**NAIC Economic Scenario Generator (ESG) Field Test Participation Request**

**Background**

An ESG Field Test is being planned to begin in early June 2022. The models proposed to be included in the field test are as follows:

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| **Model** | **Field Test Recommendation** |
| Treasury | 1. Field test two Treasury model candidates |
|  | * 1. Conning Calibration and Generalized Fractional Floor (“Non-shadow”) |
|  | * 1. Alternative Calibration and Shadow Floor (“Shadow”) |
| Equity | 1. Equity Utilize the existing GEMS® equity model with equity-Treasury linkage based on the short Treasury rate for field testing. Additionally, apply the following calibration updates: |
|  | 1. Update the equity model calibration to account for changes made to the Treasury model |
|  | 1. Apply a Sharpe-ratio approach with a 5% corridor to set the expected returns for the international equity indices |
| Corporate | 1. Include GEMS® corporate model in initial field testing with the calibration updated for consistency with other generated returns on a risk/reward basis |

Scenarios will be provided as of three valuation dates: 12/31/20, 12/31/21, and 3/31/22.

Companies testing all models with all three valuation dates would have 6 sets of results. In addition, there may be various sensitivity tests. For draft field test specifications, see the Economic Scenario Generator (ESG) Reserves and Capital Field Test Specifications document.

**Participation in the Field Test**

Companies wishing to participate in the field test should contact Scott O’Neal by April 28, 2022 at soneal@naic.org and provide the following information:

• Company name

• NAIC company code

• Names and email addresses of company contacts

• Responses to Pre-Field Test Survey – see “NAIC Economic Scenario Generator (ESG) Pre-Field Test Survey”

**Note:** Since the new ESG may have a material impact on reserves and capital, it is necessary to have broad industry participation in the field test. NAIC staff will monitor the level of participation. If it is insufficient, regulators may contact companies to request their participation. All companies participating in the field test will be contacted by a regulator from a state in which they are licensed with details on field test requirements and a request to provide field test results to NAIC staff.

**Communication of Field Test Results**

NAIC staff will compile aggregated results in a report that will not contain any company-specific or other company-identifiable information. Joint LATF/LRBC WG open meetings will be held to discuss 1) aggregate field test results, 2) whether any calibration or parameter changes are needed based on the results, and 3) potential VM and RBC instruction impacts, e.g. phase-in language.