

## Academy Presents at NAIC Fall Meeting

**A**CADEMY LEADERSHIP, volunteers, and staff presented at the NAIC Fall 2019 National Meeting, held early this month in Austin, Texas, addressing life, health, casualty, and professionalism topics.

Professionalism presentations included Council of Professionalism updates to NAIC’s Health Actuarial Task Force (HATF), Life Actuarial Task Force (LATF), and Casualty Actuarial and Statistical Task Force (CASTF) by Immediate Past President Shawna Ackerman, Actuarial Standards Board Chairperson Kathy Riley, and Actuarial Board for Counseling and Discipline Chairperson David Ogden. They, along with Academy President D. Joeff Williams and President-Elect Tom Campbell, also gave presentations at the Academy-hosted professionalism breakfast for regulators on Dec. 7, covering a variety of topics.



**Williams presents at the professionalism breakfast**

Academy volunteers also presented to LATF, HATF, and CASTF, on life, health, and property/casualty issues.

Barbara Klever, chairperson of the Individual and Small Group Markets Committee and a member of the Health Practice Council, gave an update to HATF on

SEE **NAIC**, PAGE 4

## Final Professionalism Webinar of 2019 Looks at the ‘Dark Side’ and ABCD Issues

**M**ORE THAN 2,300 people attended the Academy’s final professionalism webinar of the year, “[Friday the 13th: More Tales From the Dark Side](#),” at which presenters offered several

case studies based on matters that have been before the Actuarial Board for Counseling and Discipline (ABCD). In addition to a primer on how the ABCD operates, including a mock hearing, ABCD members

David Driscoll and Godfrey Perrott described the reference points actuaries should look to in each case to stay on the right side of the Code of Professional Conduct. Academy General Counsel and Director of Professionalism Brian Jackson moderated.

As in past years, Driscoll and Perrott used characters from popular culture in their scenarios. In “I’ve Got a Secret!”, they examined issues of confidentiality, skill and care, and integrity through a scenario involving insider trading, hacking, and various degrees of carelessness. In a “Leave It to Beaver” reference, when “Wally the Actuary” failed to take reasonable steps to secure confidential information, the ABCD could

SEE **DARK SIDE**, PAGE 7



**Driscoll (left) and Perrott (far right) prepare for the webinar**

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New ‘Actuary Voices’ Podcast Available

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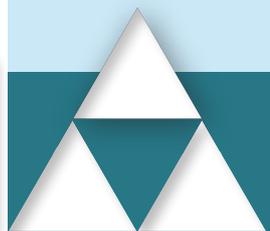
Academy Hosts Latest PBR Boot Camp

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Volunteers Support ‘Math Motivators’

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‘Professionalism Counts’—What Happens in an ABCD Investigation?



2020

## MARCH

21–24 NAIC Spring National Meeting, Phoenix

29–April 1 [Enrolled Actuaries Meeting](#), Washington, D.C.

## AUGUST

8–11 NAIC Summer National Meeting, Minneapolis

## NOVEMBER

5–6 Academy Annual Meeting and Public Policy Forum, Washington, D.C.

14–17 NAIC Fall National Meeting, Indianapolis

# Academy NEWS Briefs

## Academy Dues Reminder

**A**CADEMY ANNUAL DUES for membership are due Jan. 1 of each year. If you have not yet done so, please [log in](#) to pay your dues, print your invoice, or update your user profile. Highlights of the Academy’s mission-critical work this year are noted in the annual “[The Meaning of Your Membership](#)” report by President D. Joeff Williams [sent to members in November](#) outlining our member resources and professionalism and public policy activities. ▲

## New ‘Actuary Voices’ Podcast Features Highlights From Annual Meeting

**A**SPECIAL EDITION of the Academy’s new “[Actuary Voices](#)” podcast stream is now available, containing highlights from the recent 2019 Annual Meeting and Public Policy Forum. The episode includes speeches by Mary D. Miller and Carol Zimmerman as they accept the Academy’s highest annual service awards. It also features the presidential transition and subsequent remarks from outgoing President Shawna Ackerman and new President D. Joeff Williams on what they have seen and anticipate. [Click here to listen now](#). Don’t miss out on future episodes—make sure to subscribe to “Actuary Voices” via iTunes, Spotify, or other podcast services. ▲



## Recently Released

**T**HE DECEMBER ASB [BoxScore](#) includes the Actuarial Standards Board’s (ASB) approval of a new Actuarial Standard of Practice (ASOP) No. 56, *Modeling*, which will be released early next year; plus the ASB approved a second exposure draft of proposed ASOP No. 4 revision and reviewed proposed revisions of ASOP Nos. 22 and 28 (also see p. 5 for more).

The Fall/Winter [StateScan Quarterly](#) recaps the latest quarter’s state legislation and regulation as most state legislatures drew to a close, covering casualty issues related to auto insurance, flood insurance and climate risk; health issues including the individual market, Medicaid, long-term care, and prescription

drugs; life insurance issues including principle-based reserving; public pension plans; and cross-practice issues. For a more comprehensive look at state legislative and regulatory activity, log in to the [StateScan](#) portal, free for Academy members.

The Winter [Casualty Quarterly](#) covers the P/C Loss Reserve Opinion Seminar and impending year-end P/C opinion writing practice note; P/C sessions from the Annual Meeting and Public Policy Forum; and state and federal legislative, regulatory, and judicial activity.

The December [HealthCheck](#) covers Academy activity and presentations at the recent NAIC Fall National Meeting in Austin, Texas, including on long-term care insurance. Also in the issue, legislative, judicial, and regulatory updates from the Centers for Medicare & Medicaid Services, and more. ▲



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

### 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, pay their dues, and review archived professionalism and public policy webinars at the [member login page](#).

# Academy NEWS

## PBR Boot Camp Covers Key Life Topics

**A** **CAPACITY CROWD** attended Academy's latest PBR Boot Camp in Austin, Texas, this month, which covered aspects of principle-based reserving (PBR) for life-practice actuaries. The three-day seminar featured more than 20 dynamic, interactive sessions and was led by an expert faculty experienced with the new PBR procedures. New in this iteration of the Boot Camp was a robust discussion and updates on the recently adopted changes to variable annuity valuation. Overall, attendees received targeted information and participated in intensive, focused discussion groups, sharing insights and learning from others' experience of PBR in their practice. ▲



Rachel Hemphill of the Texas Department of Insurance addresses a session

## P/C Loss Reserve Opinion Seminar Draws Capacity Attendance

**A** **LL SEATS WERE FILLED** at the 2019 Seminar on Effective P/C Loss Reserve Opinions: Tools for the Appointed Actuary, held Dec. 4–5 in the Baltimore area. The two-day seminar provided participants with information on the relevant requirements and instructions for P/C actuaries working on reserve opinions, including reviews of applicable actuarial standards of practice, and provided attendees with examples through interactive case studies. Given the recent actions taken by the NAIC, questions about qualifications and credentials for appointed actuaries were addressed in several sessions.

Presenters included Academy Committee on Property and Liability Financial Reporting (COPLFR) Chairperson

Kathy Odomirok; COPLFR member and Academy Past President Mary Frances Miller; members of COPLFR and its Opinion Seminar Subcommittee; and Sue Gozzo Andrews, a P/C actuary with the Connecticut Department of Insurance and an Academy member. ▲



## Academy Volunteers Support 'Math Motivators' Program

**S** **EVERAL ACADEMY** members will be serving as volunteers in two Washington, D.C., high schools as part of the Actuarial Foundation's [Math Motivators](#) program. The program will focus on algebra tutoring, and it is currently operating in two D.C. high schools, KIPP DC and McKinley Tech. The program is looking to expand to more schools but is seeking additional volunteers to do so. Please volunteer if you can—serving as a mentor and a leader for students is a meaningful and rewarding experience for both tutors and students. If you are in the Washington, D.C., area and would like information on volunteering, please contact David J. Nolan, the Academy's director of communications, at [nolan@actuary.org](mailto:nolan@actuary.org). (For volunteer opportunities in other geographic areas, [contact Math Motivators directly.](#)) ▲

# Actuaries Climate Index Updated With Spring 2019 Data

**T**HE [Actuaries Climate Index](#) (ACI) has been updated with data through spring 2019. For the fifth consecutive quarter, the index's five-year moving average has set a new high; five-year averages for three ACI components have hit new highs as well.

"Three components of the ACI saw new highs in their respective five-year averages: sea level, the frequency of high temperatures, and the frequency of heavy precipitation," said Doug Collins, chair of the Climate Index Working Group. "The high values and upward trends in these components are significant to the big-picture, long-term changes measured by the

ACI, which is a composite of values measured across the U.S. and Canada." Read the [news release](#).

## ACRI Release Imminent

The Actuaries Climate Risk Index (ACRI), a follow-on to the already released ACI, will be released in the coming weeks. The ACRI builds on the foundation of the ACI, which measures extreme weather events associated with climate risk, by producing results that correlate losses of property and human lives to extreme weather. The Academy is pleased to share this important research—stay tuned. ▲

# Life & Health, P/C Loss Reserve Law Manuals Available

**T**WO **ACADEMY LAW** manuals are available for order.

Be one of the first to have the [P/C Loss Reserve Law Manual](#). Designed to help appointed actuaries know the requirements for statements of actuarial opinion, the manual contains a compilation of insurance laws relating to P/C loss and loss expense reserves for all 50 states,

Washington, D.C., and Puerto Rico. Users can directly access each jurisdiction's laws, making it a useful reference tool for actuaries. The manual is available for order in multiple formats, allowing you to select the version that best meets your needs. This manual will be available for delivery this winter. [Order today](#).

The [Life and Health Valuation Law](#)

[Manual](#) is also available for order. Updated for 2020, the manual contains information to help appointed actuaries know the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. The manual will be available for delivery by late January. [Place your order today](#) and be one of the first to have it. ▲

## IN THE NEWS

A [ThinkAdvisor](#) story on the *SECURE Act* signed into law by President Trump Dec. 20 included comments from Academy Senior Pension Fellow Linda K. Stone on the lifetime income and other aspects of the legislation. [Pensions & Investments](#) also quoted Stone in its coverage of the *SECURE Act*.

[Pensions & Investments](#) also quoted Stone on the potential effects of pension risk transfers in a story on the financial

condition of the PBGC.

An article on long-term care financing published by the [International Journal of Health Policy and Management](#) referenced the Academy's 2015 [issue brief](#), *International Perspective on Long-term Care*.

A Colorado state publication, [Reducing Prescription Drug Costs in Colorado: Cost Drivers and Strategies to](#)

[Address Them](#), cited a March 2018 Academy [issue brief](#) on prescription drug spending.

A [Forbes](#) column on retirement and longevity referenced the Academy co-sponsored Actuaries Longevity Illustrator.

Long-Term Care/Disability Committee Chairperson Al Schmitz discussed predictive analytics in a subscriber-only *Life Annuity Specialist* story on LTC loss ratios.

[Sidley](#) and subscriber-only *Lexology* cited the Academy in a regulatory update highlighting activity from the NAIC's recent Fall National Meeting.

An article published by the [Center for American Progress](#) cited the Health Practice Council's December 2016 [letter to Congress](#) on potential adverse consequences of repealing provisions of the ACA without having a replacement approach in place. ▲

## NAIC, continued from page 1

the Academy's recent public policy work at the federal, state, and international levels, including our recent meetings with various federal agencies and congressional committees on the topics of long-term care (LTC), social determinants of health, Medigap, surprise billing, and health savings accounts. Warren Jones, chairperson of the LTC Combo Valuations Work Group, presented to the LTC Actuarial (B) Working Group on the recently finalized [LTC Combination Product Valuation Practice Note](#).

Academy life-practice volunteers gave a number of presentations to LATEF, including on the treatment of valuation interest rates for payout annuities with non-level payments and approaches for adjustment to valuation interest rates for payout

annuities; the proposed timeline and approach for the development of a principle-based reserving (PBR) framework for non-variable annuities; Academy PBR resources; and more.

The Casualty Practice Council [gave a presentation](#) on the Academy's June 2019 monograph, *Wildfire: An Issue Paper—Lessons Learned from the 2017–2018 California Events*, to NAIC's P/C RBC Catastrophe Risk Subgroup. Steve Jackson, assistant director for research (public policy), presented to the same subgroup on the [Actuaries Climate Index](#), and Senior P/C Fellow Rich Gibson presented to CASTF on an array of P/C topics.

For a full recap of the Academy's and the NAIC's meeting activity, see the [post-NAIC Academy alert](#). ▲



## ASB Adopts ASOP No. 56; Approves Three Exposures Drafts of ASOP Revisions; Reviews Proposed Revisions of Two ASOPs

**T**HE ACTUARIAL STANDARDS BOARD (ASB) adopted a new actuarial standard of practice (ASOP)—No. 56—titled *Modeling* during its December 2019 meeting. The ASOP was developed in response to the increases in the number and importance of modeling applications in actuarial science, with the results of actuarial models sometimes being reflected in financial statements. The ASOP applies to actuaries in any practice area when performing actuarial services with respect to designing, developing, selecting, modifying, or using all types of models. The ASOP will be released in early 2020.

During the December meeting, the ASB also approved a second exposure draft of a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*; the exposure draft will be released in early 2020 with a comment deadline of April 30, 2020.

Additionally, the ASB reviewed a second exposure draft of a

proposed revision of ASOP No. 22, now titled *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life, Annuity, or Health Liabilities*, and continued review of a proposed revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Actuarial Assets and Liabilities*. The ASB will continue its review of both proposed revisions in March 2020.

In late November, an exposure draft of a proposed revision of ASOP No. 11, now titled *Reinsurance Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*, was approved as well as a second exposure draft of a proposed revision of ASOP No. 32, *Social Insurance*. Comment deadlines and information on how to submit comments can be [viewed here](#).

For more on all the activities of the ASB, read the December issue of the ASB [Boxscore](#). ▲



## Public Policy and Professionalism Outreach

**A**CADEMY PRESIDENT-ELECT Tom Campbell delivered a presentation at the Actuarial Society of Greater New York's Nov. 25 meeting in New York City providing an update on the Academy's public policy and professionalism activities.

Actuarial Board for Counseling and Discipline (ABCD) Staff Attorney Ed Lee presented an introduction to the ABCD to the Casualty Actuarial Society's course on professionalism on Dec. 3 in San Diego and Dec. 17 in Atlanta. ▲

## Applicability Guidelines Updated

**T**HE APPLICABILITY GUIDELINES for Actuarial Standards of Practice have been updated for Actuarial Standard of Practice No. 55, *Capital Adequacy Assessment*. The changes affect casualty, life, and health practice areas. Visit the [Applicability Guidelines webpage](#), then scroll down the page for to download the Excel file. ▲



## Coming Soon: P/C Loss Reserves Practice Note

**T**HE COMMITTEE ON PROPERTY AND LIABILITY FINANCIAL REPORTING (COPLFR) will release its updated *Statements of Actuarial Opinion on P/C Loss Reserves* practice note soon. The purpose of the practice note is to provide information to actuaries on current or emerging practices relevant to signing NAIC P/C statements of actuarial opinion (SAOs) and actuarial opinion summaries (AOSs).

It is intended to assist actuaries by describing practices that COPLFR believes are commonly employed in issuing SAOs and AOSs on loss and loss-adjustment expense reserves in compliance with the P/C Annual Statement Instructions for 2019 issued by the NAIC. Actuaries may also find this information useful in preparing SAOs for other audiences. Stay tuned for an Academy alert. ▲

### CASUALTY BRIEFS

- ➔ **Stephen Koca** is chairperson of the Committee on Property and Liability Financial Reporting's Practice Note Subcommittee.
- ➔ **Greg Frankowiak** is chairperson of the Automobile Insurance Committee.
- ➔ **Dave Heppen** is chairperson of the Workers' Compensation Committee.

# What Happens During an ABCD Investigation?

**T**HE ACTUARIAL BOARD for Counseling and Discipline (ABCD) was established in the Academy's bylaws to strengthen members' adherence to the recognized standards of ethical and professional conduct required by the [Code of Professional Conduct](#) (the Code). The ABCD does this in two ways: It responds to requests for guidance on how to comply with the Code, and it conducts inquiries into possible violations of the Code. Last month we took a look at the [request for guidance process](#). This month we turn to the process for investigating complaints.

The ABCD acts on complaints from actuaries, clients, regulators, and the general public and can also initiate action on its own if it becomes aware of instances in which the Code may have been violated. The most common way for an ABCD inquiry to begin is the filing of a formal complaint. A formal complaint is a written document, signed by the complainant, that describes what the complainant believes the actuary did or failed to do that might be a material violation of the Code. The ABCD [Rules of Procedure](#) further asks the complainant to provide materials that document the conduct in question, when feasible.

Once a complaint is received, Academy staff contacts the actuary who is the subject of the complaint (the "subject actuary") to advise that a complaint has been filed and offer an opportunity to provide an initial response. After the subject actuary provides his/her response, the ABCD chairperson and vice chairpersons (collectively known as "the chairs") review the submitted information to decide on a course of action. If the chairs determine that, based on the materials they have reviewed, there is insufficient likelihood that a material violation occurred, they will dismiss the complaint. But if the chairs find sufficient reason to believe that a material violation may have occurred, they will decide to conduct further investigation.

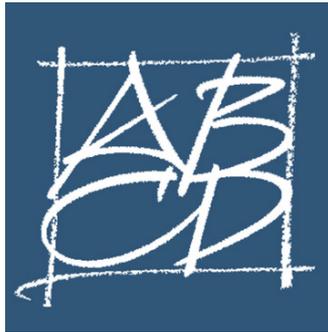
When further inquiry is conducted, the chairperson typically appoints an investigator who gathers information and prepares a report on the

results of the investigation, attempting to document the facts supported by evidence. Then the ABCD may hold a fact-finding hearing at which the subject actuary may appear, provide information, and give testimony. After the hearing, if a majority of the ABCD decides to recommend discipline, that recommendation is made to the organization(s) to which subject actuary belongs.

The ABCD does not have any authority to impose discipline; only the membership organizations can impose discipline. The ABCD's recommendations for discipline include the possibility of public or private reprimand, suspension, and expulsion. It is important to remember that it is the organization(s) of which the actuary is a member, rather than the ABCD itself, that decides on and then imposes any discipline. The ABCD provides only guidance, investigation, and counseling and, where it thinks warranted, recommendations for discipline.

When investigating complaints, the ABCD serves the U.S. actuarial profession by providing a means to investigate the conduct of the occasional actuary who has acted in a manner that does not comply with the mandatory obligations of the Code. Such investigations can lead to the ABCD deciding to counsel that actuary on his or her conduct when discipline is not recommended, or to informing the relevant organization(s) when discipline is recommended and why.

By providing guidance to actuaries with questions and by investigating possible material violations of the Code, the ABCD plays a vital role in the actuarial profession's efforts to ensure that all members maintain our self-imposed high standards of practice, conduct, and qualification. But the ABCD can only do its job if actuaries do theirs—Precept 13 of the Code requires actuaries to report any "apparent, unresolved, material violations of the Code." Actuaries can submit complaints with the knowledge that their complaints will be fully and fairly investigated—an outcome that will benefit the entire profession. ▲





## Academy Comments on Predictive Models

**A**CADEMY SENIOR CASUALTY Fellow Rich Gibson [submitted comments](#) to the NAIC on the latest draft of a proposed NAIC white paper on regulatory review of predictive models. The comments relate to a discussion draft released in October of NAIC's Casualty Actuarial and Statistical Task Force

draft white paper discussing best practices for the regulatory review of predictive models.

The letter also references the Academy's 2018 [monograph](#), *Big Data and the Role of the Actuary*, which includes extensive sections on regulatory and professionalism considerations. ▲

## NAIC Responds to COPLFR letter on Loss Portfolio Transfers

**A**T ITS DEC. 7 MEETING, the NAIC's Statutory Accounting Principles Working Group (SAPWG) responded to the Academy's Committee on Property and Liability Financial Reporting (COPLFR) [May 21 letter](#) on reporting of loss portfolio transfers by formally adding this topic to its list of items to be addressed in 2020.

The working group accepted its staff's findings that COPLFR had identified inconsistent reporting practices regarding retroactive reinsurance and that clarification or guidance may be beneficial.

Consequently, SAPWG exposed the Academy's comment letter and the NAIC staff's findings, asking for public comment by Jan. 31, 2020, to provide input on how the working group should proceed to address the questions raised in the Academy's letter.

Individual actuaries and/or companies may file comments while the SAPWG is still in the early stages of its deliberations. To see the working group's posting, go to the [SAPWG homepage](#) and click on "Exposure Drafts," where you



### National Association of Insurance Commissioners

will find instructions for submitting comments. To download the "Retroactive Reinsurance Exception" document, click on "2019-49." ▲

## Dark Side, continued from page 1

possibly find that Precepts 1 and 9 had been violated, the presenters said.

But if Wally had taken every expected precaution to keep the information safe, such as having up-to-date firewall and anti-virus software on his computer, and was hacked, the ABCD would likely find he was not at fault and dismiss the case, the presenters said. Asked what an actuary should do when confidential information has been accidentally exposed, Perrott said, "If an actuary has been entrusted with confidential information and it has been breached for any reason, my view is that the actuary has a duty to inform his or her principals. If it has been breached because of carelessness, that conversation will be difficult, but we are still obligated to have it."

One scenario took the form of a mock hearing at the ABCD. In a "Cheers" reference, the subject actuary, Diane Chambers, an actuary with 35 years of experience, uses a method other than the one specified in ASOP No. 6 to estimate liabilities for a retiree medical plan and argues

that because she discloses this deviation from the ASOP, she is not in breach of the ASOPs or Precept 3.

Asked why Diane couldn't continue using her method, Driscoll said, "The fact that an alternative methodology produces a result that seems better from a client's perspective is not necessarily an indication that it is preferable professionally... To uphold the standards, we have to say that if you apply the right methods you get a correct answer, and if getting to a preferable answer involves deviating from those standards, then it can't be right."

The last case study continued the tradition of including one seasonal scenario. This time, actuary Josef Drosselmier helps Clara Silberhaus set up a captive insurance company for the family's enterprises, located in Sweetland. At the stroke of midnight, the tax revenue office of the Kingdom of Sweetland charges the Silberhaus enterprises and Drosselmeier with tax evasion. Perrott discussed the implications of Precepts 1, 3, and 8.

Driscoll noted that this scenario took place outside the U.S. and reminded the audience, "The Code follows you wherever you go, but if you are practicing in another country, the ASOPs are replaced by the standards that apply in that jurisdiction."

In their concluding thoughts, the speakers emphasized the importance of being familiar with key professionalism documents—the Code, the U.S. Qualification Standards, and the ASOPs—and consulting them often. They also recommended submitting a request for guidance to the ABCD if you are up against a professionalism problem. "It's confidential, and we will try to help you come to a decision about what to do. It's your lifeline as an actuary," Perrott said. Finally, don't be a loner, they both advised. Whatever solution you arrive at, it is likely to be much better if you've discussed the situation thoroughly with someone else.

[Slides and audio](#) are available to logged-in Academy members. ▲



## LTC Combination Practice Note Released

**T**HE LTC COMBINATION PRODUCT Valuation Work Group finalized the [LTC Combination Product Valuation Practice Note](#) to provide information to actuaries on current and emerging practices in which their peers are engaged with respect to the considerations in the statutory generally accepted accounting principles (GAAP) and tax valuation of long-term care (LTC) combination products. The practice note considers statutory, GAAP, and disabled life reserves; mortality; lapses; tax reserves; and the yearly renewable term LTC rider. ▲

### HEALTH BRIEFS

- ➔ **Cathy Murphy-Barron** is chairperson of the Medicare Subcommittee.
- ➔ **Julia Lerche** is chairperson of the Medicaid Subcommittee.
- ➔ **Derek Skoog** is chairperson of the Health Solvency Subcommittee.
- ➔ **Karin Swenson-Moore** is chairperson of the Active Benefits Subcommittee.
- ➔ **Rebecca Owen** is vice chairperson of the Health Care Delivery Committee and **Yi-Ling Lin** is a member of the committee.
- ➔ **Kevin Hurley** joined the Individual and Small Group Markets Committee.
- ➔ **Yi-Ling Lin** joined the Social Determinants of Health Work Group.



## PBA Projections Practice Note Released

**T**HE PBA PROJECTIONS Practice Note Work Group released [Principle-Based Approach Projections Practice Note](#), which looks at questions and answers related to common practice for projecting future principle-based reserve (PBR) and risk-based capital (RBC) calculations. The PBA (principle-based approach) work group is a joint

effort of the Academy's Life Valuation Committee, the PBR Governance Work Group, and the Life Product Committee.

Although this practice note focuses on projecting future VM-20 (Valuation Manual) reserves, there are sections applicable to VM-21 and other relevant frameworks. The considerations included for PBA projections could be relevant for projections

such as pricing, asset adequacy testing, and business planning, it states.

One reason for creating this practice note was to develop a central resource to find PBA projection topics related to nested modeling techniques, asset projection topics, modeling simplifications, analysis and reporting, and governance and controls. ▲

## Life Groups Comment to NAIC

Life groups commented to NAIC on a pair of topics this month.

### Longevity Risk

The Longevity Risk Task Force sent a [cover letter](#) to NAIC's Longevity Risk (A/E) Subgroup outlining sample changes to the risk-based capital (RBC) blanks for implementing longevity C-2 factors.

### Illustrations Work Group Comments to LATF

The Life Illustrations Work Group sent a [comment letter](#) to the NAIC's Life Actuarial Task Force (LATF) addressing LATF's questions on illustrations of Indexed Universal Life (IUL) insurance policies under Actuarial Guideline XLIX (AG 49). ▲



### LIFE BRIEFS

- ➔ **Sam Early** joined the Annuity Illustration Work Group, Life Underwriting and Risk Classification Work Group, Life Illustrations Work Group, Life Settlements Practice Note Subgroup, and the Non-Guaranteed Elements Work Group.
- ➔ **Enzinma Miller** joined the Life Financial Reporting Committee.
- ➔ **Bill Schnaer** joined the Tax Work Group.
- ➔ **Jacqueline Fallon** joined the Life Illustrations Work Group.
- ➔ **Yuan Tao** joined the Variable Annuity Reserves and Capital Work Group.
- ➔ **Kristin Gustafson** joined the SVL Interest Rate Modernization Work Group.
- ➔ **Jason Kehrberg** joined the PBR Subgroup.



## Pension Webinar Looks at Working With Auditors

**T**HE ACADEMY'S PENSION Committee hosted a Dec. 16 webinar, "[Working With Auditors: Stories From Inside the Audit Engagement](#)," drawing upon the committee's *Working With Auditors of Pension and OPEB Plans* [practice note](#), which was released this month.

Panelists—individuals who routinely support audit engagements and actuaries serving as valuation actuaries for their clients—gave background on the standards that guide audit engagements and how those influence the work of auditors and actuaries when supporting an audit engagement. Presenters were John Stokesbury, vice chairperson for the Actuarial Board for Counseling and Discipline; Stephen Eisenstein; and Stephen Breeding, a member of the Pension Accounting Resource Group. Ellen Kleinstuber, a member of the Pension Risk Transfer Work Group, moderated.

Kleinstuber gave an introductory

overview of the respective roles and vantage points of clients and their auditors, supplying the context actuaries need to understand and support the engagement most effectively. Because actuarial issues are often outside of the scope of the internal finance and audit personnel at a company and the accountants that work for the external auditing firm, both parties may involve an actuary to work for them as a specialist. U.S. Qualification Standards and the Code of Professional Conduct, along with actuarial standards of practice (ASOPs), guide such actuarial work, with a variety of ASOPs typically coming into play during audit engagements, the panelists said.

Eisenstein elaborated on how the use of specialists like actuaries is governed by the Public Company Accounting Oversight Board (PCAOB), a private-sector, nonprofit corporation created by the Sarbanes–Oxley Act of 2002. Actuaries working as specialists generally fall into

one of two categories: Responding Actuaries, who work for the company in preparing pension or OPEB valuation results to be used in the financial statements, and Reviewing Actuaries, who assist the auditor with their review. Use of specialists is on the increase “in both frequency and significance,” he noted.

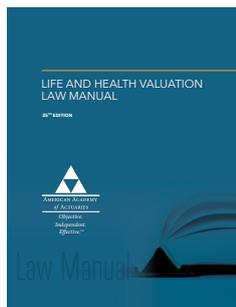
Stokesbury addressed a central question that shapes the work of auditors themselves, examining what exactly an audit is and how its characteristics drive the engagement. Qualifying an audit as “fact-based, well documented, and cognizant of both confirming and contradicting evidence,” he stressed how this understanding provides context for actuaries to better understand just what auditors are seeking from them. Breeding also addressed the theme by sharing insights on accounting terminology relating to evaluation of audit evidence.

[Slides and audio](#) are available for logged-in Academy members. ▲

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THE ACADEMY'S ANNUAL

# Law Manuals

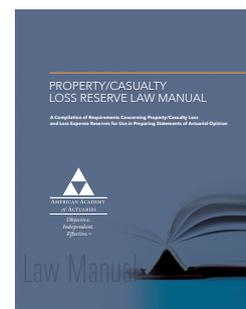


#### The Life and Health Valuation Law Manual

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 P/C Loss Reserve Law Manual

contains useful information to help appointed actuaries know the National Association of Insurance Commissioners (NAIC) Annual Statement requirements for Statements of Actuarial Opinion (SAOs).



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

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## Actuarial Update

### COMMUNICATIONS REVIEW COMMITTEE

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# Multiemployer Plans Committee Comments on Pension Plan

**T**HE MULTIEMPLOYER PLANS Committee [sent comments](#) to the U.S. Senate Finance Committee in response to the “Multiemployer Pension Recapitalization and Reform Plan” released in November by Republican Sens. Charles Grassley and Lamar Alexander. While noting the proposal would make sweeping changes to nearly all aspects of multiemployer

plan funding, governance, and administration, the letter cites affected areas including Pension Benefit Guaranty Corporation (PBGC) guaranteed benefits and financial assistance, mergers, zone statuses, disclosures, and mass withdrawal. The comments cite concerns in areas including assumptions and discount rates, PBGC premiums, partitions, and withdrawal liability. ▲

### PENSION BRIEFS

- ➔ **Sherry Chan** and **Jason Russell** are vice chairpersons of the Pension Practice Council.
- ➔ **Josh Shapiro** joined the Multiemployer Plans Committee.
- ➔ **David Driscoll** and **Scott Hittner** joined the Retirement System Assessment and Policy Committee.

### RISK MANAGEMENT BRIEFS

- ➔ **Lijia Guo** joined the Data Science and Analytics Committee.

## Enrolled Actuaries Meeting Registration Discounts

Early registration discounts are available for the 2020 Enrolled Actuaries Meeting. The 45th annual EA Meeting—sponsored by the Academy and the Conference of Consulting Actuaries—offers opportunities for continuing education credit and will cover a wide range of pension and retirement topics.

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*Happy Holidays*  
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