

GOES (E/A) Subgroup: Initial Yield Curve Fit and SERT Field Test Participant Feedback

October 9th, 2024



Agenda

Discussion of Field Test Participant Feedback on:

- 1. Initial Yield Curve Fitting
- 2. SERT Scenarios

Initial Yield Curve Fitting Methodology

Participant Feedback:

Preference for alternative baseline.

Adopt initial yield curve method used in the alternative baseline as the standard approach with exact method for error term runoff.

Use ACLI's initial curve fitting methodology.



2024 Field Test Participant SERT Results



Number of Passing Participant Model Segments/Total Participant Model Segments

VM-20 Reserving Category	Baseline	FT1 12/31/23	FT2 Low Rate Shock	FT3 Up Rate Shock	FT4 Normal Yield Curve	FT6 Alt. Initial Yield Curve Fit
ULSG	6/7	5/7	6/7	4/7	5/7	4/6
Term	8/9	8/9	7/8	3/7	5/7	5/7
All Other	4/5	4/5	4/5	4/5	4/5	

2024 Field Test Participant SERT Results, continued

For the Term and ULSG reserving categories, when the model segment that is failing in the baseline is removed:

the average SERT ratios go down significantly.

the average SERT ratio is never above the passing threshold.

There were not enough participants to show for the "All O ther" VM-20 Reserving Category



2024 Field Test Runs

Field Test Run	Scenario Sets	Inforce Assets and Liabilities	Comparison Scenario Set
Baseline Already exists; no new runs needed.	Scenario set(s) the company used for 12/31/23 statutory reporting of reserves and RBC**	As of 12/31/23**	N/A
Field Test 1	Conning scenarios as of 12/31/23**	As of 12/31/23**	Baseline
Field Test 2 – Low Rate Shock	Conning scenarios with a starting UST yield curve as of 3/9/20 but with 12/31/23 starting credit spreads.		Field Test 1
Field Test 3 – Up Rate Shock	Conning scenarios with a starting UST yield curve as of 10/31/89 but with 12/31/23 starting credit spreads.	As of 12/31/23, but modified as necessary for a different starting UST yield curve.*	Field Test 1
Field Test 4 – Normal Yield Curve	Conning scenarios with a starting UST yield curve as of 12/31/04 but with 12/31/23 starting credit spreads.		Field Test 1
Field Test 5 – Down Equity Shock (VM- 21/C3P2 and VUL business only)	Conning scenarios as of 12/31/23 (same as Field Test 1)	As of 12/31/23, but modified for a 25% drop in equity markets.*	Field Test 1
OPTIONAL Field Test 6 – Alternative Initial Yield Curve Fit	Conning scenarios as of 12/31/23 with alternative initial yield curve fitting methodology that emphasizes longer maturities.	As of 12/31/23	Field Test 1

2024 Field Test Runs (continued)

Field Test Run	Scenario Sets	Inforce Assets and Liabilities Comparison Scenario Set