

April 10, 2024

## Generator of Economic Scenarios (GOES) 2024 Field Test

### A. Overview

The NAIC is conducting a second-round field test of a new calibration of the generator of economic scenarios (GOES). Unlike the first field test in 2022, the results will not be aggregated and shared publicly. Instead, field test participants will present their results in confidential, regulator-only sessions. Model office testing of the field test scenarios will also be performed by Oliver Wyman and the NAIC to allow for public dissemination of the potential impacts to life insurance and annuity statutory reserves and capital.

### B. Field Test Scenario Sets

The field test will include four different scenario sets, with an additional inforce sensitivity for VUL products and business subject to VM-21/C3 Phase II. All of the field test runs will be mandatory (with the exception of field test 5 for business not in scope). For field test runs 2-5, participants may need to make appropriate adjustments to their inforce assets and/or liabilities. The field test does not require that participants perform these adjustments in a certain fashion, rather, it is expected that participants will take advantage of existing processes for sensitivity analysis.

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.	As of 12/31/23, but modified as necessary for a different starting UST yield curve.*	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.		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

Scenario sets, SERT scenarios, scenario selection data, documentation, and other information is available at <https://naic.conning.com/scenariofiles>.

\*For field test runs where the starting conditions (interest or equity) are modified from the 12/31/23 conditions, participants may need to make appropriate adjustments to their 12/31/23 inforce assets and/or liabilities. The field test does not require that participants perform these adjustments in a certain fashion, rather, it is expected that participants will take advantage of existing processes for starting yield curve sensitivities. Using FT2 as an example, some participants may elect to enter the 12/31/23 yield curve at time zero for these runs followed by the relevant scenario data based on a 3/9/20 starting Treasury curve to allow their models to make these adjustments. Other participants may make specific adjustments to their inforce assets and/or liabilities as appropriate. Other methodologies may also be appropriate.

### C. Timeline

A meeting of the GOES (E/A) Subgroup will be held on April, 10<sup>th</sup> 2024 to review and confirm the scenarios used in the field test. If confirmed by the Subgroup, the field test will run from April 10<sup>th</sup> through July 10<sup>th</sup>. Field test participants will present results in confidential, regulator-only sessions starting in July, unless some participants are able to share sooner. Model office analysis will be shared in public meetings of the GOES (E/A) Subgroup or the Life Actuarial (A) Task Force as soon as they are available to share.

### D. Product Scope

Companies should include business subject to VM-20, VM-21/ C3 Phase II, and C3 Phase I. The table below shows the values expected to be included in company presentations of results (noting the additional VM-20 guidance in paragraph F).

Field Test Element	Required for VM-21 and C3 Phase II	Required for VM-20	Required for C3 Phase 1
Stochastic Reserve	X	X	
CTE70 Best Efforts	X		
CTE70 Adjusted	X		
Additional Standard Projection Amount	X		
CTE98 (for C3 Phase II)	X		
Deterministic Reserve		X	
NPR		X	
Results from each of the 16 SERT Scenarios, and SERT ratio		X	
Modeled C3 Phase 1 Factor and Amount			X
Average “Factor-Based” C3 Phase I Factor and Amount			X
Additional Metrics: CTE 98, CTE95, CTE 90	X	X	X

## **E. Scenario Selection**

Companies should use a consistent scenario selection approach and number of scenarios between a field test scenario set and the scenario set used in the baseline. Conning has produced an excel-based tool to select scenarios using a significance measure determined based on either 1) the 20-year UST or 2) Gross Wealth Factors from the Large Capitalization equity fund.

## **F. VM-20 Net Premium Reserves (NPR), Stochastic Exclusion Ratio Test (SERT) and Deterministic Reserve (DR) Scenarios**

Participants should include the NPR for all relevant business included in the field test for comparison to the modeled results.

In addition to full 10,000 scenario sets, SERT and DR scenarios will be provided for field test scenario sets 1-4. For each of the mandatory field test runs:

- The DR and/or SR should be calculated for relevant VM-20 business where companies are required to calculate these values as part of their normal valuations.
- The SERT should be performed for relevant VM-20 business if a participant typically performs this method of the Stochastic Exclusion Test.

## **G. Confidential, Regulator-Only Participant Field Test Result Discussions**

In early July, or sooner as participants finalize field test results, confidential, regulator-only meetings will be scheduled where participants will be able to share the results of their testing with regulators. NAIC Staff will reach out to companies in June to schedule these meetings. Participants that are done with field testing early can send an email to Kennedy Kilale ([kkilale@naic.org](mailto:kkilale@naic.org)) to set up a time with regulators to review field test results.