

LIFE ISSUES

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Practice Note on Financial Solvency Examinations, Including Considerations for Principle-Based Reserves, Released for Exposure

The Academy's Principle-Based Reserve Review Procedures Work Group has released an [exposure draft](#) for 90 days of a new practice note on common practices for financial solvency examinations, including considerations for principle-based reserves.

The practice note, *Common Practices of Examining Actuaries Involved in Statutory Financial Solvency Examinations of Life and Health Insurers, Including Considerations for Principle-Based Reserves*, is intended to provide an outline of how actuaries approach undergoing risk-focused examinations. The approach described in this note is based on scenarios including in which the examining actuary is an integral member of the examination team. There are circumstances where actuaries are employed or retained for examinations and only provide limited-scope technical expertise. In such circumstances, the actuary is usually expected to provide the documentation and information as required in a scope of services agreement.

The practice note is designed to provide practical insight into the various phases of a financial solvency examination. Principle-based reserving (PBR) is established on a risk-focused approach and the actuary's examination processes under PBR is expected to dovetail with the risk-focused examination methods presented in the National Association of Insurance Commissioners' (NAIC's) Financial Condition Examiners Handbook. A basic understanding of the risk-focused examination approach related to actuarial services can help actuaries fulfill their roles in an examination.

The deadline for comments on the exposure draft is July 1, 2019.

If you have any questions regarding this *Academy Alert*, please contact Ian Trepanier, life policy analyst (trepanier@actuary.org; 202-785-7880).

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