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# Chairperson's Corner

By Ryan Stowe

The more things change, the more they stay the same. On the heels of principle-based reserves (PBR) and the Department of Labor (DOL) fiduciary rule, our industry is poised for significant changes to the way we conduct business on multiple fronts. Increased uncertainty around the globe has shown us that the U.S. economy is more interconnected with the rest of the world than ever before. With more than \$13 trillion (yes, that is 13 followed by 12 zeros) in global sovereign debt yielding negative interest rates,<sup>1</sup> the United States has become a safe haven for foreign investors looking to at least get their money back on a nominal basis. High demand, coupled with low inflation and weak economic data, has led to the rallying of U.S. Treasuries. At the time of this article, the 10-year had closed as low as 1.37 percent and the 20-year as low as 1.69 percent.<sup>2</sup>

Your Smaller Insurance Company (SmallCo) Section Council continues to work the issues facing smaller insurance companies by bringing you timely information. PBR is going to bring significant changes to all companies selling life insurance products, big or small. Not taking action (e.g., just taking the smaller company exemption if applicable) is taking action, and it could result in unintended consequences. Through a two-part webinar series, we have provided practical implementation considerations for companies to think about. Each webinar, titled PBR: Current Issues for Small Companies, Part I and Part II, can be viewed from the SOA website (<http://www.soa.org/professional-development/archive/webcast-recordings.aspx>):

We have also allocated more than \$50,000 of section funds toward research projects that will address:

- Benchmarking the product development process
- Making sense of PBR results
- Simplified methodologies in VM-20
- Modern set of deterministic scenarios
- Impact of VM-20 on product development

Look for insights from these research projects in the coming months. As more information becomes available on the DOL fiduciary rule, potential implications and industry reactions, we will pass along information in a timely manner.

Please mark your calendars for the following events, which will feature a broad range of SmallCo topics:

- SOA Annual Meeting & Exhibit (Oct. 23–26 in Las Vegas)
- Webinars (all co-sponsored with the Financial Reporting Section)
- Five-part series on PBR implementation and governance (for *registration*; for *recordings*):
  - VM-20 Assumption Guidance
  - VM-31 Documentation Requirements and the PBR Actuarial Report
  - VM-20 Prudent Estimate Mortality
  - VM-G Governance
  - VM-20 Asset Modeling
- Year-end financial reporting issues (December)

It has been my pleasure to serve the section over the years, and this year is no different. As we head into the fall, a fresh batch of leaders will emerge to join the council, and current council members will step into new leadership roles. If you are interested in taking this step yourself, please consider this an open invitation to reach out to me or to any other council member to become a friend of the council. Many hands make for light work, and light work creates opportunities to develop both personally and professionally, meet new people and reconnect with old acquaintances. ■



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## ENDNOTES

<sup>1</sup> Christopher Whittall and Sam Goldfarb, "Black Hole of Negative Rates is Dragging Down Yields Everywhere," *Wall Street Journal*, July 14, 2016. <http://www.wsj.com/articles/black-hole-of-negative-rates-is-dragging-down-yields-everywhere-1468174982>.

<sup>2</sup> <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>