

2017 Valuation Actuary Seminar
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Session 19PD: PBR Impacts to Annuities

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Session 19: PBR Impact to Annuities

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Overview

- The Valuation Manual will be operative in most states in 2017
- Compliance with VM-20 (PBR for life products) may be deferred for up to three years
- But other chapters impact annuities, and compliance requirements are effective in 2017

VM-05: NAIC Model SVL

- Prospective application of SVL and Valuation Manual
- Level of conservatism
- Consistency with risk assessment process
- Derivation of assumptions and margins
- Annual certification of PBR control effectiveness

VM – 21: PBR for Variable Annuities

- Differences from AG – 43
- Aggregation of AG – 43 and VM – 21 business
- What happens if my company has not issued any new annuities after 2016?
- NAIC VA reserve and capital reform initiative

VM – 30: Actuarial Opinion & Memo

- Author: Appointed Actuary
- Statement of Actuarial Opinion
 - Table of Key Indicators

Identification Section		
Prescribed Wording Only	Prescribed Wording with Additional Wording	Revised Wording
Scope Section		
Prescribed Wording Only	Prescribed Wording with Additional Wording	Revised Wording
Reliance Section		
Prescribed Wording Only	Prescribed Wording with Additional Wording	Revised Wording
Opinion Section		
Prescribed Wording Only	Prescribed Wording with Additional Wording	Revised Wording
Relevant Comments		
Comments are Included		

- “Reserves...are at least as great as the minimum aggregate amounts required by any state in which this company is licensed”

VM – 31: PBR report

- Differences from AOM
- References to VM-21
 - Interaction with VM – 21 Section 10
- Author(s): One or more Qualified Actuaries
- PBR Actuarial Report
 - To domiciliary commissioner by April 1
 - Includes an Executive Summary covering:
 - Qualified Actuary identification
 - Summary of policies subject to PBR
 - Summary of contents of PBR Actuarial Report (materiality, material risks, changes in reserve amounts, changes in methods, assets and risk management)

VM – 50: Experience Reporting Requirements

VM – 51: Experience Reporting Formats

- Experience reporting requirements: mortality, policyholder behavior and expenses
- Annuity experience reporting requirements not yet prescribed

VM – G: Governance

- Applicability for business under AG – 43
- Roles
 - Board: Oversight & review
 - Senior Management
 - Resourcing, review & control
 - Board reporting
 - Certification of PBR controls
 - Certification of investment strategy
 - Qualified Actuaries
 - Appropriateness of assumptions
 - PBR board and senior management reporting

Other considerations

- VM – A: Accounting Practices & Procedures
 - A – 235: Interest-Indexed Annuity Contracts
 - A – 250: Variable Annuities
 - A – 255: Modified Guaranteed Annuities
- VM – C: Actuarial guidelines
 - AG – 33: CARVM
 - AG – 35: Equity Indexed Annuities
- VM – M: Mortality tables: 2012 IAR
- VM – 22: Income annuity valuation rates

