

REPORT ON THE RESULTS
OF THE PRINCIPLE-BASED RESERVING
STATE RESOURCE SURVEY

Presented to the
Principle-Based Reserving Implementation (EX)
Task Force of the
National Association of Insurance Commissioners

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PBR Resource Survey Talking Points

The supporting information for this document is from the PBR Resource Survey. The survey, created by NAIC staff and vetted by LATF, was conducted from March 20-29, 2013. 40 of the 56 NAIC member jurisdictions submitted survey responses.

The responses were solicited with the intent of capturing the status of insurance department resources, as they exist today, and given their current understanding of PBR requirements, the jurisdictions' expectations of the impact of PBR implementation.

As the PBR implementation process continues, its impact on insurance department resources will continue to become more clearly defined. The solvency review and examination processes will continue to develop as changes to annual statement blanks are defined, knowledge gaps are bridged, and training is designed and administered.

It is recommended that the survey continues to be refined and repeated annually. Improved understanding of the PBR requirements will improve the scope and depth of future survey questions, leading to a higher degree of certainty in responses.

Solvency Reviews and Examinations

22 jurisdictions have 2 or fewer domestic companies selling ULSG or term products

5 jurisdictions conducted no solvency reviews; 9 jurisdictions conducted no examinations

17 jurisdictions conducted less than 6 solvency reviews

26 jurisdictions conducted less than 6 examinations

Average # of solvency reviews in 2012 for the 35 jurisdictions with more than zero was 26

Average # of examinations in 2012 for the 31 jurisdictions with more than zero was 9

Current Resources:

138 Actuaries including 51 non-credentialed (not an ASA or FSA)

Only 56 of the 138 are involved in solvency reviews or examinations

12 jurisdictions have no actuaries

23 jurisdictions have fewer than 3 actuaries

Future Needs:

11 of 40 jurisdictions indicated a need for additional (45) actuaries for solvency reviews

6 of 40 jurisdictions indicated a need for additional (75) accounting staff for solvency reviews

3 jurisdictions are responsible for needing 60 of the 75 accounting staff

29 of 40 jurisdictions indicated they expected to have no need for additional actuaries or accounting staff

Consulting

The jurisdictions using consultants during 2008 – 2012 spent roughly \$700K annually, with a peak of \$800K in 2012

Jurisdictions anticipating consultant use during 2015 – 2019 expect to spend an average of \$750K annually, with a peak of \$900 in 2016

Training

32 jurisdictions indicated the need for additional training

Tools

The question of whether the jurisdiction would purchase software drew various responses; most expressed uncertainty. A few said they would look to consultants for modeling assistance. Others said they would rely on the NAIC. Of those looking to purchase software, the most prevalent expected cost was \$100K.

NAIC Role

16 jurisdictions have limited or no expectations of assistance from the NAIC. 15 jurisdictions would like support and training, 8 are unsure of how the NAIC can serve them. The remaining jurisdictions believe the NAIC should provide access to databases, modeling expertise, modeling tools and hardware/software needs.

Conclusions

The survey results, which are based on jurisdictions' current understandings of PBR requirements and the staff support required, indicate that, for most states, the resource needs may not be as big an issue as initially perceived.

Evidence gleaned from conversations with several of the survey submitters and inferred from survey results reveals that most jurisdictions feel that there is insufficient information current availability on which to base estimates of future resource needs. As the PBR process moves forward, information such as changes to annual statement blanks, examination and review checklists and the extent to which review of modeling input and results is necessary will emerge to further inform companies.