Principle-Based Reserving (PBR) Implementation Plan
3/23/2015

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 2017. 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 PBR Implementation (EX) Task Force will complete activities included in this plan or propose charges to other NAIC groups.

The plan comprises the following eight sections:

I. Review Process and Staffing
II. Experience Data Collection Process
III. Pre-Implementation and Training
IV. Valuation: Actuarial and Accounting
V. Capital Requirements – RBC
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 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 promote consistent PBR review.

1The Valuation Manual would become operative 6-18 months after 42 states with at least 75% of subject premium have adopted the revised law. A 2017 implementation date assumes the threshold will be met prior to June 1, 2016.
• Provides PBR analysis and responds to questions from states on companies to be examined or during the course of an examination.
• Provides support and/or analysis to states in reviewing specific companies’ PBR models.
• Supports states, the Life Actuarial (A) Task Force, and the Valuation Analysis Working Group (VAWG) (as defined below) for issues and questions regarding PBR and asset adequacy analysis.
• Provides analysis and recommendations to the Life Actuarial (A) Task Force for PBR / asset adequacy analysis questions/issues and support for any Valuation Manual changes or interpretations.

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.
• Referring questions and issues requiring changes in the VM or interpretations added to the VM to LATF, as appropriate.

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.

• Consider development of regulatory guidance on PBR model expectations.

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. 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. Current expectations are that the NAIC will need five actuaries. 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.

**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 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.

**2015 CHARGES:**

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

• Coordinate financial analysis, examination and actuarial review procedures and do the following:
  - Develop a framework (or blueprint) for the development of risk-focused examination (analysis/examination/actuarial) procedures for PBR, aiming for coordination and consistency of all such activities.—**Essential**
- Recommend uniform PBR review processes and frequency of reviews.
- Avoid duplication of work (including duplication of financial statement auditor work).
- Consider the process of communication between domestic states and market states (or non-domestic states where the company has significant market share).
- 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).
- Inform the Principle-Based Reserving Implementation (EX) Task Force of training needs and provide potential case studies to aid training. Specifically, evaluate training and/or resource needs for modeling.
- Cooperate with the Examination Oversight (E) Task Force to 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, enterprise risk management (ERM), and corporate governance around PBR development.
- Support the Principle-Based Reserving Implementation (EX) Task Force in pre-implementation efforts, including any pilot projects and analysis needed to inform the Task Force and other regulators.
  - Draft charges and operating procedures for a 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.—Essential
    - Recommend ideal (regulatory-only) membership of PBR Valuation Analysis (E) Working Group (e.g., actuaries, accountants, valuation actuaries, SOA actuaries, and/or any regulators) and any participatory role of consultants and outside parties. Determine the frequency of meetings and how specific referrals and issues can be provided.
    - Coordinate with the NAIC staff resources regarding companies to review (e.g., “nationally significant,” universal life products, triggers regarding PBR concerns, etc.)
    - Respond to the states in a confidential forum regarding issues and questions arising during the course of annual PBR reviews or PBR examinations.
    - Recommend NAIC staff responsibilities and confidentiality protocol, using the Financial Analysis (E) Working Group as a guideline.
    - Recommend a process for the state-to-state resolution to be backed by the PBR Valuation Analysis (E) Working Group assistance for resolution, if needed. Determine the role the Financial Analysis (E) Working Group will play in this work.
    - Determine any direct communication with, or presentations from, companies.
  - Develop review tools and propose means to obtain information to support the review. Test the tools and information for usefulness and accuracy.—Essential
    - Create automated tools or identify software that can be used for both financial analysis and actuarial review.
    - Evaluate housing of automated tools and software, especially to create cost savings for the states.
    - Determine what reporting should be required via electronic data submission (e.g., in the PBR Report) to populate automated tools.
    - Investigate existing tools that might be given to, or purchased by, the NAIC.
    - Consider a central repository of information.
    - Consult with the Information Systems (EX1) Task Force regarding tools, databases and storage needs.
Respond to requests and provide support to the Principle-Based Reserving Implementation (EX) Task Force in their efforts to determine the role of a statistical agent(s) and recommend procedures, funding and a process for data reporting.

o Identify the data and other reporting needs for actuarial review, financial analysis and public transparency. Recommend changes to other NAIC groups to modify the financial statement blanks, financial statement instructions and the Valuation Manual to obtain such needed data and disclosure. Utilize confidentiality where needed, maintaining an ability to share data appropriate for valuation improvements. Consideration should be given to the following areas:—Essential
  ▪ Experience reporting.
  ▪ Blanks reporting.
  ▪ PBR annual report (confidential reporting).

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

2015 CHARGES:
The Financial Analysis Handbook (E) Working Group will:
  • In compliance with the framework developed by the PBR Review (EX) Working Group:
    o Provide advice to regulators, identifying and judging risk, establishing Level 1 and Level 2 procedures, 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).—Important
    o Adjust the Financial Analysis Handbook to develop principle-based reserving (PBR) changes. —Important

2015 CHARGES:
The Financial Examiners Handbook (E) Technical Group of the Examination Oversight (E) Task Force will:
  • In compliance with the framework developed by the PBR Review (EX) Working Group:
    a. Provide advice to regulators, identifying and judging risk, building repositories, evaluating controls, 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).—Important
    b. Adjust the Financial Condition Examiners Handbook to develop PBR changes.—Important

2015 CHARGES:
The Blanks (E) Working Group will:
  • Adjust blanks and instructions to develop principle-based reserving (PBR) reporting under the framework developed by the PBR Review (EX) Working Group.
II. EXPERIENCE REPORTING PROCESS

Defining the Experience Reporting 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 (Academy) 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 VM2.

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. States have been surveyed regarding legal authority, etc. NAIC Legal staff will evaluate the survey results and will propose a data collection process.

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.

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.

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2 The Valuation Manual Experience Reporting Requirements chapter (VM-50) details some of the requirements for statistical data.
The first statistical data collection may need to be in place for annual 2017 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.

The **PBR Implementation (EX) Task Force** will address the experience reporting process including the selection/use of the statistical agent(s), procedures, and funding.

**2015 CHARGES:**
The **Experience Reporting (A) Subgroup** of the Life Actuarial (A) Task Force will:
- Continue development of the experience reporting requirements within the *Valuation Manual* and provide input as appropriate for the process regarding the statistical agent, data collection and subsequent analysis and use of experience submitted.—*Essential*

**III. 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. An introductory PBR webinar (Principle-Based Reserving Valuation for Life Products) is available for on-demand viewing.
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. PBR webinars are being planned from July to November 2015.

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 schedule
education following the Society of Actuary’s Valuation Actuary Symposium (i.e. 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.

2015 CHARGES:
The Principle-Based Reserving Implementation (EX) Task Force will:
  • Maintain and oversee the Principle-Based Reserving (PBR) Implementation Plan.—Essential

As part of that charge, the following activities are assigned to the Principle-Based Reserving
Implementation (EX) Task Force (unless otherwise noted):

Regulatory Training:
Train regulators to implement PBR and partner with company representatives and interested parties
to prepare for PBR implementation.
  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. LATF will 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.
     a. The SOA will present the results of the initial survey that the NAIC and SOA jointly
     b. Develop and distribute a subsequent survey once companies are further along in the
        implementation of PBR. This second survey will be more detailed and technical.
  6. Identify company educational needs.
     a. Use the PBR Company Outreach surveys to identify the gaps companies have.
     b. Recommend use of an Academy’s practice note and Actuarial Standards Board’s
        Actuarial Standards of Practice (ASOP) for PBR, both of which are currently being
developed for life products.
7. Work with interested parties to develop company training.
   a. Assist interested parties as they develop training classes in the form of webinars, seminars, sessions, online training and possibly videos.
   b. Work with the SOA and subject matter experts to develop Durable Education Components (DECs) to offer manageable sized training material housed on the SOA’s website.
   c. Work with SOA, the Academy and NAIC to encourage that future meetings for these groups include PBR training or update sessions.

8. Recommend pre-implementation procedures for PBR, providing instructions to companies.
   a. Recommend procedures from the SOA PBA Implementation Guide including identifying business requirements, financial reporting requirements and reviewing the current valuation framework to assess what is required for a PBA framework.

9. Consider performing a pilot project, much like that done for ORSA. Document questions/answers or issues that arose in the pilot.
   a. Determine plans for an internal pilot study.
   b. Train regulators to implement PBR and partner with company representatives and interested parties to prepare for PBR implementation.
   c. From this study, advise on the most effective ways to implement the new PBR methodology (to increase understanding and the ease of implementation for the industry). Assist with development of well-defined examination and analysis processes.

NAIC Staffing:
   10. Recommend the number of initial NAIC staff to hire for PBR Implementation.

IV. 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 the amount of requirements and especially that PBR is a new process, adjustments to requirements in the VM are expected. The Life Actuarial (A) Task Force (LATF) is charged to maintain the VM and has identified the following items for review and possible adjustment as needed prior to the implementation of PBR. **The following items must be completed prior to the PBR Operative Date:**

1) Update and adopt data and data tables:
   a. Complete the 2014 Valuation Basic Table (2014 VBT).
   b. Provide the CSO mortality tables based on the 2014 VBT.
   c. Implement maintenance in line with the adopted VM-20 process to annually update asset spreads and default costs in VM-20.
   d. Develop commercial mortgage default costs.

2) Draft and consider Valuation Manual changes needed to support the experience data reporting process (See above).

3) Review VM-31 documentation requirements.

4) Definition of products included in VM-20, Section 3 (Net Premium Reserve).

5) Governance revisions in VM-00 regarding the process for updating the VM. **THIS ITEM HAS BEEN COMPLETED.**

6) Additional small company considerations. **THIS ITEM HAS BEEN COMPLETED.**

In addition LATF will consider development of an accounting smoothing mechanism or other methodology to address PBR reserve volatility. They will coordinate this activity with the Accounting Practices and Procedures (E) Task Force and the Statutory Accounting Principles (E) Working Group.
Small Company Exemption Activities:

The PBR Implementation (EX) Task Force considered regulatory criteria for a small company exemption. The Life Actuarial (A) Task Force considered changes to the VM to implement the regulatory criteria for a small company exemption. Expectations are that Plenary will consider the VM small company exemption at the Summer National Meeting.

2015 CHARGES:
The Life Actuarial (A) Task Force will:

- Address charges to the Life Actuarial (A) Task Force as provided in the Principle-Based Reserving (PBR) Implementation Plan adopted by the Principle-Based Reserving Implementation (EX) Task Force. These charges include Valuation Manual and PBR work expected by the Life Insurance and Annuities (A) Committee, including consideration of the VM-22 (A) Subgroup efforts to pose a PBR methodology for non-variable (fixed) annuities. Report progress to the Principle-Based Reserving Implementation (EX) Task Force and to the Life Insurance and Annuities (A) Committee.—Essential

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force will:

- Pose a PBR methodology for non-variable (fixed) annuities for consideration by the Life Actuarial (A) Task Force.—Essential

2015 CHARGES:
The Health Actuarial (B) Task Force will:

- Begin to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a PBR methodology. Long-term care should be a priority. Request Model #10 be opened to accommodate the new requirements.—Important
- Submit VM-25 changes to the Life Actuarial (A) Task Force for publication in the Valuation Manual.—Important
- Develop long-term care insurance experience reporting requirements in VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the Valuation Manual.—Important

2015 CHARGES:
The Statutory Accounting Principles (E) Working Group will:

- Coordinate with the Life Actuarial (A) Task Force on changes to the Accounting Practices and Procedures Manual related to the Valuation Manual VM-A, Requirements, and VM-C, Actuarial Guidelines, and other valuation manual requirements. This process will include the receipt of periodic reports on changes to the valuation manual on items that require coordination as well as the development of an accounting mechanism to address reserve volatility.—Essential and Ongoing

V. 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

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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.

**2015 CHARGES:**
The Stress Testing (E) Subgroup of the Life Risk-Based Capital (E) Working Group will:

- Evaluate RBC in light of PBR. Consider changes to RBC needed because of the changes in reserve values, including “right sizing” of reserves, margins in the reserves, any expected increase in reserve volatility, and the overall desired level of solvency measurement and other issues.—**Essential**
- 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. These charges should include appropriate consideration of international core principles.—**Important**

**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 VM 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.

**2015 CHARGES:**
The Financial Regulation and Accreditation (F) Committee will:

- As the various work products are adopted by the Principle-Based Reserving (EX) Task Force, Executive Committee, and Plenary, consider them for inclusion in the Part A and Part B Accreditation Standards.—**Essential**

**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.³

**VIII. TIMELINE**

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.

This PBR Implementation Plan assumes a Jan. 1, 2017 VM operative date. The NAIC will track adoption of laws modified for PBR prior to every NAIC National Meeting.

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³ [http://www.naic.org/committees_ex_pbr_implementation_tf.htm](http://www.naic.org/committees_ex_pbr_implementation_tf.htm)
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.

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.

Adopted by the Principle-based Reserving Implementation (EX) Task Force: [tbd]