VM-20 is silent on the topic. In its proposal, the work group suggests treating due premiums like deferred premiums when determining the adjustment for the deferred premium asset. The work group also urges that due premiums be included in the expected future cash flows when calculating deterministic and stochastic reserves.

On Feb. 24, the Life Principle-based Approach Practice Note Work Group released a draft practice note to assist actuaries with the implementation for principle-based reserves (PBR) under VM-20. The practice note details anticipated practice for calculating minimum valuation standard statutory reserves under VM-20 for life insurance products. Since the principle-based approach for life reserves is still pending adoption in the states, the practice note wasn’t developed using a survey of current actuarial practices.

Moving Beyond Solvency to Sustainability

By Tom Terry

I’ve had lots of conversations this year about the role of the Academy. What issues are on our plate? What can we expect going forward? These are good questions, and I’d like to share my thoughts on them with all of you.

For starters, I encourage you to take a look at the Academy’s 2014 priorities in the January issue of the Update. We take seriously our mission to serve the public and the U.S. actuarial profession, and those priorities provide a good snapshot of how we intend to do that this year.

But there’s a broader context that we need to bring into focus. The Academy will soon be celebrating its 50th anniversary as the national association for U.S. practicing actuaries. The demands on us as an association and as a profession are intensifying. Virtually all of our nation’s large, public financial security systems are feeling unprecedented financial and demographic stress and uncertainty. These systems all are in some way reliant on actuarial science. And while solvent financial security systems are essential, that’s not enough. Successful systems also need to be sustainable over time. And so the public looks to us expectantly.

As the Academy, we have institutionalized the collective professional experience and wisdom of tens of thousands of seasoned professionals over the past 50 years. Our legacy of volunteer involvement is strong and growing.

What sets our profession apart—not by happenstance but by design—is that at the core, we take on challenging problems. Individually, in our day jobs, we are professionals who have earned the trust of our employers and clients to conduct challenging work with an orientation toward quality and reliability. And collectively, as the Academy, we address challenges that loom larger than what any individual can presume to influence.

This is why the Academy is able to sharpen its focus on sustainability. We have embedded professional objectivity into our culture and all of our processes. It’s a notable distinction that’s fundamental as we step forward to address the problems of the country’s large public financial security systems.

We are an Academy that represents the best of our profession. We will need to tap that long and strong volunteer legacy and meld it with our members’ diverse views as we apply ourselves to these challenges.

There’s much at stake. The public expects more of us, and we must do the same.

True: The Academy’s work always has provided invaluable public good by objectively illuminating public policy alternatives. Also true: The need today is even greater; the equation even bigger. And today’s equation must feature sustainability.

As actuaries, we can’t help but dissect and opine on the many meanings of such a concept. But we can’t let that slow us down. At least for now, let’s agree to use “sustainability” simply as a call to action. How do we answer the call? We use our collective wisdom to infuse into our work—as individuals and as a profession—a heightened focus on sustainability as a means of fulfilling our public interest responsibility.

Tom Terry is the Academy’s president.