

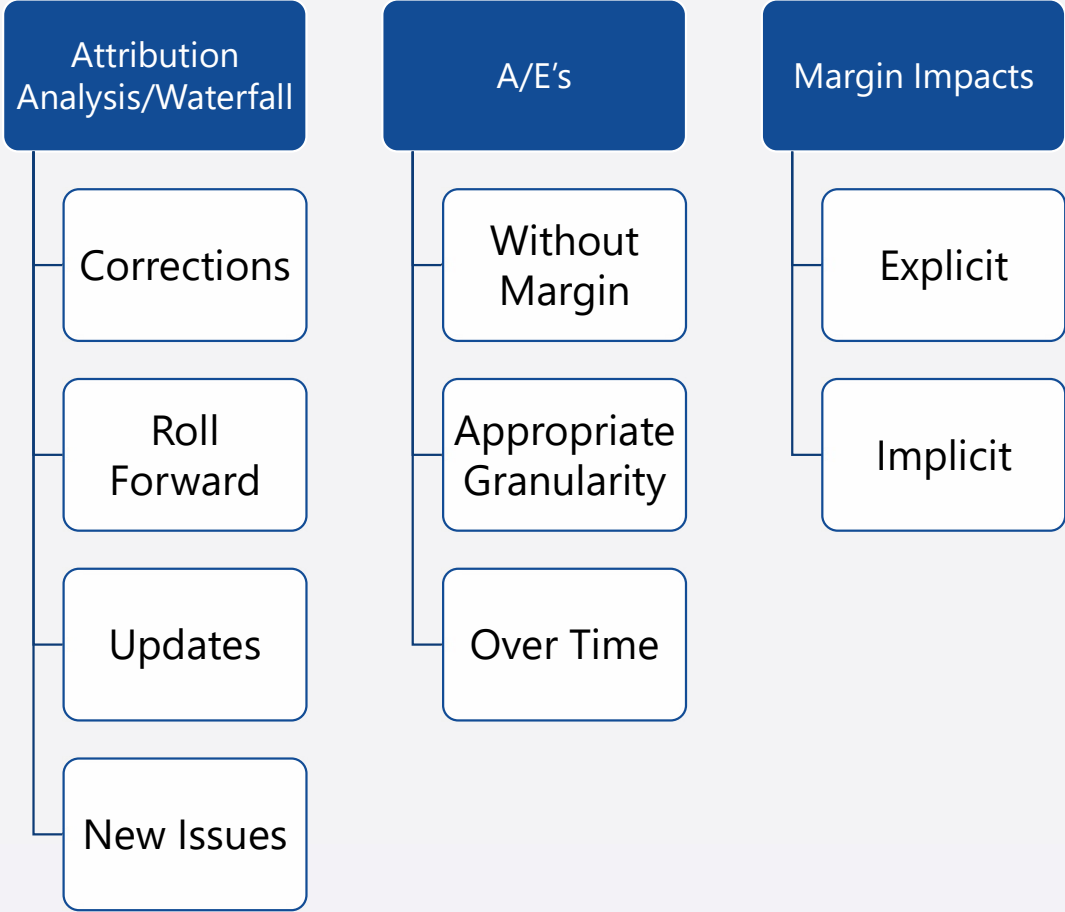
Reporting & Auditing Requirements for VM-20/VM-21

Regulator Perspective – Rachel Hemphill, PhD, FSA, FCAS, MAAA

TDI | PBR Regulatory Reviewers



TDI | High Level – Reasonability Reviews



TDI | High Level – Reasonability Reviews



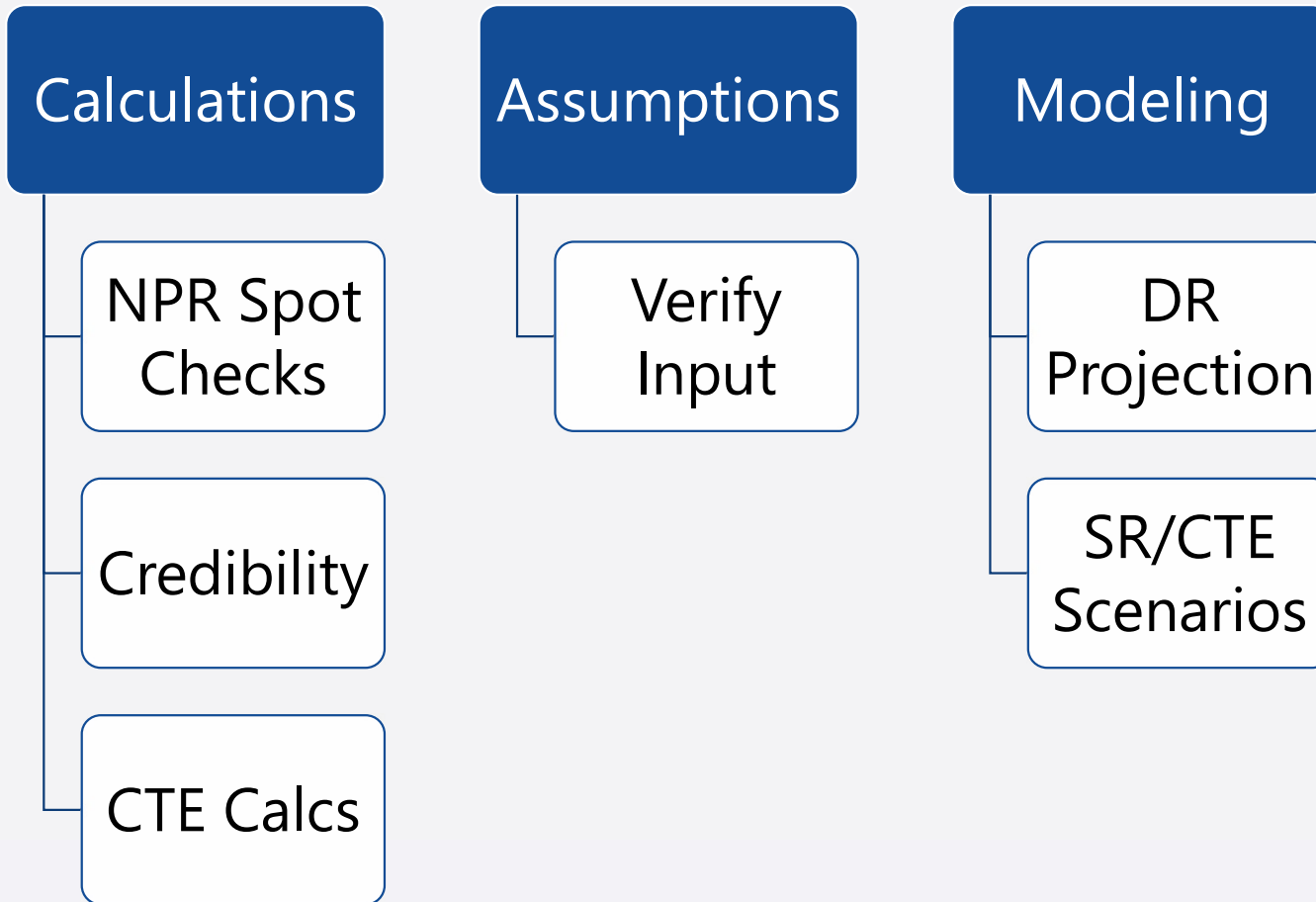
What did you (and your management) review to gain comfort with assumptions, modeling, and results?



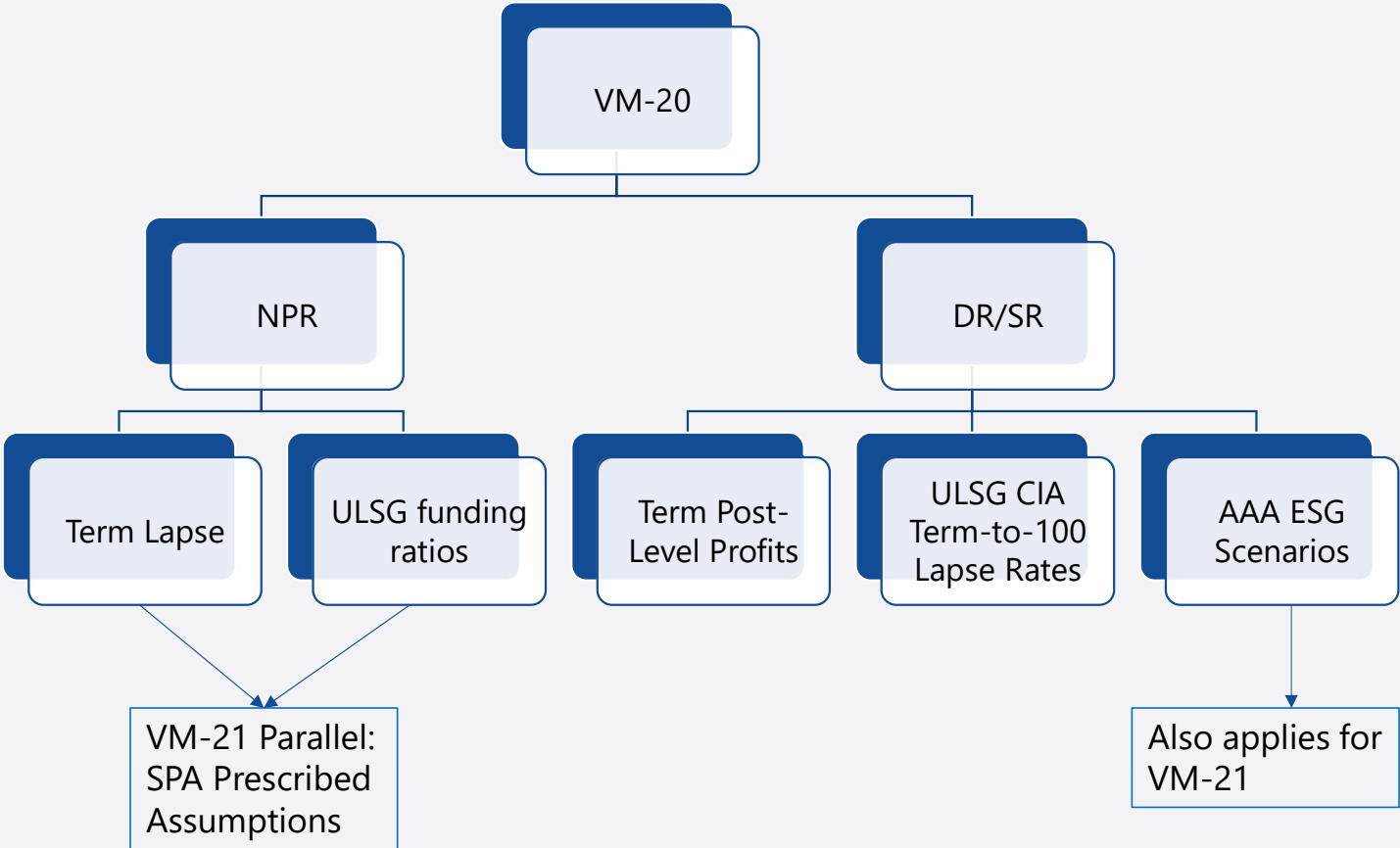
ASOP 41

- “In the actuarial report, the actuary should state the actuarial findings, and identify the methods, procedures, assumptions, and data used by the actuary with **sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness** of the actuary’s work as presented in the actuarial report.” (emphasis added)

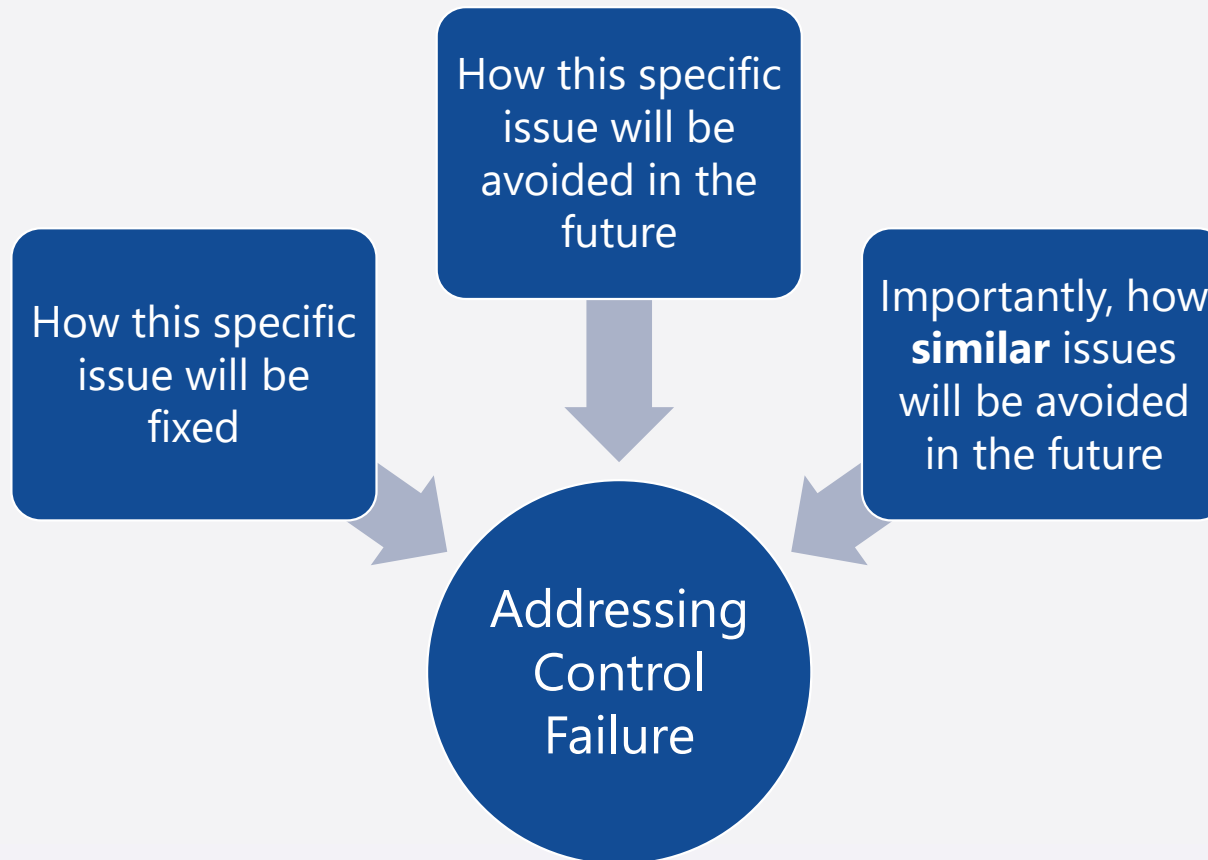
TDI | Detailed Checks



TDI | Some Common Implementation Errors



TDI | Implementation Error – What Now?





TDI | Some Assumption/Modeling Concerns



Detailed in VAWG Reports

2017:

[https://content.naic.org/sites/default/files/inline-files/cmte e valuation analysis wg 2017 pbr review report.pdf](https://content.naic.org/sites/default/files/inline-files/cmte_e_valuation_analysis_wg_2017_pbr_review_report.pdf)

2018:

https://content.naic.org/sites/default/files/inline-files/VAWG%202018%20PBR%20Review%20Report_12-6-19.pdf

- The “principles” of the VAWG findings apply to VM-21 in addition to VM-20.

- Did primary model require customization or external modeling?
 - Dynamic assumptions?
 - Policy Features?
 - Simplifications?
- How are access controls handled?
- How are model change controls handled?
- Are inputs automated or manual?
- Are you using a recent version of vendor software?