The Asset Adequacy Analysis under the U.S. Standard Valuation Law and Valuation Manual requires the appointed actuary within an insurance company to make an actuarial opinion on whether assets backing reserves are adequate under “moderately adverse conditions”. Though deterministic scenarios such as the New York 7 (NY7) are widely used to help decide adequacy, much has changed since the introduction of these set of scenarios. In fact, one major caveat is the different interest rate environment today, compared to years ago. Thus, moderately adverse scenarios defined in the NY7 may not appropriately portray the conditions today.

In January 2016, the SOA provided a refined version of moderately adverse scenarios under a more modern context that would reflect the current market environment. The *Modern Deterministic Scenarios for Interest Rates* (MDS) consisted of a set of 16 scenarios, with 8 low-rate and 8 high-rate scenarios each. This would be an upgrade over the 3 pop-up, 3 pop-down, and level scenarios in the NY7. A more detailed description of the MDS scenarios can be found here. https://www.soa.org/globalassets/assets/files/research/projects/2017-modern-deterministic-scenarios.pdf

Despite the work being done to create new measures to aid insurance companies in Asset Adequacy Analysis, there is little formal definition on what is considered a moderately adverse condition. If the company decides to hold reserves excess of a moderately adverse scenario, there is an increase in liabilities or cost to this decision. The cash flow testing reserve should be able to cover this obligation without creating a considerable opportunity cost to this decision.

The tool illustrated in this web application is neither a replacement to the testing being done, nor a representation of what a moderately adverse scenario is. However, it is intended to provide users with a flexible interface to get a rough idea of where current treasury yields are compared to its historicals.