**ESG Comment Period Extensions**

Please note that the comment period for all previous ESG exposures has been extended to **March 22nd, 2021**. Comments received on all the ESG exposures will be discussed at the Spring NAIC National Meeting LATF session on April 8th, 2021.

**ESG Exposure 2/24/21: Alternative Treasury Calibrations**

The items listed below are exposed for a public comment period ending on **March 22nd, 2021**.

**LATF ESG Exposure 2.24.21 for Revised Baseline Calibration** **– exposed for comments through 3.22.2021**

Regulators and the NAIC have received feedback on the 12/18/20 exposure of an initial set of proposed ESG parameters and associated economic scenarios. One key comment on the treasury scenarios was that the prevalence of inverted Yield curves in the scenarios was much higher than would be expected considering relevant history. The parameterization of the treasury model was adjusted to correct for this issue, and a new set of scenarios was produced using this calibration. The specifics of the revised parameterization are explained in the “Outline of Revised Baseline Calibration” file, a “Treasury Parameters – Revised Baseline” excel document, and a series of fan charts. This set of scenarios will be referred to as the “Revised Baseline” and are included on the ESG landing page.

Exposed Items:

Outline of Revised Baseline Calibration

GEMS Output for Dec 2019 - Revised Baseline Calibration

Treasury Parameters – Revised Baseline

Fan Charts - Revised Parameters

Average Yield Summary from Basic Data Set – Revised Baseline

**LATF ESG Exposure 2.24.21 for Alternative Calibrations** **– exposed for comments through 3.22.2021**

**(Note: Fan charts shown for this exposure display the Revised Baseline Scenarios as of 2019 Q4 as shaded blue percentiles compared to the Alternative Scenarios described in each file name)**

To help regulators and interested parties understand the impact to the scenarios of changing parameters, key targets in the treasury model were altered from their values in the “Revised Baseline” and statistics and graphs were developed from the resulting scenarios. Individual targets for the mean reversion level, mean reversion speed, volatility, and shift parameters were tested. Additionally, a set of scenarios that altered the volatility and shift parameters together was also produced. Finally, the initial conditions in the “Revised Baseline” were updated from 12/31/2019 to 12/31/2020 to illustrate the impact on the scenarios. Details on the altered calibrations described above are described in “Outline of Alternative Calibrations”, Treasury Parameters excel spreadsheets, and fan charts.

Exposed Items:

Outline of Alternative Calibrations

Treasury Parameters - Higher MRP

Fan Charts - Higher MRP

Treasury Parameters - Lower MRP

Fan Charts - Lower MRP

Treasury Parameters - Faster Reversion

Fan Charts - Faster Reversion

Treasury Parameters - Higher Volatility

Fan Charts - Higher Volatility

Treasury Parameters - Alt Shift

Fan Charts - Alt Shift

Treasury Parameters - Alt Shift and Volatility

Fan Charts - Alt Shift Volatility

Fan Charts - Revised Baseline - Dec 2020

**Purpose of the Alternative Treasury Calibrations**

The materials described above are being exposed in order to:

* Educate regulators and interested parties on how changing various targets impacts the parameters and corresponding scenarios produced by the ESG, and to
* Generate comments on the desired calibration or calibrations to be utilized in industry field testing.

**Supplemental Materials to Prior ESG Exposures**

The items listed below are supplemental to previously exposed materials.

**LATF ESG Exposure 1.21.21 for ESG Scenario Statistics and Reports – exposed for comments through**

**3.22.2021**

The 1/21/21 [ESG Scenario Statistics and Reports](https://content.naic.org/sites/default/files/inline-files/1.21.21%20Exposure%20-%20ESG%20Scenario%20Statistics%20and%20Reports%20%281%29.docx) exposure detailed reports and statistics that are planned to be delivered with the production scenario files. The files below have been added to give examples of the simulation summary report, the subset reports, and the average Yield summary reports. These reports are based off of the calibration exposed 12/18/2020.

Supplemental Materials:

1000 Path Subset Summary from Basic Data Set exposed 12.18.20

500 Path Subset Summary from Basic Data Set exposed 12.18.20

200 Path Subset Summary from Basic Data Set exposed 12.18.20

50 Path Subset Summary from Basic Data Set exposed 12.18.20

Average Yield Summary from Basic Data Set exposed 12.18.20

Simulation Summary from Basic Data Set exposed 12.18.20

**LATF ESG Exposure 1.21.21 for Scenario Picker Tool – exposed for comments through 3.22.2021**

The 1/21/21 [ESG Scenario Picker Tool](https://content.naic.org/sites/default/files/inline-files/1.21.21%20Exposure%20-%20ESG%20Scenario%20Picker%20Tool%20%281%29.docx) exposure detailed a methodology to produce representative subsets from the full set of 10,000 scenarios. The files listed below are the scenario subset files and are based off of the calibration exposed 12/18/2020. Additionally, the “Significance Values – Data” file illustrates how the chosen methodology was used to produce scenario subsets.

Supplemental Materials:

1000 Path Subset from Basic Data Set exposed 12.18.20.

500 Path Subset from Basic Data Set exposed 12.18.20

200 Path Subset from Basic Data Set exposed 12.18.20

50 Path Subset from Basic Data Set exposed 12.18.20

Significance Values – Data

**LATF ESG Exposure 1.21.21 for SERT Scenarios – exposed for comments through 3.22.2021**

The 1/21/21 [Stochastic Exclusion Ratio Test](https://content.naic.org/sites/default/files/inline-files/1.21.21%20Exposure%20-%20Stochastic%20Exclusion%20Ratio%20Test%20%281%29.docx) (SERT) exposure described the proposed methodology to produce the VM-20 SERT scenarios using the new ESG. The SERT scenarios produced using the proposed methodology have been added to the website.

Supplemental Materials:

SERT Scenarios from Basic Data Set exposed 12.18.20

**Directions on how to access the ESG landing page on Conning’s website**

The ESG landing page on Conning’s website, containing all the documents described above, is accessed by navigating to the “Economic Scenarios” section of the NAIC’s PBR website. See below for more details.

**Principle-Based Reserving (PBR) Section on the NAIC’s Website**

Link: <https://content.naic.org/pbr_data.htm>

Navigation path: NAIC Home Page 🡪 Industry 🡪 click in the box for Principle-Based Reserving (PBR) 🡪 scroll down to the Economic Scenarios section



Clicking on the link labeled “Economic Scenarios, Tools, Training Materials, and Documentation” will take you to the ESG landing page on Conning’s website. Related files, including files for the ESG Exposures, can be found on the landing page.