The model was independently peer reviewed by a member of the work group. The peer review confirmed that the calculations performed by the model were reasonable for the intended purpose and were being applied as intended. The detailed results of the peer review are documented separately by the work group.

Additional detailed documentation on model assumptions, output structure and modeling methodology was created by the work group and may be made available upon request.

Limitations

The model is intended to stochastically project through stochastic simulation the run-off of inforce life insurance blocks typical of U.S. life insurers in order to develop capital factors for use in the NAIC RBC formula for C-2 life insurance mortality risk. Other uses outside of this intended purpose may not be appropriate.

Product features in the model were developed at a very basic level and consider differences in base statutory reserves, lapses, post level term mortality experience, face amounts and attained ages. The model is not designed to replicate detailed product and inforce block characteristics unique to individual companies. In particular, ULSG products were not directly modeled. The work group concluded based on the modeling that the capital factors are insensitive to product differences for a given risk exposure period. The recommendation to differentiate based on product is an indirect way to get at the length of mortality rate guarantee, utilizes the current reporting structure of the annual statements, and is aligned with principles based reserving differentiation.

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