

Actuarial Opinion and Memorandum Regulation (AOMR) Communication Discussion Group

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Co-Chair, AOMR Links Subgroup



Overview of Group

- Designed to improve communication of key issues around the appointed actuary's actuarial opinion and memorandum (AOM).
- The focus is communication rather than focusing on the content of the memorandum.
- The Discussion Group is not expected to recommend changes to current requirements, but to come up with ways to open the lines of communications between appointed actuaries and regulatory actuaries so that understanding is improved



AOMR Discussion Group - Subgroups

- **Consolidation and Standardization of AOMs**
- **Communication of Assumptions and Enhanced Regulatory Asset Adequacy Issues Summary (RAAIS)**
- **Adding Links to AOM for Key Issues**



Consolidation and Standardization of AOMs Subgroup

- Consolidate various required annual actuarial reports into one report to minimize multiple submissions and avoid duplication of information
- Consolidate general assumptions that don't vary by regulation or Actuarial Guideline Requirements into one section of report
- Establish layers of electronic reports, with summary info in top layer, detailed reports and common data in separate layers



Communication of Assumptions and Enhanced RAAIS Subgroup

- Enhanced RAAIS
 - RAAIS helps regulators understand and gain confidence in the analysis performed by the appointed actuary
 - RAAIS helps regulators determine whether to request the full actuarial memorandum
 - Some RAAIS filings only provide minimum responses in the six areas required to be addressed by the AOMR
 - The subgroup is discussing ways in which additional information could help regulators better understand which companies need more detailed review



Communication of Assumptions and Enhanced RAAIS Subgroup (continued)

- Suggestions to improve communication of results
 - Describe the assets and liabilities at a high level
 - Connect this framing discussion to the methods used in the analysis
 - Identify clearly whether additional reserves were held and the criteria used to quantify them
 - Provide a numeric summary of key testing results for the current and prior year, identifying the key drivers of change
 - Describe the use of sensitivity testing to stress the most significant risks
 - Describe significant changes in the assumptions, models, risk mitigation strategies, etc. and the effects of these changes



Adding Links to AOM for Key Issues Subgroup

- Ideas on ways to improve communication of results by creating an actuarial memorandum template that incorporates links and bookmarks.
 - Table of Contents links to major section headings
 - Items of Interest links to typical memoranda topics (e.g., AG43, stochastic testing, mortality assumptions)
 - Brief Executive Summary with links to key topics
 - Reserve template that promotes standardization, across companies and across time periods



Next Steps

- Coordinate work products among the subgroups
- Communicate best practices that do not require regulatory revisions
- Communicate best practices that may require regulatory revisions
- Collect feedback from regulatory and company actuaries on our work thus far



Input to the Academy AOMR Practice Note

- The Discussion Group was asked to assist an Academy work group that is updating the 2004 Asset Adequacy Analysis Practice Note.
- This Group was asked to provide input into a response to the question “In what ways do regulators feel that actuarial opinions and memoranda could be improved?”
- We are in the process of providing input based on our discussions.



Relevant Sessions at 2013 Valuation Actuaries Symposium

- Regulator Discussion: Universal Life with Secondary Guarantees and Actuarial Guideline 38
 - Round table discussion led by AOMR discussion group, providing an opportunity for informal discussion.

- Regulator Discussion: Variable Annuities and Actuarial Guideline 43
 - Informal discussion to allow participants on both sides of the memorandum to broaden their perspective.



Contact Information

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