

US GAAP for Insurers, 3rd Edition, Robert G. Frasca and Mark J. Freedman, Eds. (Society of Actuaries, 2024)

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ERRATA

For Page 385

Table 11.1 Illustration of Various Designs of Benefit Guarantees on Variable Annuities

Legend: Column Values for Year t

$$(6)_t = (2)_t + (4)_t - (5)_t$$

Should read

$$(6)_t = (6)_{t-1} + (2)_t + (4)_t - (5)_t$$

For Page 489, Section 14.3.2.1, Paragraph 6

Two reserving approaches have developed for insurers or reinsurers to take on these longevity swaps. Many consider them to be like traditional lifetime-premium policies, and they calculate a net premium ratio based on the expected premiums, which do not vary, and the benefits, which do vary. The challenge with this approach is that, since the premiums and benefits patterns are similar, the resultant reserve is modest and stays near zero. Therefore, higher-than-expected actual benefits can result in the reserve being floored at zero, resulting in that negative experience being recognized in current-period income. Lower-than-expected actual benefits are spread over the life of the contract through the retrospective update nature of the net premium reserve approach.

Should read

Two reserving approaches have developed for insurers or reinsurers to take on these longevity swaps. Many consider them to be like traditional lifetime-premium policies, and they calculate a net premium ratio based on the expected premiums, which do not vary, and the benefits, which do vary. The challenge with this approach is that, since the premiums and benefits patterns are similar, the resultant reserve is modest and stays near zero. Therefore, lower-than-expected actual benefits can result in the reserve being floored at zero, reducing the gain to current-period income that would otherwise arise from the attendant projection of lower benefit payments in the future.