January 25, 2021

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

The Life Actuarial (A) Task Force (LATF) and the Life Risk-Based Capital (E) Working Group (LRBC WG) are seeking companies to participate in an ESG field test. This document provides background on the ESG project and information regarding field test preparation, participation, and communication of results.

**Background**

Economic scenario generators developed by the American Academy of Actuaries (Academy) are currently used by the life insurance industry in calculations of life and annuity reserves and capital. These may be found on the Society of Actuaries website at <https://www.soa.org/tables-calcs-tools/research-scenario/> and the “Related Documents” tab of the [LRBC WG page](https://content.naic.org/cmte_e_lrbc.htm) on the NAIC website.

Beginning in early 2017, the Academy notified the Life Actuarial (A) Task Force (LATF) that it did not have the resources to maintain the ESGs, except in their current form until a suitable replacement can be found. In March, 2020 the NAIC released a request for proposal (RFP) to vendors to provide, maintain, and support an Economic Scenario Generator (ESG) producing real-world interest and equity scenarios to be prescribed for use in calculations of life and annuity Statutory reserves according to the Valuation Manual (e.g. VM-20, VM-21) and capital under the NAIC RBC requirements (e.g. C3 Phase 1, C3 Phase 2). Conning was selected as the ESG vendor, and a [project timeline](https://content.naic.org/sites/default/files/inline-files/ESG%20Implementation%20Timeline%201.21.21%20%281%29.pdf) was developed based on a target implementation date of 1/1/22. This was presented to LATF on 10/27/20, along with the [deliverables](https://content.naic.org/sites/default/files/inline-files/ESG%20Background%20and%20Deliverables_10.27.2020.pdf) included in the NAIC’s contract with Conning.

**Field Test Timing and Preparation**

The ESG project timeline provides for preparation for reserve and capital field tests from December, 2020 through June, 2021 (item 16 on the timeline). The field test is then scheduled to take place between June and August, 2021 (item 17 on the timeline). However, the timing is contingent on Joint LATF/LRBC WG meetings to discuss comment letters received on exposures of the ESG and ancillary tools, and regulators’ approval of any modifications to be made for field testing (item 14 on the timeline). These exposures may be found on the ”Exposure Drafts” tab of the [LATF page](https://content.naic.org/cmte_a_latf.htm) on the NAIC website.

NAIC actuarial staff will work with regulators to draft a field test design, with instructions, to be exposed for comments at an open LATF meeting.

**Participation in the Field Test**

Companies wishing to participate in the field test should contact Reggie Mazyck by March 1st, 2021 at rmazyck@naic.org and provide the following information:

* Company name
* NAIC company code
* Names and email addresses of company contacts
* A list of the product types the company intends to include in the field test

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.

**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.