

The banner features a grayscale photograph of a classical building facade with two large, dark, circular openings. On the left, a yellow-bordered box contains the text '2017 SOA Valuation Actuary Symposium'. On the right, a black box contains the text 'Aug. 28-29, 2017 San Antonio, TX' in yellow.

2017 SOA
Valuation Actuary
Symposium

Aug. 28-29, 2017
San Antonio, TX

Session 49OF: PBR Impacts to Annuities

Moderator:

Robert K. Leach, FSA, MAAA

Presenters:

James Russell Collingwood ASA, MAAA

[SOA Antitrust Disclaimer](#)

[SOA Presentation Disclaimer](#)

Session 49: PBR Impact to Annuities

Bob Leach, Fidelity Investments
James Collingwood, EY

2017 Valuation Actuary Symposium

29 August 2017



SOCIETY OF ACTUARIES

Antitrust Notice for Meetings

Active participation in the Society of Actuaries is an important aspect of membership. However, any Society activity that arguably could be perceived as a restraint of trade exposes the SOA and its members to antitrust risk. Accordingly, meeting participants should refrain from any discussion which may provide the basis for an inference that they agreed to take any action relating to prices, services, production, allocation of markets or any other matter having a market effect. These discussions should be avoided both at official SOA meetings and informal gatherings and activities. In addition, meeting participants should be sensitive to other matters that may raise particular antitrust concern: membership restrictions, codes of ethics or other forms of self-regulation, product standardization or certification. The following are guidelines that should be followed at all SOA meetings, informal gatherings and activities:

- **DON'T** discuss your own, your firm's, or others' prices or fees for service, or anything that might affect prices or fees, such as costs, discounts, terms of sale, or profit margins.
- **DON'T** stay at a meeting where any such price talk occurs.
- **DON'T** make public announcements or statements about your own or your firm's prices or fees, or those of competitors, at any SOA meeting or activity.
- **DON'T** talk about what other entities or their members or employees plan to do in particular geographic or product markets or with particular customers.
- **DON'T** speak or act on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **DO** alert SOA staff or legal counsel about any concerns regarding proposed statements to be made by the association on behalf of a committee or section.
- **DO** consult with your own legal counsel or the SOA before raising any matter or making any statement that you think may involve competitively sensitive information.
- **DO** be alert to improper activities, and don't participate if you think something is improper.
- If you have specific questions, seek guidance from your own legal counsel or from the SOA's Executive Director or legal counsel.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

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



Session 49: PBR Impact to Annuities

Bob Leach, Fidelity Investments
James Collingwood, EY

2017 Valuation Actuary Symposium

29 August 2017



SOCIETY OF ACTUARIES

Antitrust Notice for Meetings

Active participation in the Society of Actuaries is an important aspect of membership. However, any Society activity that arguably could be perceived as a restraint of trade exposes the SOA and its members to antitrust risk. Accordingly, meeting participants should refrain from any discussion which may provide the basis for an inference that they agreed to take any action relating to prices, services, production, allocation of markets or any other matter having a market effect. These discussions should be avoided both at official SOA meetings and informal gatherings and activities. In addition, meeting participants should be sensitive to other matters that may raise particular antitrust concern: membership restrictions, codes of ethics or other forms of self-regulation, product standardization or certification. The following are guidelines that should be followed at all SOA meetings, informal gatherings and activities:

- **DON'T** discuss your own, your firm's, or others' prices or fees for service, or anything that might affect prices or fees, such as costs, discounts, terms of sale, or profit margins.
- **DON'T** stay at a meeting where any such price talk occurs.
- **DON'T** make public announcements or statements about your own or your firm's prices or fees, or those of competitors, at any SOA meeting or activity.
- **DON'T** talk about what other entities or their members or employees plan to do in particular geographic or product markets or with particular customers.
- **DON'T** speak or act on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **DO** alert SOA staff or legal counsel about any concerns regarding proposed statements to be made by the association on behalf of a committee or section.
- **DO** consult with your own legal counsel or the SOA before raising any matter or making any statement that you think may involve competitively sensitive information.
- **DO** be alert to improper activities, and don't participate if you think something is improper.
- If you have specific questions, seek guidance from your own legal counsel or from the SOA's Executive Director or legal counsel.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

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

