

GOES (E/A) Subgroup

Model Governance Framework Updates and Remaining Considerations

10/29/25

Agenda

1. Key Updates to GOES Model Governance Framework Since Summer National Meeting
2. Remaining Considerations

Appendix: GOES Model Governance Updates Discussed During Summer National Meeting



Key Updates

Model Office Analysis

- **VI.B Annual Model Review and Update (If Necessary)**
 - NAIC Staff will also prepare model office analyses to quantify the impact from annual model updates.
- **VI.C 5-Year Model Recalibration**
 - Materials to be provided for consideration of changes should include:
 - ...
 - model office analysis to understand the potential impact prepared by NAIC Staff

Key Updates

Emergency Model Findings and Expedited Process

VII.E - Material errors discovered in the GOES scenarios could necessitate the need to be classified as an “Emergency Model Finding” and undergo an expedited process for remediation. Under this situation communication and quick public discussion of an issue would be important to determining rapid corrective action. If necessary, membership of the Life Actuarial (A) Task Force could consider a “Waiver of Task Force Procedure” under the Valuation Manual Section 1.A.4.

Remaining Considerations

Model Owner Role

- Conning is currently listed as the model owner
- **Interested Party Comments:**
 - In my experience, the model owner is typically a leader in the area that relies on the model for business outcomes (i.e., the person who uses the model for decision making and cares about its results). The model owner has overall accountability for the model and is the decision maker on intended purpose, strategy, priorities, usage, etc., including initiating the selection of new vendors and/or models. LATF or the GOES Subgroup would be the natural candidates for this role.

Remaining Considerations

Model Risk Rating

- The current framework does not define a methodology for defining a model risk rating. Currently, all of the models are set to a risk rating of “High” given the reliance of the industry on these models.
- **Interested Party Comments:**
 - A defined methodology for determining a finding’s risk classification and controls to ensure that the finding is corrected appropriately and in a timely manner.
 - Typically, a model governance policy establishes quantitative and qualitative criteria (and other considerations) for high-, medium-, and low-risk classifications. Each classification is associated with risk-based testing and review requirements. This document provides the rationale for a “high” classification without defining “low” and “medium” because the GOES model is clearly high-risk overall. However, not every model component or tool within GOES may be high risk, so establishing explicit classification criteria may facilitate more efficient, risk-based activity.

Remaining Considerations

Technical Review Group

- The model governance framework currently envisions GOES (E/A) Subgroup oversight of NAIC Staff and Conning to address findings. The ACLI suggested that a technical review group be formed including interested parties to review updates resulting from model findings.
- **Interested Party Comments:**
 - Given Conning develops and owns the model, in addition to relying on the GOES subgroup and interest parties to identify the issues/model findings, we suggest NAIC form a smaller/independent technical group to review Conning's technical update for reasonability or unintended consequences.



GOES Model Governance Framework Updates Discussed During the Summer National Meeting

Updates to GOES Model Governance Framework

Governance Roles

- Conning responsible for developing and maintaining ancillary tools (e.g. scenario selection tool)
- NAIC Staff independently produces and reviews statistics prior to signoff
- GOES (E/A) SG (Model Steward) responsible for change requests with input from interested parties

Scope of Governance Framework

- The Robust Data Set, API, and all other non-prescribed Conning product offering were removed from the scope of the governance framework.
- The removal of these items allows the NAIC to focus on the prescribed scenarios and removes potential confusion regarding use of non-prescribed generators.

Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such that scenarios could be posted by the second business day following the previous month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end, along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.

Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a topside adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Conning Scenario Website Down	The website https://naic.conning.com/scenariofiles is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.
Conning unable to generate scenario files	Conning is unable to generate scenario files due to issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

Updates (continued): Annual Model Review (VI.B)

Annual Model Review and Update

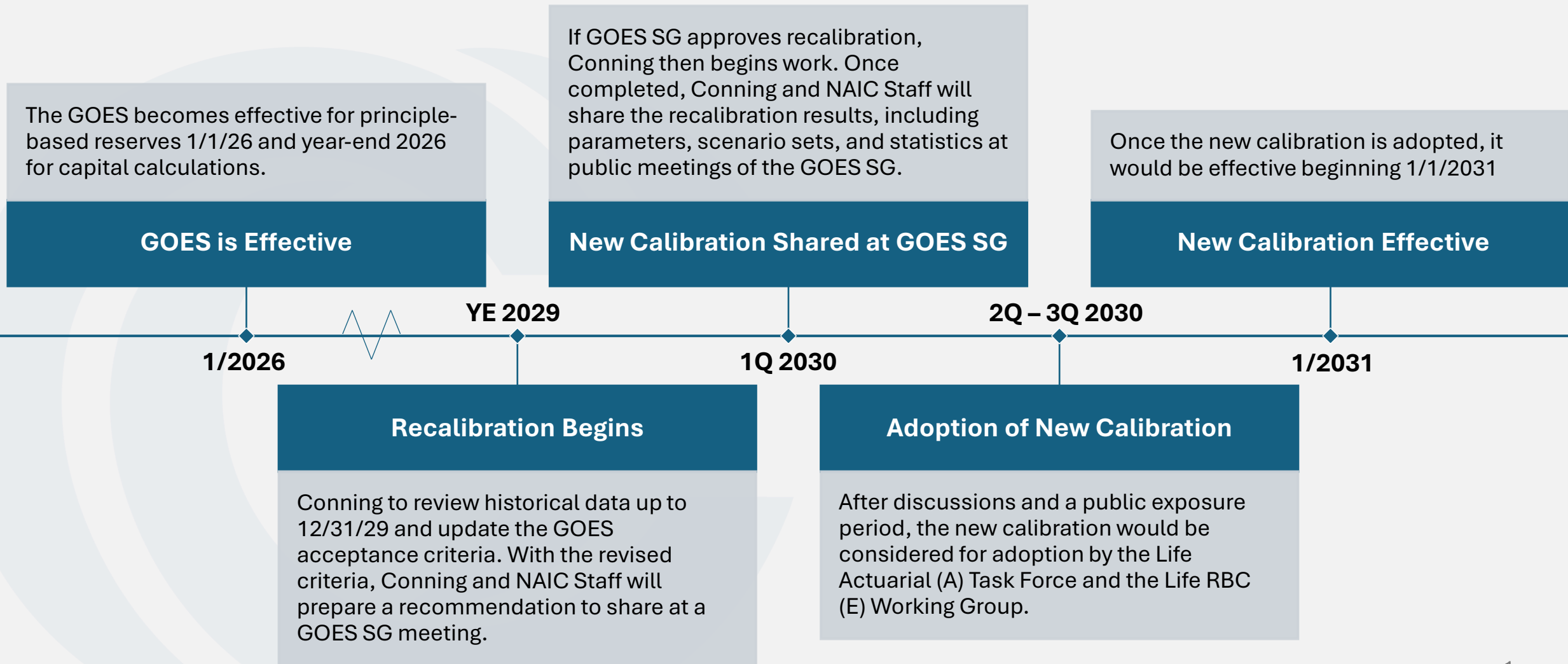
- At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year data.
- As part of the review Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged.
- The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership.
- If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action.

Updates (continued): Annual Model Review (VI.B)

Software Version Update

- Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process.
- As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. However, all clients have the option of running previous versions of the software.
- During the annual process, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios.
- Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup.
- If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

Updates (continued): 5-Year Recalibration Cycle (VI.C)



Additional Discussion Items: External Auditor

Interested Party Comments

- SOX/MAR attestations are usually provided *after independent testing* (e.g., by an auditor). Will such testing be required for GOES, or will this be a self-attestation (i.e., no independent testing)?
- If a company had developed or were running an economic scenario generator for material GAAP / statutory balances, the generator would likely be in scope for periodic independent testing. Companies outsourcing work affecting financial reporting often require service providers to have a third-party audit and report on their controls (e.g., Service Organization Control (SOC 1) reports).

Ideas for Discussion

- NAIC Staff recommend consideration of external audit of GOES scenario delivery as a “Day II” item.
- Significant effort required to determine scope of external audit, go through NAIC budgeting process, approval by NAIC Executive Committee, select an auditor, etc.
- Additional expense would be involved with setting up SOC 1 reports for the GOES model governance/scenario delivery process.