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# Chairperson's Corner

By Kelly Rabin

## SPRING FORWARD INTO PBR

I spend a lot of time thinking about PBR lately; to the dismay of my Facebook friends, I don't usually mean Professional Bull Riders or Pabst Blue Ribbon. It's hard to avoid principles-based reserves these days, with the effective date of the new valuation manual being Jan. 1, 2017. I have been proud to serve on the Project Oversight Group for the SOA-sponsored research study *Impact of VM-20 on Life Insurance Product Development*, sponsored by the Product Development, Reinsurance, and Small Company sections. The industry has been talking about how to compute principles-based reserves for several years, but only recently have actuaries turned their attention to how to price products under this regime. Our hope is that this research will highlight key considerations you should be thinking about as you price and design your products under a PBR framework, in addition to providing indicative profitability impacts for hypothetical products. Caveat emptor, as the specific product design can have a big impact on the level of reserves needed! The report from the first phase of this project can be found here: <https://www.soa.org/Research/Research-Projects/Life-Insurance/2016-impact-of-vm20-product-development.aspx>.

As part of preparing for PBR, I think we will see a shift in how companies structure their product development processes. Gone are the days of pulling in the valuation and reinsurance teams for a rubber stamp at the end of the pricing process. This shift had started to occur under Actuarial Guidelines 38 and 48 already, with increasingly complex reserving and financing structures, but it will be more important than ever going forward. The Life

and Annuity Symposium in May (held in my amazing home city of Seattle) will offer several sessions on PBR, as well as a post-symposium seminar on "The New Valuation Manual and the Life Product Development Actuary." We recognize that this is a hot topic for many of our U.S. members and want to make sure to offer lots of different ways for you to get up to speed on this topic.

At this point, our non-U.S. members are probably tuning me out—oh great, another article on PBR. We hear you! 11 percent of section members live in Canada and 10 percent live outside the U.S. and Canada. We recognize that the content we offer can sometimes seem overly focused on the U.S., and are taking baby steps to address it by adding a Global Content Coordinator volunteer role. This role will plug into the various Product Development Section efforts and ensure that global perspectives are included where appropriate. We hope that putting increased focus on this will improve the Product Development section experience, not just for our non-U.S. members, but also for our U.S. members, as everyone can benefit from increased exposure to ideas from other markets. We hope to broaden our volunteer base as well in order to support these initiatives, so please reach out to me if you have ideas to share! ■



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