Principle-Based Reserving (PBR) Implementation Plan
8/24/2013

Introduction

Arising from NAIC adoption of model laws and the first edition of the Valuation Manual (VM), the following outlines additional regulatory and NAIC actions needed to successfully implement principle-based reserving (PBR). This PBR Implementation Plan is needed to modify the regulatory system in order to implement PBR in 3+ years. Some aspects of this plan call for early pre-implementation action to aid final implementation.

The PBR Implementation Plan provides a framework for implementation and will be a working document to be modified as decisions are made, questions are raised, and deliverables are met.

The plan comprises the following eight sections:
I. Review Process and Staffing
II. Pre-Implementation and Training
III. Valuation: Actuarial and Accounting
IV. Capital Requirements – RBC
V. Captives and Special Purpose Vehicles (SPV)
VI. Accreditation
VII. PBR Legislative Packet
VIII. Timeline

I. REVIEW PROCESS AND STAFFING

The development of two major components is recommended to support the review and updating process: an NAIC Actuarial Resource and a PBR Valuation Analysis Working Group (PBR VAWG).

NAIC Actuarial Resource (Resource):

- Consists of actuaries with PBR certification (if developed) or specific training hired on as staff at the NAIC and contracted actuarial consultants and/or modeling experts to supplement resources, as needed.
- Provides support to update examination and financial analysis handbook procedures to reflect consistent PBR review.
- Provides PBR analysis and responds to questions from companies to be examined or during the course of an examination.

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1 The Valuation Manual would become operative 6-18 months after 42 states with at least 75% of subject premium have adopted the revised law.
2 See LATF Charges.
• Provides support and/or analysis in reviewing specific companies’ PBR models.
• Supports the Life Actuarial (A) Task Force and the PBR VAWG (as defined below) for issues and questions regarding PBR.
• Responds to PBR-related questions from states.
• Maintains a confidential database accessible by regulators to support consistent judgment and treatment of PBR questions and issues.
• Provides analysis and recommendations to the Life Actuarial (A) Task Force for PBR issues in need of address in the Valuation Manual. This includes performing analyses of several key companies, developing underlying metrics of best estimate reserves as a comparison to PBR results, and assessing the exclusion tests.

Through ongoing communication with regulators, industry and interested parties, the Resource will facilitate the refinement, revision, development, and implementation of PBR reserve requirements and review of models as necessary. For example, the process will address the need to adjust margins as appropriate to maintain conservatism, to recognize improvements in modeling techniques, or to affect changes in assumptions due to emerging experience.

New NAIC Working Group – PBR Valuation Analysis Working Group (VAWG):

The recommended PBR VAWG would operate much like the Financial Analysis (E) Working Group (FAWG), with the Resource providing significant support to allow the working group to work collaboratively with insurance department regulators (actuaries, analysts, and examiners) by doing the following:

• Responding to states in a confidential forum regarding issues and questions arising during the course of annual PBR reviews or PBR examinations.
• Utilizing the Resource to assist in responding to issues and questions.
• Relying on the Resource to maintain documentation and the database mentioned above to support consistent judgment and treatment of PBR questions and issues.
• Recommending PBR requirements or new interpretations (for potential inclusion in the Valuation Manual) to LATF.

Aims of the PBR VAWG would be to minimize reviews by multiple states and encourage consistent application of standards.

Example of Initial Use of Resource and PBR VAWG:

• Prior to the PBR operative date, Resource works with regulators to develop Financial Analysis Handbook procedures, financial examination procedures for PBR, and PBR VAWG procedures. Some automation tools and supplemental procedures may also be developed and referenced by these financial analysis and examination procedures. In addition to other objectives, these procedures and tools are intended to provide reasonably consistent PBR reviews.
• Domestic states can trigger the portion of the SVL to require an actuarial examination of a company.
• For companies coming up for examination, Resource reviews PBR annual report and any available actuarial reviews and provides analysis and recommendations to the domestic state.
• Resource is available to answer questions but will make use of the PBR VAWG as appropriate depending on the issue/question. Q&A will be maintained and appropriately communicated.
• States can also pose questions/issues to the PBR VAWG during the course of any PBR annual review or examination using a formal submission form or by raising a question for initial discussion.
• As mentioned above the Resource will maintain documentation to support consistency in the regulatory review of PBR which would be accessible by states.

NOTE: The above is focused on the use of the Resource for companies coming up for examinations. An expanded use of this Resource could also be discussed to apply to more companies than just those coming up for examination in a particular year. For example, companies should have a thorough review of their use of PBR models and assumptions within the first two years of applying PBR.

The number of life actuaries at the state and at the NAIC needed to support the PBR review process will be driven by a variety of factors and will likely be phased in over time as needs arise. While an initial state survey about resource needs was conducted, many responders subsequently said they needed more information before they can reliably report their resource needs. Initial survey responses showed almost 75% of states indicated no need for additional actuarial or accounting staff, although we surmise that this is an underestimate. The initial survey responses showed that many of those were a report of “unknown” rather than “none.” Of the states requiring additional staff to conduct solvency reviews, more states indicated a need for actuaries as opposed to a need for accountants; however the total increase in number of accountants (75) was greater than the number of new actuaries needed (45). The average consulting expense, for those states anticipating a need to engage consulting resources in 2015-2019, is expected to increase by 10%.

The initial recommendation for NAIC staffing would be to add two NAIC actuaries to support the process of ramping up for PBR implementation in other areas identified in this plan. As states are better able to discern their resource needs and their ability to get additional resources, the number of NAIC actuaries might need to be adjusted. Continual monitoring and assessment of the PBR process will be necessary to establish the longer-term estimates of actuarial needs. The NAIC and states should also retain computer modeling specialists in order to oversee and test reserve calculations within PBR models.

Future surveys need to be conducted as states become more familiar with what will be required from domestic regulators. The resource needs of “market”3 states are directly dependent on the resources and ability of domestic regulators to fully review PBR implementation of their domestic companies. (Note: future surveys could be targeted to the specific states with multi-state domestic insurers).

Standardized Financial Reporting and Analysis Tools

In order to accommodate the changes from PBR, a number of changes will need to be made to the NAIC life, accident and health annual statement blank and the NAIC health annual statement blank. Changes need to be incorporated to existing schedules; plus new schedules for experience reporting will have to be developed. More granularity of product information than currently exists will be needed.

The VM specifies a number of items that are required to be included in both the annual Statement of Actuarial Opinion, which is filed with the annual statement, and the annual actuarial memorandum, which is prepared as a confidential report and submitted to regulators when requested. Capturing

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3“Market” states are defined as non-domestic states where the company has significant market share. The level of significant (e.g. 10% market share) has not yet been defined.
confidential data for use in data analysis will be an important step. Determining the amount of public versus confidential data to be reported for solvency monitoring and prioritization will be an ongoing discussion.

Updates to existing NAIC automated financial analysis and prioritization tools will be needed, and new analysis tools to assist with evaluating models and their inputs need to be developed. The resulting tools, along with analysis of company experience data, will assist with identification of companies whose reserves may require more thorough review. A plan is needed to detail the identification and handling of companies that may be deemed by PBR VAWG as “outliers.” That plan should include evaluation of the company’s data and support of their “outlier” assumption. Companies deemed as “outliers” resulting in a financial concern may be referred to FAWG for additional follow-up.

Staff hired for the Resource would be assigned to assist existing or new staff in this development of tools and additional reporting needed.

**Defining the Experience Data Collection Process**

Historically, industry experience tables, such as mortality tables, have been updated on a sporadic and voluntary basis. Experience tables were updated based on voluntary submission of data by a few companies with the cooperation of the American Academy of Actuaries (AAA) and the Society of Actuaries (SOA). PBR will require the collection and validation of individual company data for the development of industry tables and for use in determining the individual company principle-based modeled reserve. For example, this data would be used to validate the credibility of certain modeling assumptions/factors. The SVL changes adopted in 2009 require the submission of data on mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed by the VM4.

**Define Data**
Initial data to be collected and the associated reporting structure are defined in the Valuation Manual in Section VM-50 and 51. The data relates to life insurance policies, i.e. mortality, policyholder behavior, and expenses. Data collection is expected to be expanded to include annuity and accident and health data in the future. These future phases will require defining the experience data needed for the particular business.

**Data Collection and Dissemination Process**
The data collection and dissemination process will need to be further detailed and statistical agent(s) will need to be selected. The framework for the process should be established quickly, addressing the following issues:

1) Coordination – Establish a formal process and timeline for the collection of various elements of company experience data. The timeline should include a gradual, phased rollout of the entire process when there is extensive information systems work.

2) Cost control – Consider ways to control costs. Require reporting of data fields only if needed and at the frequency needed. Evaluate statistical agent costs.

3) Dissemination - Once the data is collected, the data will need to be reviewed and adjusted for quality purposes and then compiled into industry exhibits for companies to use in their PBR credibility processes. Consider reporting of average results and ranges of experience for industry exhibits.

4) Expenses – Consider how to fund such a process and allocate expenses fairly.

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4 The Valuation Manual Experience Reporting Requirements chapter (VM-50) details some of the requirements for statistical data.
Development of the process is informed by statistical data projects in New York and Kansas. Approximately 55 companies have been submitting data to New York since 2010, representing roughly 40% of the subject premium from direct writings and reinsurers in the entire U.S. market. Less than 52 companies comprising less than 43% of the Kansas market will report to Kansas in 2013. Combined the data collected represents 70-80% of life insurance premium nationwide. The NAIC will leverage the New York and Kansas experience in collecting statistical data during PBR implementation.

The first statistical data collection may need to be in place for annual 2015 reporting. New York has informally indicated willingness to continue their statistical data project until the NAIC processes are in place. Expense mechanisms will be considered for agreed expense allocation, avoiding placing the full reporting burden on New York companies.

CHARGES:
PBR Review (EX) Working Group of the PBR Implementation (EX) Task Force

Mission: Coordinate Financial Analysis, Examination, and Actuarial Review Procedures

1. Develop a framework (or blueprint) for development of risk-focused examination (analysis/examination/actuarial) procedures for PBR, aiming for coordination and consistency of all such activities.
   a. Recommend uniform PBR review processes and frequency of reviews.
   b. Avoid duplication of work (including duplication of financial statement auditor work).
   c. Consider the process of communication between domestic states and market states (or non-domestic states where the company has significant market share).
   d. Discuss implementation of the framework (or blueprint) over time. Assess whether NAIC proposals take due consideration of the multitude of safeguards and controls already incorporated in requirements (e.g. documentation requirements, internal controls, linkage to risk management, corporate governance, and audited financials).
   e. Inform the PBR Implementation (EX) Task Force of training needs and provide potential case studies to aid training. Specifically evaluate training or resource needs for modeling.
   f. In cooperation with the Exam Oversight (E) Task Force, develop financial examination procedures for pre-implementation review during on-site exams to look at a company’s PBR preparation. The examiner should review plans, procedures, systems, ERM, and corporate governance around PBR development.

2. Draft charges and operating procedures for the new PBR Valuation Analysis (E) Working Group, using Financial Analysis (E) Working Group charges and procedures as a guide. Consideration should be given to the following issues:

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5 10% market share could be used here.

6 Domestic states could ask for review assistance by market states or market states could ask to help, without having to call a zone exam.

7 The Financial Analysis (E) Working Group charges are as follows:
   • Analyze nationally significant insurers and groups that exhibit characteristics of trending toward or being financially troubled; determine if appropriate action is being taken.—Essential
   • Interact with domiciliary regulators and lead states to assist and advise as to what might be the most appropriate regulatory strategies, methods and action(s).—Essential
a. Recommend ideal (regulatory-only) membership of PBR Valuation Analysis (E) Working Group (e.g. actuaries, accountants, valuation actuaries, SOA actuary, or any regulator) and any participatory role9 of consultants and outside parties.
b. Determine the population of companies to review (e.g. “Nationally Significant,” Universal Life products) and how specific referrals can be made.
c. Determine the frequency of meeting and evaluation.
d. Respond to states in a confidential forum regarding issues and questions arising during the course of annual PBR reviews or PBR examinations.
e. Recommend NAIC staff responsibilities and confidentiality protocol, using Financial Analysis (E) Working Group staffing as a guideline.
f. Recommend a process for state-to-state resolution to be backed by PBR Valuation Analysis (E) Working Group assistance for resolution, if needed. Determine the role Financial Analysis (E) Working Group will play in this work.
g. Assist pre-implementation by identifying regulators who do valuation review today and assisting in pre-implementation reviews. Advise regulators based on what is learned in the pre-implementation stage.
h. Determine any direct communication with or presentations from companies.

3. Develop review tools and propose means to obtain the data. Test the tools and data for usefulness and accuracy.
   a. Create automated tools or identify software that can be used for both financial analysis and actuarial review.
   b. Evaluate housing of automated tools and software, especially to create cost savings for states.
   c. Determine what reporting should be required via electronic data submission (e.g. in the PBR Report) to populate automated tools.
   d. Investigate existing tools that might be given to or purchased by the NAIC.
   e. Consider a central repository of data.
   f. Consult with the Information Systems (EX1) Task Force regarding tools, databases, and storage needs.
   g. Determine the role of a statistical agent(s) and recommend procedures, funding, and a process for data reporting.

4. Identify the data and other reporting needs for actuarial review, financial analysis, and public transparency. Recommend changes to other NAIC groups to modify the Blanks, financial statement instructions, and the Valuation Manual to obtain such needed data and disclosure.

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8 FAWG procedures include such topics as membership guidelines, confidentiality, expense policies, FAWG meetings/letters/timeline/presentations, NAIC staff responsibilities, and sample documents.
9 Could be no role or limited role.
Utilize confidentiality where needed, maintaining an ability to share data appropriate for valuation improvements.
   a. Experience Reporting
   b. Blanks Reporting
   c. PBR Annual Report (confidential reporting)

5. Identify the ideal staffing resources for PBR reviews, including ideal NAIC assistance, and any new financial modeling or software reviewers. After review processes are better defined, conduct another PBR state resource survey.

CHARGES:

1. Adjust handbooks and manuals to develop PBR changes under the framework developed by the PBR Review (EX) Working Group.
2. In compliance with the framework developed by the PBR Review (EX) Working Group:
   a. Provide advice to regulators, identifying and judging risk, building risk repositories, evaluating controls, establishing Level 1 and 2 procedures, determining the extent of data quality testing (by actuaries and examiners), identifying frequency of model reviews, and documenting some best practices. Address all risks, financial and non-financial (e.g., ERM, Board, Corporate Governance, and ORSA).
   b. Develop financial examination procedures for pre-implementation review during on-site exams to look at a company’s PBR preparation. The examiner should review plans, procedures, systems, ERM, and corporate governance around PBR development.

CHARGES:
Blanks (E) Working Group

1. Adjust Blanks and Instructions to develop PBR reporting under the framework developed by the PBR Review (EX) Working Group.
2. Coordinate with the Life Actuarial (A) Task Force to utilize any special reports developed and avoid duplication of reporting.

CHARGES:
NAIC/AICPA (E) Working Group

1. Advise the PBR Review Process with consideration of AICPA standards.
2. Identify communication or reporting needs, such as how a company’s data was blended with industry data.
II. PRE-IMPLEMENTATION AND TRAINING

Pre-Implementation and Initial Stages of Implementation:

Regulatory and NAIC processes should be established to aid the insurers’ efforts to establish appropriate PBR processes and procedures prior to PBR implementation.

While ongoing or future assessment of PBR compliance might be appropriately conducted via financial examinations, in the initial stages of implementation an early review process should be established to ensure successful implementation. Thorough early review is necessary for companies writing significant amounts of the applicable products, with priority given to review of nationally-significant insurers and those companies with plans for early implementation.

Training

A critically important aspect of PBR implementation will be providing training for state insurance department staff responsible for the review and analysis of company PBR modeling and reserves and for others involved in preparing PBR material.

We plan three main areas of training:

1. Non-Actuarial Regulators:
   a. An outline for a general overview training program that is targeted toward state analysts and examiners, other non-actuarial insurance regulators, and industry has been prepared. The proposed program would cover overviews of various sections of the VM and topics such as net premium reserves, exclusion tests, modeling and cash flow models, mortality assumptions, policyholder behavior and other key assumptions, documentation and review considerations.
   b. The online program will be scheduled for either late 2013 or early 2014.

2. Actuarial Regulators:
   a. Regulatory actuaries should participate in the overview for non-actuaries.
   b. Training for regulatory actuaries should expand on the overview topics, providing more detail, and should provide necessary modeling training sufficient to professionally evaluate company filings.

3. Industry & Consulting Actuaries
   a. As specified in charges, the NAIC will ask professional actuarial societies to develop detailed actuarial training for industry and consulting actuaries on specific topics.

Additional training will be required and will need to be developed as further decisions are made to implement PBR. An NAIC actuary should assist with developing training on some VM-specific actuarial topics including examination considerations in a regulator-only training. For example if extensive analyst tools for analysts are developed, additional training would be recommended. Examiners may need more specific training based on the changes to the Financial Condition Examiner’s Handbook. The changes in accounting and reporting would likely be incorporated into currently existing annual webinars, however the topic may warrant specific webinars. It could be beneficial to follow the Society of Actuary’s Valuation Actuary Symposium with some PBR case studies spanning the appointed actuary work, any actuarial reviews, and financial examination. Focus should be on actuarial practice notes and the Financial Examiners Handbook, but could also include discussions about needed improvements in requirements and processes.
CHARGES:
PBR Implementation (EX) Task Force  *(No working group)*

Action: Train regulators to implement PBR and partner with company representatives and interested parties to prepare for PBR implementation.

Regulatory Training:
1. Identify regulatory educational needs (including modeling and Quick Link education). Basic PBR education should be developed quickly.
2. Develop case studies to present before and after PBR examples.
3. Work with NAIC Staff to develop training courses or use existing NAIC or other courses.
4. Once database and tools are established, train regulators on how to query data and use tools.

Company Outreach:
5. Supply industry-wide data needed for valuation.
6. Survey companies to understand products and PBR impact on each company, to discover plans for and timing of implementation and to help prioritize reviews. Optionally, state product actuaries can supplement a survey by providing a list of products offered by each company.
7. Identify company educational needs. Consider development of regulatory guidance on PBR model expectations.
8. Work with interested parties to develop company training.
9. Recommend pre-implementation procedures for PBR, providing instructions to companies.
10. Consider performing a pilot project, much like that done for ORSA. Document questions/answers or issues that arose in the pilot.

NAIC Staffing:
11. Recommend the number of initial NAIC staff to hire for PBR Pre-Implementation.

Actuarial Continuing Education:
12. If on-going actuarial training is required by regulators, work with interested parties to develop continuing education.
III. VALUATION: ACTUARIAL AND ACCOUNTING

Principle-based reserving increases precision through the use of multiple variables that are found to differ significantly by insurer, enabling production of a reserve better aligned with the risks in today’s more complex products. Requirements for the reserving process are provided by the VM. Given that PBR is a new process, requirements in the VM might need to be adjusted. The VM introduces a review of the PBR methodology and a VM updating process to ensure that principle-based methodologies are correctly applied and continue to effectively produce appropriate reserves as product innovations occur.

Procedures need to be well-defined to evaluate the overall effectiveness of the PBR methodology, including a need to consider the over-all impact of the methodology before adjusting each individual component. The Life Actuarial (A) Task Force will be charged to further develop the procedure for updating the VM, as needed. NAIC Legal staff should be consulted on this effort. The Financial Condition (E) Committee will weigh in on the review process, especially on how the lead/domestic regulator should be used in the review process.

PBR Asset Spread Data

The VM references the use of default information and bond bid-ask spread rates. The NAIC has gained legal access to the appropriate default information from Nationally Recognized Statistical Rating Organizations (NRSROs) and spread data from recognized broker-dealer sources.

CHARGES:

Life Actuarial (A) Task Force

1. Develop a process to update or modify the Valuation Manual in consultation with NAIC legal staff. Maintain and modify methodologies and requirements in the Valuation Manual using an open process. Establish a schedule for periodic update of PBR factors.
2. Further refine the Valuation Manual:
   a. Continue development of PBR for VM-22 (Fixed Annuities and Indexed Annuities) and for any new risk that develops.
   b. Define starting assets.
   c. Develop assumptions for asset default costs and spreads (including securing data sources).
   d. Further develop company experience data files.
   e. Document interpretations.
   f. Continue to develop PBR for additional product lines (VM-20 and VM-21) to the extent this work does not hinder development of PBR implementation processes.
   g. Establish timing of implementation of any new PBR development, allowing sufficient time for companies to prepare.
   h. Determine how asset adequacy can affect PBR and recommend changes in the VM or in review processes, as needed.
   i. Investigate the costs and ability to get outside asset spread and other financial data. If the costs are not acceptable, modify the valuation methodologies as needed.
3. Consider the use of independent PBR actuarial peer reviews (of company by auditors). Consider how often these peer reviews would occur, whether the requirement would be connected to financial examinations, and how the peer reviews would be funded.
4. Recommend to the Principle-Based Reserving Implementation (EX) Task Force whether to require actuarial certification for each actuarial responsibility (e.g., NAIC staff, regulators, appointed actuaries, etc.) in PBR. Consider guidance developed by the Appointed Actuary (A/B/C) Subgroup of the actuarial task forces.
5. Determine whether specific continuing education requirements should be established for PBR actuaries and whether those should be regulatory requirements or actuarial professional requirements.


7. Assist the Principle-Based Reserving Implementation (EX) Task Force with PBR training.

8. Assist the PBR Valuation Analysis (E) Working Group and NAIC assigned staff by developing and centrally maintaining regulatory guidance on actuarial valuation practice.


CHARGES:

PBR Review (A) Subgroup of the Life Actuarial (A) Task Force


2. Consider all inputs to such procedures, including anticipated public and confidential data reporting, NAIC resources, and other relevant processes.

3. Make recommendations to any of these inputs as appropriate.

CHARGES:

Health Actuarial (B) Task Force

1. Begin to develop health insurance reserving requirements (VM-25) using a PBR methodology. Long-term care should be a priority.

CHARGES:
Accounting Practices and Procedures (E) Task Force and Statutory Accounting Principles (E) Working Group

2. Receive periodic reports on changes to the Valuation Manual that require coordination with the Accounting Practices and Procedures Manual. Coordinate as needed, in accordance with the established maintenance process.
4. Coordinate with the Life Actuarial (A) Task Force on development of an accounting smoothing mechanism to address reserve volatility.

IV. Capital Requirements – RBC

Risk-Based Capital (RBC) requirements should be evaluated in light of valuation changes. Regulators should consider the appropriate impact on capital given that 1) reserves are being “right-sized” 2) reserve margins are still included 3) some additional uncertainties (e.g. modeling errors) could be introduced into the calculations, 3) accounting smoothing mechanisms (under consideration by the Life Actuarial (A) Task Force and the Accounting Practices and Procedures (E) Task Force) could reduce reserve volatility, and 4) risks of inadequate reserves are expected to reduce over time because the PBR approach automatically adjusts to actual experience as it emerges.

CHARGES:
Capital Adequacy (E) Task Force and Life Risk-based Capital (E) Working Group

1. Evaluate RBC in light of PBR. Consider changes to RBC needed because of the changes in reserve values, contemplating “right sizing” of reserves, margins in the reserves, any expected increase in reserve volatility, and the overall desired level of solvency measurement.
2. Consider a total balance sheet approach (e.g., total asset requirement (TAR)-type calculation and then subtracting out the PBR reserves) and application of stress scenarios.

V. Captives and Special Purpose Vehicles (SPVs)

The NAIC needs to further assess the solvency implications of life insurer-owned captive insurers and other alternative mechanisms in the context of PBR. The solution for captives and SPVs within the context of PBR will be largely based on Captives and Special Purpose Vehicle (SPV) Use (E) Subgroup’s report as adopted by the Financial Condition (E) Committee and referred to the PBR Implementation (EX) Task Force. The Task Force will create a Working Group to concentrate on this issue and propose the way forward.

CHARGES:
Captives (EX) Working Group of the PBR Implementation (EX) Task Force

Upon completion of the Captives and Special Purpose Vehicle (SPV) Use (E) Subgroup’s white paper and recommendations from the Financial Condition (E) Committee:

1. Address any remaining XXX and AXXX problems without encouraging formation of significant legal structures utilizing captives to cede business.
2. Address confidentiality of information.

3. Recommend enhancement to the Financial Analysis Handbook Guidance to allow for a consistent approach for states’ review and ongoing analysis of transactions involving captives and SPVs.

VI. Accreditation

Expectations are that the VM will be periodically updated to apply PBR to a wider variety of products. Determining a specific date to require PBR as an Accreditation Standard will be a major decision point and will likely involve different products at phased-in dates. In addition, the accreditation standard on sufficient qualified staff and resources will require review. Consideration should be given to requiring that the Valuation Manual applicable for any specific state remain substantially similar to, and current with, the most recently adopted NAIC version. As usual, the Financial Regulation and Accreditation (F) Committee will evaluate recommendations and adopt agreed Accreditation requirements.

CHARGES:
Financial Regulation and Accreditation (F) Committee
2. Consider both law adoption and quality review. Consider Part B requirements, possibly including a reference to the Valuation Analysis (E) Working Group.

VII. PBR Legislative Packet

The PBR Implementation (EX) Task Force adopted a PBR Legislative Brief and an Educational Brief containing common questions/answers for potential use by the states on June 21, 2013. The documents are on the NAIC website.\(^\text{10}\)

VIII. Timeline

A PBR Roadmap will be created and updated periodically.

Operative Date of the Valuation Manual

The VM reserve requirements apply to business issued on or after the operative date, which is a date 6-18 months after legislative adoption of the revised SVL by a super-majority of jurisdictions (42) representing at least 75% of the subject premium.

The NAIC will track adoption of laws modified for PBR prior to every NAIC National Meeting.

Additional Three-Year Transition

Once operative, the VM allows a three-year transition to give companies time to implement PBR. Companies can implement PBR within that three-year period by choice, so the PBR implementation dates for companies will vary. Regulatory implementation plans need to be in place to facilitate the earliest application.

\(^\text{10}\) http://www.naic.org/committees_ex_pbr_implementation_tf.htm
Dates for Revised PBR Methodologies for Other Products

While numerous products are included in the VM today, the reserve methodology is unchanged from present. As changes get made, implementation dates for those products will need to consider company implementation time.

Additional Timelines

The PBR Implementation (EX) Task Force will create a timeline for implementation of their and other committee activities.

On June 21, 2013 the PBR Implementation (EX) Task Force adopted the charges within the PBR Implementation Plan.