

## Actuaries Climate Index Remains High for Latest Quarter

**QUARTERLY DATA FOR THE [Actuaries Climate Index](#)** (ACI) released this month for spring 2017 reveal the five-year moving average of climate extremes across the United States and Canada remains near the high recorded in the previous quarter, winter 2016–17. The seasonal ACI value was 1.66, compared with 1.94 in the previous quarter, marking the seventh consecutive season with an elevated value of above 1.5.



### ACTUARIES CLIMATE INDEX INDICE ACTUARIEL CLIMATIQUE

“Sea levels have overtaken

high temperatures as the biggest single factor behind the record averages in climate extremes measured by the ACI,” said Academy Senior Property and Casualty Fellow Kevin Ryan. “Sea level measurements in the Atlantic and Gulf Coast regions were particularly important in keeping the moving index value at its current high level.”

The five-year ACI moving average for spring 2017 was 1.14, the same value as reported in the previous quarter, which was a record. Sea level, one of the six components of the index, has been highest in recent years in

the Southeast Atlantic region (Virginia to Louisiana) and in the Southern Plains coastal region (Texas). Sea levels in the Central East Atlantic (Maryland to Maine) and Northeast Atlantic (Canada’s Maritime Provinces) regions also contributed to the increased significance of the component.

The ACI is based on analysis of seasonal data from neutral, scientific sources for the six different index components collected since 1961.

It measures changes in extremes

of high and low temperatures, high winds, heavy precipitation, and drought, as well as changes in sea level, expressed in units of standard deviations from the mean for the 30-year reference period of 1961 to 1990 for the United States and Canada combined.

The index—sponsored by the Academy along with the Canadian Institute of Actuaries, the Casualty Actuarial Society, and the Society of Actuaries—is designed to provide actuaries, public policymakers, and the general public with objective data about changes in the frequency of extreme climate events and sea levels in recent decades. ▲

## Academy-CIA Series Kicks Off With Webinar Outlining Groups’ Roles in U.S., Canada

**THE ACADEMY AND THE** Canadian Institute of Actuaries’ (CIA) jointly sponsored [webinar series](#) began with the Jan. 18 webinar, “The Roles of National Actuarial Organizations in the U.S. and Canada.” The presenters—Academy Penultimate Past President Tom Wildsmith, Academy Senior Policy Analyst Claire Mickelson, and CIA President Sharon Giffen and Executive Director Michel Simard—discussed the two organizations’ unique roles in each of their countries. [Slides and audio](#) are available free to Academy members.

When the two organizations were founded more than 50 years ago, “there was a need recognized

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Academy Executive Director Mary Downs (left) preps for the Academy-CIA joint webinar with Wildsmith and Mickelson

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## APRIL

8–11 [Enrolled Actuaries Meeting](#), Washington, DC.

## NOVEMBER

1–2 Annual Meeting and Public Policy Forum, Washington, DC.

4–8 Life and Health Qualifications Seminar, Arlington, Va.

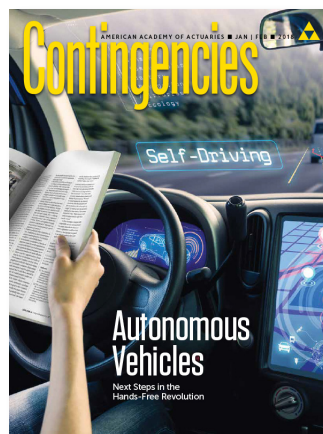
For a list of all previous and upcoming Academy events, please visit the Academy's online [Events Calendar](#).

# Academy NEWS Briefs

## Recently Released

**I**N THE JANUARY/FEBRUARY [Contingencies](#), the cover story, “Autonomous Vehicles—Next Steps in the Hands-Free Revolution,” looks at a future with more driverless cars on the road. “Robots Join the Team” looks at how actuaries’ future work will be changed substantially with the rise of robotic automation, and “The Case for Variable LTC Insurance” looks at long-term care insurance. Also, “To Tell or Not to Tell” covers Precept 13 of the Code of Professional Conduct; and Academy President Steve Alpert kicks off his president’s messages with “The Profession, Professionalism, and the Public.”

The January [HealthCheck](#) covers the Health Practice Council’s letter to Congress regarding



the pending elimination of the Affordable Care Act’s individual mandate following passage of the new tax-reform law, the Department of Labor’s proposed rule on association health plans, the release of the Center for Consumer Information & Insurance Oversight’s 2019 Actuarial Value Calculator and Methodology, and Congress’

short-term funding of the Children’s Health Insurance Program (CHIP). Funding of the CHIP program was [extended by Congress for six years](#) and signed into law by the president in late January. ▲

## Review Your Membership Profile

To continue receiving *Actuarial Update*, *Contingencies*, and other Academy publications on time, please make sure the Academy has your correct contact information. Academy members can update their member profile, subscribe to Academy alerts, and review archived professionalism and public policy webinars at the [member login page](#).

## NAAC Meets in Mexico

Leaders of the actuarial associations that participate in the North American Actuarial Council met Jan. 12–13 in Puebla, Mexico, to discuss challenges the profession faces in their respective countries as well as their diverse approaches to actuarial education, emerging practice areas, and new technologies.



SHUTTERSTOCK / DIGITAL SAINT

## Order Today: Academy Law Manuals

**T**HE LATEST EDITIONS OF THE *Life and Health Valuation Law Manual* and the *Property/Casualty Loss Reserve Law Manual* are now available for immediate download. [Order your copy today.](#)

The *Life and Health Valuation Law Manual* is designed to help appointed actuaries know the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation.

The *Property/Casualty Loss Reserve Law Manual* is designed to help appointed actuaries know the NAIC Annual Statement requirements for statements of actuarial opinion.

Both manuals are available in a variety of formats, allowing you to select the version that best suits your work. ▲

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the [member login](#) page on the Academy [website](#).

# Academy NEWS

## 2017 Legislative/Regulatory Review Alert Released

**T**HE ACADEMY RELEASED ITS 2017 [year-in-review alert](#), which offers a summary of select regulatory and legislative developments last year at the state, federal, and international levels that are of interest to the U.S. actuarial profession. It also includes related Academy efforts in the past year in key areas, including flood insurance, health care and potential changes to the Affordable Care Act, Medicare, principle-based reserving, Social Security, international insurance capital standards, and many other issues.

Many of the issues the Academy worked on in 2017 will carry into 2018 as the president and the Republican-led Congress continue to pursue their stated goals of health care reform; changes to safety-net programs such as Social Security, Medicare, and Medicaid; and rolling back federal regulation of the financial and insurance industries, among others. Continuing resolutions to temporarily fund the federal government this month included extensions of the [National Flood Insurance Program](#) (NFIP) through Feb. 8,

and the [Children's Health Insurance Program](#) for six years. Lawmakers may take up longer-term reauthorizations of the NFIP this year. ▲



ISTOCK / DNY59

### Webinar, continued from page 1

for something more—to professionalize the actuarial community in a way that it could be seen as a truly self-regulating profession,” Wildsmith said. Giffen added, “The Academy and the CIA are very similar organizations in terms of their approach and service to the actuarial profession ... I look forward to continuing our educational series on professionalism over the course of this year.”

Panelists outlined the organizations’ roles as the national voices of the profession in their respective countries in setting qualification, practice, and professionalism standards; in offering basic and continuing education opportunities; and coordinating the representation of the profession internationally.

While the two play similar roles, they are “sister organizations; we’re not identical twins,” Wildsmith said, noting differing legal systems and cultures in the two countries. The Academy has more than 19,000 members, while the CIA has more than 5,000 members.

Unlike the Academy, the CIA operates under a national charter, and the two groups’ disciplinary processes and approaches to public policy also differ. As the national voices of the profession in their respective countries, parallels include:

- ▲ Setting qualification, practice, and professionalism standards for actuaries in their respective countries.
- ▲ Providing some basic education and continuing education and continuing professional development opportunities.
- ▲ Providing opportunities for the professional development of their members through volunteerism and service to the profession.
- ▲ Coordinating representation of the profession internationally.
- ▲ Controlling the use of their own designations.

The groups emphasized their service to the actuarial profession in both countries. “One of the most important things is in the establishment of our standards of practice, we have the same goal of ensuring that the work of the actuary is independent of the



Giffen



Simard

commercial interest that is primarily often the actuary’s employer or client,” Giffen said.

And while there is an “arm’s length” relationship between the CIA and the Actuarial Standards Board (ASB), “there is a good working relationship between our internal practice council and the ASB,” Giffen said, with the ASB and the Actuarial Standards Oversight Council giving presentations to the CIA at least once a year.

Giffen said the CIA has a duty to advocate for the profession with government and the public in the development of public policy. It develops public statements on what would be the best option in the public’s interest, while noting that there is “always an ongoing debate about exactly what is the public interest, and that is an ongoing source of care in crafting these statements.”

Wildsmith noted that for the Academy, key public policy audiences include state and federal legislators and regulators, as well as state insurance departments. “The role that we play on behalf of the profession is to provide them the very best, most objective, most independent actuarial advice possible.” ▲



# Federal Court Dismisses Lawsuit Against Academy in Discipline Case

**T**HE U.S. DISTRICT COURT in Washington, D.C., granted in entirety the Academy's motion to dismiss a lawsuit filed by Timothy Sharpe. This is a significant victory upholding the validity of the profession's disciplinary process. [Read the court's decision here.](#)

## DISCIPLINARY NOTICE

The following was posted to the Academy's [Public Discipline page](#) on Jan. 5, 2018.

### Notice of Public Discipline (Effective Date Jan. 5, 2018)

The American Academy of Actuaries ("Academy"), acting in accordance with its Bylaws, has reviewed the findings from the Actuarial Board for Counseling and Discipline ("ABCD") and decisions by both a Hearing Panel and an Appeal Panel of the Joint Discipline Council ("JDC") regarding Timothy W. Sharpe, MAAA, EA. The Academy hereby publicly reprimands Mr. Sharpe for materially failing to comply with Precepts 1, 2, 3, and 4 of the Code of Professional Conduct.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 1 of the Code, which requires actuaries to "act . . . with . . . competence." Annotation 1-1 amplifies that provision by stating that actuaries must "perform Actuarial Services with skill and care." Specifically, the ABCD and JDC found that in performing a 2011 Other Postemployment Benefits Other Than Pensions ("OPEB") valuation for the Village of Melrose Park, Illinois (the "Project") Mr. Sharpe failed to confirm whether vision and dental benefits were included in the premium rates that he used in his work and whether surviving spouse benefits were also covered by the plan.

The ABCD and JDC also determined that Mr. Sharpe's violation of Precept 2 of the Code (discussed below) constitutes a violation of Precept 1.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 2 of the Code, which requires that actuaries "perform Actuarial Services only when . . . qualified to do so on the basis of basic and continuing education and experience, and only when . . . satisf[ying] applicable qualification standards." The Qualification Standards impose the obligation on the actuary to be able to document his compliance with the continuing education requirement. The ABCD and JDC determined Mr. Sharpe did not meet the qualification standards required to perform the Project because he failed to meet the continuing education requirement in the health practice area. The ABCD and JDC also concluded that Mr. Sharpe's violation of Precept 1 also supported its determination that he violated Precept 2.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 3 of the Code, which requires that the actuary performing actuarial services "satisfy the applicable standards of practice." The ABCD and JDC found that Mr. Sharpe's work on the Project violated several Actuarial Standards of Practice ("ASOPs"). Mr. Sharpe's work failed to

meet the requirements of ASOP No. 6, Measuring Retiree Group Benefit Obligations, in a number of ways, including by failing to (i) document the methods and procedures he used to develop the initial per capita health care rates and any significant actuarial judgments applied during the modeling process; (ii) adjust pre-65 premium rates that contained retiree experience, and (iii) document how he satisfied ASOP No. 6. In addition, Mr. Sharpe used only one age band below 65 and only one age band above age 64. The ABCD and JDC also found that Mr. Sharpe failed to describe the assumptions and methods he used in the measurement with sufficient clarity that another actuary qualified in this practice area could make an objective appraisal of the reasonableness of his work.

The ABCD and JDC also concluded that Mr. Sharpe failed to comply with several sections of ASOP No. 23, Data Quality. In particular, the ABCD and JDC found that he failed to disclose (i) reliance upon a third party for providing premium rates below age 65 and above age 64; (ii) whether he reviewed the premium rates for reasonableness; and (iii) the process used to evaluate the data and any material defects in the data and any adjustments made to the data.

The ABCD and JDC further concluded that Mr. Sharpe violated ASOP No. 41, Actuarial Communications, in three ways: (1) by failing to disclose the data, assumptions, and methods used in the Project with sufficient clarity that another actuary qualified in this practice area could make an objective appraisal of the reasonableness of his work; (2) by failing to disclose reliance on premium data obtained from a third party; and (3) by failing to comply with ASOPs No. 6 and No. 23 as described above.

Finally, the ABCD and JDC concluded that Mr. Sharpe materially violated Precept 4 of the Code, which requires that an "Actuarial Communication" issued by an actuary "satisfies the applicable standards of practice." Precept 4 requires that an Actuarial Communication—defined as "a written, electronic, or oral communication issued by an Actuary with respect to Actuarial Services"—comply with the ASOPs. The ABCD and JDC determined that Mr. Sharpe's failure to meet the disclosure requirements of ASOP Nos. 6, 23, and 41, as described above, violated Precept 4.

Based upon the foregoing, the Academy publicly reprimands Mr. Sharpe. ▲

# Academy Volunteers and Interested Parties: Required Acknowledgment of Your Commitment to Objectivity

By D. Joeff Williams

Vice President, Council on Professionalism

**T**HE ACADEMY'S WORK requires that its volunteers recognize their obligation to maintain a high level of professional objectivity and independence from any specific interests of members' employers or from partisanship. To emphasize the importance of remaining objective, each year the Academy Board requires Academy volunteers—and any individual who is an interested party on a committee, whether an Academy member or not—to acknowledge the Academy's Conflict of Interest (COI) policy. Those who fail to do so may not participate in the work of Academy boards or committees.

The time for making this commitment a reality is now. Academy volunteers and interested parties should have recently received a request to acknowledge the Academy's COI policy.

Volunteers have an additional responsibility to comply with the continuing education (CE) requirements of the [U.S. Qualification Standards](#) (USQS) and are also asked to acknowledge that they have completed their CE requirements. I ask you to respond to this request as soon as possible.

The annual requirement for every Academy volunteer and interested party to submit an acknowledgement of the Academy's COI policy is one of the measures we use to cultivate and protect our commitment to objectivity. Acknowledging the Academy's COI policy also shows our recognition that the public's trust is fundamental to our credibility as a profession and that we, as individuals, have a responsibility to the Academy and to the public it serves on behalf of the profession when we volunteer for the Academy.

When conducting activities for the Academy, Academy volunteers and interested parties are required to disclose actual or potential COI if and when they arise and, as appropriate, recuse themselves from activities that give rise to any such conflict. For both volunteers and interested parties, this annual acknowl-



edgment demonstrates our commitment to professional objectivity, as well as our independence from any specific interests of employers or individuals when participating in Academy committees.

This independence and objectivity is illustrated, in part, by the longstanding requirement that Academy volunteers refrain from disclosing a committee's work-in-progress other than in a manner consistent with the COI policy and the Academy's "[Guidelines for Making Public Statements](#)."

All Academy members who are members of an Academy committee must also comply with the CE requirements of the USQS. While Academy work products are not necessarily statements of actuarial opinion under the USQS, the Board requires all Academy volunteers to meet the CE requirements of the USQS in the areas in which they practice.

All Academy volunteers were expected to be in compliance with the CE policy as of Jan. 1. Specifically, actuaries are expected to have completed 30 hours of relevant CE—including 6 from organized activities and 3 from professionalism topics—in 2017 or as otherwise allowed under the USQS. Volunteers may earn CE cred-

its, including organized activity credits, by serving on committees and in other ways described in the [FAQs on the USQS](#).

As a fellow Academy member who serves as an Academy volunteer (and as your vice president of professionalism), I ask you to provide these acknowledgements promptly if you have not already done so. Follow the instructions in the Jan. 31 email or on the [membership page](#) under "Volunteer Acknowledgements."

For more information about the Academy's commitment to professional objectivity, please visit the [Professional Objectivity at the Academy](#) webpage. If you have questions, you may contact the Academy at [objectivity@actuary.org](mailto:objectivity@actuary.org). If you experience any technical difficulties, please contact the Membership Department at [membership@actuary.org](mailto:membership@actuary.org) or call 202-223-8196. ▲

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## IN THE NEWS

Senior Health Fellow Cori Uccello discussed short-term health policies in a [CNN Money](#) story examining how President Trump's executive order on health care could affect health insurance options. The story was reprinted by more than 50 media outlets. Her comments on the potential consequences of eliminating the individual mandate were cited in a [HealthDay](#) story that was reprinted by more than 80 media outlets.

A [Health Affairs Blog](#) post on the Labor Department's proposed association health plan (AHP) rule cited the Individual and Small Group Markets Committee's [letter to Congress](#) last March on AHPs. Several media outlets, including [Modern Healthcare](#), [Healthcare Dive](#), [National](#)

[Law Review](#), [Lexology](#), and [JD Supra](#), cited the committee's [issue brief](#) on AHPs.

The [Washington Examiner](#) and [HealthPayer Intelligence](#) cited the HPC's [Dec. 12 letter](#) to Congress providing comments on the consequences of the elimination of the Affordable Care Act's individual mandate.

A [CNBC](#) story on retirement planning cited the Academy/Society of Actuaries jointly produced [Actuaries Longevity Illustrator](#) as a useful tool to help people understand longevity risk and plan for retirement. It also cited the Academy's jointly sponsored international research paper on [Retirement Readiness](#). The story was reprinted by [Yahoo Finance Canada](#), [Yahoo Finance UK](#), and [Yahoo Finance Singapore](#).

The Academy's [issue brief](#), *The 80% Pension Funding Standard Myth*, was cited by numerous media outlets, including [The Connecticut Mirror](#), [HartfordBusiness.com](#), [Voice of San Diego](#), [California Political Review](#), and [PublicCEO](#) (Calif.).

A story on retirement security published by the [Eagle-Tribune](#) (North Andover, Mass.) cited the Academy's [discussion paper](#), *Risky Business: Living Longer Without Income for Life*, which examines the importance of a secure income to last an entire lifetime.

[Insurance Journal](#) published a story relaying key findings from the Flood Insurance Work Group's 2017 [public policy monograph](#), *The National Flood Insurance Program: Challenges and Solutions*.

Several media outlets, including the [Weather Network](#), [InsuranceERM](#), [E&E News](#), [Beach News](#) (Carteret County, N.C.), and [The Globe and Mail](#) (Canada) reported on the newly released spring 2017 results from the Academy's jointly sponsored [Actuaries Climate Index](#).

[Lexology](#) cited the Academy's [comment letter](#) to the NAIC's Statutory Accounting Principles Working Group expressing concerns over proposed changes to SSAP No. 62R: *Property and Casualty Reinsurance*.

An opinion piece in the [New Jersey Spotlight](#) cited the Academy's [issue brief](#), *Drivers of 2016 Health Insurance Premium Changes*. ▲



## Save the Date

### NOVEMBER Life and Health Qualifications Seminar

NOV. 4–8, 2018 | ARLINGTON, VA  
Acquire the necessary qualifications to sign statements of actuarial opinion for NAIC life and health annual statements.

ACADEMY  
SEMINAR





# New Standards for the New Year

BY BETH FITZGERALD

Chairperson, Actuarial Standards Board

**L**AST YEAR, I WROTE ABOUT [newly revised actuarial standards of practice](#) (ASOPs) and quoted Adlai Stevenson, who said: “Change for the better is a full-time job.” I should have mentioned that change for the better is also a long and difficult job: Behind each new ASOP are countless days and hours devoted to developing, drafting, exposing, redrafting, re-exposing, finalizing, and promulgating—not to mention the time and effort made by all interested parties to comment on the exposure drafts. This is appropriate, given the important role that standards play in providing guidance to actuaries and protecting the public.

The Actuarial Standards Board (ASB) defines “appropriate practice” in the face of emerging issues in actuarial practice, advancements in actuarial science, new laws and regulations, new technological and economic conditions, and changing environments. In 2017, the ASB adopted three new ASOPs, and the brief story of how each of these came into being illustrates how the ASB helps the profession adapt to changing circumstances by ensuring actuaries have standards appropriate for the conditions they face.

### **ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions**

In the wake of the 2008 recession and the subsequent heightened focus on public pension plans, the ASB reviewed the pension ASOPs to determine whether more guidance was needed in certain areas. As a result of that review, the ASB and its Pension Committee embarked on the development of what is now ASOP No. 51. This ASOP provides guidance to actuaries when performing certain actuarial services with respect to measuring obligations under a defined benefit pension plan and calculating actuarially determined contributions for such plans, with regard to the assessment and disclosure of the risk that actual future measurements may differ significantly from expected future measurements. The standard, which was first exposed in 2014, will take effect for any actuarial work product with a measurement date on or after Nov. 1, 2018.

### **ASOP No. 52, Principle-Based Reserves for Life Products under the NAIC Valuation Manual**

The move to principle-based reserving (PBR) in life insurance has long been in the works and will finally be completed in the next few years. Last year, 42 states and territories with 75 per-



cent of written premium adopted the NAIC Standard Valuation Law—the threshold for implementation of the NAIC *Valuation Manual*.

While the NAIC was developing the *Valuation Manual*, the ASB was keeping pace. The Task Force on Principle-Based Reserves was established under the Life Committee in 2006. A second iteration of this task force finalized the PBR ASOP last year. ASOP No. 52 provides guidance to actuaries when performing actuarial services with respect to developing or opining on principle-based reserves for life insurance that are reported by companies in compliance with applicable law based upon the NAIC Standard

Valuation Law and the *Valuation Manual*. The standard, which was first exposed in 2013, is in effect for valuation dates on or after Dec. 31, 2017.

### **ASOP No. 53, Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention**

Estimating future costs based on sound actuarial practice is essential to the integrity of the insurance and risk financing system and is key to fulfilling the promises embodied in insurance contracts. Before the ASB was established, the Casualty Actuarial Society (CAS) adopted the *Statement of Principles Regarding Property and Casualty Ratemaking* (Statement of Principles) in May 1988. This document featured four fundamental principles of ratemaking and discussed additional considerations.

Since then, ratemaking has grown much more complex and sophisticated, and in 2009 the ASB approved a task force under the Casualty Committee to begin looking into a general ASOP on ratemaking to complement the existing ASOPs. To create an ASOP for the core aspects of ratemaking that could be issued in a reasonable amount of time, the ASB developed ASOP No. 53 to pertain solely to the development or review of future cost estimates for prospective property/casualty risk transfer and risk retention. It should be noted that this ASOP incorporates all of the Considerations contained in the CAS Statement of Principles and addresses issues related to the estimation of costs for risk transfer and risk retention not currently addressed in existing ASOPs. ASOP No. 53, which was first exposed in 2014, takes effect for work performed on or after Aug. 1, 2018.

ASOPs are the product of long hours and hard work on the part of the ASB's committees and task forces and rely on comments from all interested parties. The ASOPs are a cornerstone of the profession's efforts to regulate itself, fulfill its responsibility to the public, and create change for the better. ▲



## Professionalism Outreach

**THE ACADEMY WAS INVITED** by Canada's **Actuarial Students National Association (ASNA)** to participate at ASNA's 2018 convention in Ottawa, Ontario, in early January. Past Academy President Tom Wildsmith gave a Jan. 6 presentation, "What You Need to Know About Qualifications in the United States," and Senior Policy Analyst Claire Mickelson offered French translation of Academy information. Our representatives answered questions about the Academy's essential role as the U.S. national association in establishing standards of conduct, practice, and qualification for actuaries practicing in the United States, encour-

aged students interested in practicing in the United States in the future to be aware of the need to comply with applicable U.S. standards, and hosted an exhibit booth where Wildsmith and Academy staff answered questions and greeted conference attendees.

Council on Professionalism member Kevin Dyke made a presentation to the **Actuarial Society of Michigan** on Jan. 24 in Livonia, Mich. His presentation focused on developments in actuarial professionalism over the past year, the framework of the U.S. profession's self-regulation, and the professionalism resources available to Academy members. ▲

### Applicability Guidelines Updated to Reflect New ASOPs

The [Applicability Guidelines for Actuarial Standards of Practice \(ASOPs\)](#) have been updated to reflect ASOP Nos. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, and 52, *Principle-Based Reserves for Life Products under the NAIC Valuation Manual*. ▲

## ASB Adopts New ASOP No. 53, on P/C Risk Transfer and Retention

**THE ACTUARIAL STANDARDS** Board adopted the new ASOP No. 53, [Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention](#). This ASOP provides guidance to actuaries when performing actuarial services with respect to developing or reviewing future cost estimates for prospective property/casualty risk transfer and risk retention and includes future cost estimates for insurance, reinsurance, self-insurance, loss portfolio transfers, or any other mechanisms for risk transfer or risk retention. The new ASOP will be effective for work performed on or after Aug. 1, 2018. ▲

### PROFESSIONALISM BRIEFS

- ➔ **Dorothy Magnuson** joined the Council on Professionalism.
- ➔ **Audrey Halvorson** is the chairperson of the Committee on Professional Responsibility.
- ➔ **Andrea Sweeny** is chairperson of the Committee on Qualifications, and the following actuaries are members of the committee: **Katie Campbell, Janet Fagan, Keith Passwater, Stephen Rosen, Hal Tepfer, and Chad Wischmeyer.**

### CASUALTY BRIEFS

- ➔ **Brian Brown, Mary Frances Miller, and Kathy Odomirok** have joined the Casualty Practice Council.
- ➔ **Robert Anderson, Steve Armstrong, Glenn Balling, Thomas DeFalco, John McCollough, Jeff McDonald, Alan Parham, John Sopkowicz, Michael Stienstra, Brian Stoll, Marla Strykowski, Rebecca Williams, and Zachery Ziegler** have joined the Automobile Insurance Committee.
- ➔ **Edmund Douglas and John Wade** are now vice chairpersons of the Casualty Loss Reserve Seminar Planning Committee, and the following actuaries are members of the committee: **Peter Brinck, Kevin Donnelly, David Foley, Ellen Guffy, Lise Hasegawa, Ron Kozlowski, Karin Rhoads, Kristen Seitz, Patty Smolen, and David Wolf.**
- ➔ **Kathy Odomirok** is chairperson of the Committee on Property and Liability Financial Reporting.
- ➔ **Edmund Douglas** is now chairperson of the Cyber Risk Task Force, and the following actuaries are members of the task force: **Anna Antonova, George Belokas, Kevin Dyke, Stacey Gotham, Denis Guenther, Nicholas Jacobi, Scott Roth, Michael Stienstra, Marla Strykowski, Navid Zarinejad, and Zachery Ziegler.**
- ➔ **Susan Forray** is chairperson and **Anne Petrides** is vice chairperson of the Medical Professional Liability Committee, and the following actuaries are members of the committee: **Gordon Hay, Mary Ann McMahon, and Mitchell Pollack.**
- ➔ **Kay Cleary** is chairperson of the P/C Extreme Events Committee, and the following actuaries are members of the committee: **Patrick Causgrove, Nasser Hadidi, Stephen Kolk, Alan Parham, and Bernard Rabinowitz.**
- ➔ **Denis Guenther** has joined the Property and Casualty Risk-Based Capital Committee.
- ➔ **Kyle Babirad, Glenn Balling, Stephen Dicenso, Dawn Fowle, Stacey Gotham, Derek Jones, Elizabeth Merritt, Darci Noonan, Arthur Randolph, Arthur Scott Whitson, and Michael Williams** have joined the Workers' Compensation Committee.
- ➔ **Rob Flannery** is chairperson of the Law Manual Subcommittee.
- ➔ **Jeff Carlson, Chuck Emma, John Gleba, and Hyeji Kang** have joined the Opinion Seminar Subcommittee.





## COPLFR Issues Exposure Draft of Retained Risk Practice Note

**T**HE COMMITTEE ON PROPERTY and Liability Financial Reporting (COPLFR) released an exposure draft of a new [practice note](#), *Retained Property Casualty Insurance-Related Risk: Interaction of Actuarial Analysis and Accounting*. Comments are due by March 30; read the [Academy alert here](#).

The practice note defines ways that entities use to retain risk, often described in other literature as methods of financing the entity's exposure to risk. Because the type of entity often determines the particular approach or applicable accounting treatment, the various types of entities and the associated variation in the retained risk characteristics are described. The common exposures that these various entities may retain also are described, and the practice note also discusses the relevant accounting guidance that could apply to the various entities and exposures, the interaction of the accounting guidance with the relevant actuarial concepts, and the variation by type of entity.

"This practice note has been needed for a very long time," said Past Academy President Mary Frances Miller, a member of COPLFR. "The Casualty Actuarial Society syllabus covers

accounting for insurance companies in depth, both statutory and generally accepted accounting principles, so there is a wealth of information in articles and study notes for actuaries to access on insurance accounting."

However, accounting for insurance-like liabilities for non-insurers is often quite different, and finding the "rules" can be difficult, Miller said. "COPLFR saw a need for practitioners to be able to access a single source document that provides an overview of the accounting principles that apply and points the practitioner to the right resources. I believe that this is the first such document for actuaries working with non-insurers." Asked how many consulting and audit actuaries end up working with clients that are not insurers, Miller said, "It's certainly not just a handful of actuaries."

Lisa Slotznick, a member of the Academy's Board and a past COPLFR chairperson, added that actuaries working for insurers that provide commercial insurance with retained risk components also encounter the situations described in the practice note and therefore may also find it a helpful resource. ▲

## Webinar Looks at RMAD and Reserve Ranges

**M**ORE THAN 400 MEMBERS attended the Academy's webinar, "[P/C Loss Reserve Opinion Writing: RMAD and Reserve Ranges](#)," which looked at risk of material adverse deviation (RMAD), reserve ranges, and how they fit together for the purposes of issuing statements of actuarial opinion.

The webinar, hosted by COPLFR, was a follow-up to presentations on those subjects at December's Seminar on P/C Effective Loss Reserve Opinions. Moderated by COPLFR Chairperson Kathy Odomirok, the panelists were COPLFR member and Past Academy President Mary Frances Miller, and Dawn Fowle, a member of the Opinion Seminar Subcommittee.

Actuarial Standard of Practice (ASOP) No. 36, *Statements of Actuarial Opinion Regarding*

*Property/Casualty Loss and Loss Adjustment Expense Reserves*, discusses significant risks and uncertainties, with paragraph 4.2(e) requiring disclosure: "If the actuary reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation, an explanatory paragraph should be included in the statement of actuarial opinion." The ASOP only covers situations in which such risks are believed to exist.

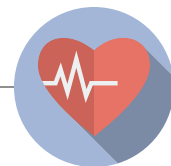
The Annual Statement Instructions require disclosure of whether or not there are significant risks and uncertainties that could result in material adverse deviation and the amount of the materiality standard on Exhibit B also, the presenters noted.

[Slides and audio](#) are available free to Academy members. ▲

### PENSION HILL VISIT



Pension Vice President Josh Shapiro (left) and Senior Pension Fellow Ted Goldman visited Capitol Hill on Jan. 10 to discuss multiemployer issues with federal lawmakers



## Committee Comments on Health Care Choice, Competition

**THE INDIVIDUAL AND SMALL GROUP** Markets Committee [sent a letter](#) Jan. 25 to the U.S. Department of Health and Human Services (HHS), offering comments on HHS requests for information on promoting health care choice and competition.

The committee's comments focus on individual health insurance markets that operate under Affordable Care Act (ACA) rules, and note that actions that would help improve health care choice and competition in the ACA-compliant individual market are those that would stabilize the market. Such actions could include implementing mechanisms to encourage enrollment and facilitate a balanced risk pool, as well as fostering a stable and consistent regulatory environment, the letter states.

Key points to market stabilization include:

- ▲ individual enrollment at sufficient levels and a balanced risk pool;
- ▲ stable state and federal regulatory environments that facilitates fair competition;
- ▲ sufficient health insurer participation and plan offerings to provide consumer choice; and

- ▲ slow spending growth and high quality of care.

The committee also asked for more clarity on cost-sharing reduction (CSR) payments under the ACA and more certainty on whether they will be funded long-term. If CSRs are not funded, insurers will increase premiums accordingly, as they have with 2018 plans.

The letter also cited the need for mechanisms to encourage enrollment, including auto-enrollment, stabilizing external funding, and increasing access to catastrophic or adding a lower-tier "copper" health plan. ▲

### HEALTH BRIEFS

- ➔ **Al Bingham** is the professionalism liaison of the Health Practice Council.
- ➔ **Joe Albright** is chairperson and **Zerong Yu** is vice chairperson of the Health Practice International Committee, and the following actuaries are members of the committee: **Ian Duncan** and **Susan Mateja**.
- ➔ **Jason Karcher** has joined the Individual and Small Group Markets Committee.



## Post-NAIC Webinar Recaps Life-Practice Issues

**ALMOST 300 MEMBERS** attended the Academy's [post-NAIC life webinar](#) on Jan. 10 that recapped life practice issues from the NAIC Fall 2017 National Meeting held in December in Honolulu. Presenters covered principle-based reserving, risk-based capital, reinsurance, and other life practice issues, and highlighted the Academy presentations to the NAIC's Life Actuarial Task Force.

The webinar was moderated by Dave Neve, Academy vice president, life; and the panelists were

Michael Boerner, member of the Life Practice Council; Michael Yanacheak, actuarial administrator, Iowa Insurance Division; and Mary Bahna-Nolan, chairperson of the Life Experience Committee. [Slides and audio](#) are available free to Academy members. ▲



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# Annuity Illustration Work Group Comments on Model Regulation

**THE ANNUITY ILLUSTRATION** Work Group [sent comments](#) to the NAIC's Annuity Disclosure (A) Working Group outlining proposed changes for participating immediate and deferred income annuities, also known as the "NYL/NWM proposal."

The work group questioned whether it is appropriate to deviate from the principle that illustrated non-guaranteed elements (NGE) should neither improve over time nor be based on improvements of underlying assumptions—and, if so,

whether it is appropriate to do so for only one type of NGE/product type and not others, such as dividends on participating products versus credited rates on non-participating products.

It also notes existing guidance in Actuarial Standard of Practice No. 15, which states that illustrated dividends should reasonably relate to recent experience and actual dividends paid, and offers that the NAIC working group may wish to consider this guidance in considering a change to the model. ▲

## NGE Work Group Comments to NAIC on Insurance Buyer's Guide

**THE NON-GUARANTEED ELEMENTS** (NGE) Work Group sent a [comment letter](#) to the NAIC's Life Insurance Buyer's Guide (A) Working Group on the CEJ Expanded Outline.

The work group notes the expanded outline is intended to be the foundation for an interactive buyer's guide and said it plans to offer specific, substantive comments once a draft of the buyer's guide is exposed. Because the outline is still in development, it encourages the NAIC working group to include specific mention of NGE and notes several concepts related to NGEs that consumers often do not understand, including:

- ▲ What are NGEs?
- ▲ What are the advantage and disadvantages of NGEs?
- ▲ What types of products usually have NGEs?
- ▲ Are there limits to when and how much the NGEs can change?
- ▲ How do I monitor changes to my policy's NGEs? ▲

### Role of Actuary Subgroup Submits Amendment Proposal Form to NAIC

#### THE ROLE OF THE ACTUARY

Subgroup sent an [Amendment Proposal Form](#) to the NAIC's Life Actuarial Task Force on changes to the definition of "actuarial opinion" outlined in VM-01.

The document offers two new definitions. One is the term "actuarial services" means professional services, including the rendering of advice, recommendations, findings, or opinions based on actuarial considerations, provided to a client or employer by an individual acting in the capacity of an actuary. Second, the term "statement of actuarial opinion" means an opinion expressed by an actuary in the course of performing actuarial services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed. ▲

#### LIFE BRIEFS

➔ **Jason Kehrberg** is chairperson of the Life Valuation Committee, and the following actuaries are members of the committee: **Rich Daillak, Leonard Mangini, Chris Olechowski, and Benjamin Slutsker.**

➔ **Barbara Gold** is chairperson of the Tax Reform Work Group, and the following actuaries are members of the work group: **Nancy Bennett, Tom Campbell, Mary Elizabeth Caramagno, Jeff Johnson, Dave Neve,**

**Art Panighetti, Brian Prast, Jim Reiskytl, Link Richardson, Wayne Stuenkel, and Chris Trost.**

➔ **Leonard Mangini** is chairperson of the Life Reserves Work Group.

➔ **Richard Sutton** has joined the SVL Interest Rate Modernization Work Group.

➔ **Elizabeth Caldwell** has joined the PBR Assumptions Resource Manual Work Group.

#### PENSION BRIEFS

➔ **Tim Geddes, Kathy Riley, and Jason Russell** have joined the Pension Practice Council.

➔ **Janet Barr** is chairperson of the Social Security Committee, and the following actuaries are members of the committee: **Gordon Enderle, Amy Kemp, Jeffery Leonard, Gerard Mingione, Gagan Tara Nanda, and Sven Sinclair.**

➔ **Patrick Ring** has joined the Pension Assistance List.



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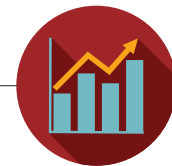
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# Solvency Committee Sends Comments to IAIS on ICP, ComFrame

**THE SOLVENCY COMMITTEE** sent a [comment letter](#) to the International Association of Insurance Supervisors (IAIS) on Insurance Core Principle (ICP) 16, *Enterprise Risk Management for Solvency Purposes and ComFrame*.

The letter states ICP should outline the risk management activities an internationally active insurance group (IAIG) needs to perform for solvency purposes but allow a company the flexibility to organize and carry out the roles and responsibilities of these activities based on its own unique characteristics, such as organizational structure and risk profile, as well as regula-

tory requirements in each jurisdiction it operates in. Prescribing specific activities that should be performed by specific areas within an IAIG could be overly prescriptive and beyond the scope and intent of the ICP, it states.

ICP 16 should be sufficiently flexible to recognize the variety that exists within the insurance industry and within a particular company. Throughout the comments, the committee suggests qualifications or clarifications where necessary to account for this variety, including the use of language such as “where applicable.” The IAIS had [requested comments](#) by the end of January. ▲

# FinReg Task Force Comments on Actuarial Input for ICS

**THE FINANCIAL REGULATORY** Task Force submitted a [comment letter](#) to the U.S. Senate on S. 2155, the *Economic Growth, Regulatory Relief, and Consumer Protection Act*.

“If Congress moves to establish [the Insurance Policy Advisory Committee on International Capital Standards and Other Insurance Issues], we strongly urge you to consider the impact of an absence of actuarial expertise on the work” of the committee, the letter states.

It references section 212, International Insurance Capital Standards (ICS) Accountability, and

states that Section 212(b)(2) of the bill could read as follows (emphasis in original):

“The Committee shall be composed of not more than 21 members, all of whom represent a diverse set of expert perspectives from the various sectors of the United States insurance industry, including life insurance, property and casualty insurance and reinsurance, **actuaries with expertise regarding insurance capital adequacy and financial solvency**, agents and brokers, academics, consumer advocates, or experts on issues facing underserved insurance communities and consumers.” ▲

# Big Data Task Force Comments to NAIC

**THE BIG DATA TASK FORCE** [submitted comments](#) to the NAIC’s Big Data (EX) Working Group on three documents that were exposed in December, noting that “the Academy can support regulators with their work concerning big data on a number of levels. We believe the incorporation of actuarial principles and techniques is critical in advancing and implementing the frameworks outlined in the current exposures.”

The task force noted it is available to discuss some or all of the following issues, particularly as

they relate to processes for reviewing advanced models:

- ▲ identifying risk drivers with data analytics;
- ▲ checklists for regulators to use;
- ▲ strengths and weaknesses of various models that are being used;
- ▲ financial data reconciliation;
- ▲ reasonable timeframes for reviewing models;
- ▲ analysis of quality of responses to regulators’ inquiries;
- ▲ data requests; and
- ▲ insurtech and regtech. ▲