



AMERICAN ACADEMY of ACTUARIES

Risk Management & Financial Reporting Council Cycle Report
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December 2011

Practice Council Highlights

- In November, the Risk Classification Work Group published “[On Risk Classification](#),” an update to the 1980 "Risk Classification Statement of Principles.”
- In October, the ERM Committee [submitted](#) suggested language to the NAIC’s Group Solvency Issues Working Group recommending the explicit recognition of an insurer’s model risk within the NAIC’s Own Risk and Solvency Assessment (ORSA) Guidance Manual.
- The Financial Reporting Committee and the International Accounting Standards Task Force [responded](#) in October to the International Accounting Standards Board (IASB) on its *Agenda Consultation 2011* urging the completion of the insurance contracts standard and the addition of research to the scope of the IASB mission.
- Also in October, the DTA Bridge Group sent a [letter](#) to the NAIC relating to the SSAP No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10, recently adopted by the NAIC’s Statutory Accounting Principles Working Group.
- In September, the Financial Reporting Committee [commented](#) on a paper by the Public Company Accounting Oversight Board (PCAOB) on the issues surrounding the auditor’s report based on recent investor feedback. The committee’s comments included a recommendation to increase disclosure and provide more detail to the auditor’s reporting model.
- Also in September, the Reinsurance Subcommittee submitted [comments](#) to the NAIC on the actuarial requirements stated in the Exposure Draft of the Credit for Reinsurance Model Law and Regulation.
- In August, the ERM Committee submitted [comments](#) to the NAIC on its *Own Risk and Solvency Assessment (ORSA) Guidance Manual* supporting its view that the manual offers ORSA guidance that focuses on the most fundamental components of a strong ERM framework.

Operational Plan Highlights

2.1: Strengthen our reputation as the major source of unbiased technical advice to Congress and the executive branch, on matters within our expertise.

- The Financial Regulatory Reform Task Force has met with the Treasury Department on several occasions and at its request, submitted a [letter](#) to the Department outlining the metrics intended to aid in identifying systemic risk in the insurance sector.

2.2: Be recognized by certain governmental and non-governmental bodies at the state, national, and international level as the major source of unbiased advice on matters within actuarial expertise.

- The Deferred Tax Asset Bridge Group, at the request of the NAIC, drafted a 2010 DTA [report](#) and continues to work with the NAIC on the project.
- The Financial Reporting Committee [commented](#) on a paper by the Public Company Accounting Oversight Board (PCAOB) on the issues surrounding the auditor's report based on recent investor feedback. The committee's comments included a recommendation to increase disclosure and provide more detail to the auditor's reporting model.
- The Reinsurance Subcommittee submitted [comments](#) to the NAIC on the actuarial requirements stated in the Exposure Draft of the Credit for Reinsurance Model Law and Regulation.
- In October, the ERM Committee [submitted](#) a letter to the NAIC's Group Solvency Issues Working Group recommending the explicit recognition of an insurer's model risk within the NAIC's Own Risk and Solvency Assessment (ORSA) Guidance Manual.
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6.1: Facilitate development of U.S. and North American coalitions with respect to international matters. Pursue, coordinate, and communicate on those objectives.

- The Financial Reporting Committee continues to provide comments to the IAA Insurance Accounting Committee and the IASB on various IASB releases.
- The Reinsurance Subcommittee also comments directly to the IASB on reinsurance-related papers.
- The Solvency Committee routinely provides comments to the IAIS on its Insurance Core Principles (ICPs), ComFrame, and other related papers.

Recent Publications

Publication	Intended Audience	Publication Date
Risk Classification Monograph	Public	November 2011
Comments on ORSA Manual	NAIC	October 2011
Comments on <i>Agenda Consultation 2011</i>	IASB	October 2011
Comments on SSAP No. 101	NAIC	October 2011
Comments on <i>Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements</i>	PCAOB	September 2011
Comments on Exposure Draft of the Credit for Reinsurance Model Law and Regulation	NAIC	September 2011
Comments on <i>ORSA Guidance Manual</i>	NAIC	August 2011
Comments on ComFrame paper	IAIS	August 2011
Comments on ComFrame paper	IAA	July 2011