

**PBR for Life Products
Exposure Draft
TW Comments**

Page	Section	Comment
General		PBR will be prospective only and that may cause some issues with company financial reporting practices that are not addressed in the ASOP. For example, a company may have a segmentation policy, experience periods and model validation techniques that could cover both rules-based and principle-based reserves. It would be good if this is addressed in either the ASOP or perhaps the practice note.
General		The repetition and summarization of VM-20 is overdone and adds little to no value to the actual regulation. This should be trimmed and summaries should only be included where the ASOP expands upon the guidance in VM-20
2	2.5	Add "in accordance with the Valuation Manual" after "assumptions". Change "internal capital measurement" to "economic capital measurement" to provide consistency with consideration (b) in Section 3.4.
5	3.4	Strike "economic" from consideration (a)
5	3.4	Strike "economic" from consideration (a)
6	3.5.1.c	Add "material" before "obligations"
6	3.5.2	Clarify what is meant by "appropriate" in connection with "assignment of policies with offsetting risks to the same model segment"
6	3.5.3	Add more guidance regarding controls (e.g., internal or external peer review, reconciliation to minimum reserve in prior period)
8	3.5.5.b	Add "regulatory constraints" after "current management policy," Strike "If the model incorporates dynamic policyholder behavior assumptions," since the last clause of the sentence should apply no matter what, not just if you have a dynamic policyholder behavior assumption
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8	3.5.5.b	Add "the actuary should disclose the approach used to model nonguaranteed elements and policyholder behavior assumptions" at the end of Section 3.5.5.b
9	3.6.b	Guidance should be provided regarding the assets to be used in the "Determination of a Pre-Reinsurance-Ceded Minimum Reserve" since assets equal to this amount are not actually held by the company It should be noted that the A / E must be applied at the same level that the credibility is calculated as this is a key point relating to the methodology.
12	3.7.1.b	Risk class is not the only characteristic by which experience should be split. Consideration should be given to providing guidance for the experience splits. For example, it may not be appropriate to combine non-smoker / smoker business or other splits where it may not be reasonable to expect that actual experience will vary in the same direction and magnitude from the expected.
12	3.7.1.c	"underwriting rules or procedures" is not a natural example of "temporary conditions" in this context so suggest striking.
13	3.7.1.e	Additional guidance should be provided regarding "adequate margin", "moderately adverse deviation" and "appropriate amount of adverse deviation"
18	3.7.6	In addition to looking at the margins as a percentage of the present value of capital requirements, other examples could be provided such as looking at the CTE implied by the prudent reserve and looking at historical variations in experience compared to those necessary to produce the prudent reserve.
19	3.7.6.d	In addition to looking at the margins as a percentage of the present value of capital requirements, other examples could be provided such as looking at the CTE implied by the prudent reserve and looking at historical variations in experience compared to those necessary to produce the prudent reserve.