APR ▲ 2020

Actuarial UPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Professionalism Webinar: New Modeling ASOP

THE FIRST PROFESSIONALISM webinar of the year offered cross-practice context focused on the newest actuarial standard of practice (ASOP)—ASOP No. 56, *Modeling*. Featuring former members of the Actuarial Standards Board (ASB) as well as speakers from the task force that drafted the standard, "The New Modeling ASOP: ASOP No. 56" examined the scope of the standard, what constitutes a model, and the fundamental guidance given by the standard.

Coggins

Presenters were able to address all areas of practice: former ASB Chairperson and Modeling Task Force member Maryellen Coggins (enterprise risk management and casualty); Modeling Task Force Chairperson Dale Hagstrom (life); Modeling Task Force member Judy Stromback (pension); and former ASB member Ross Winkelman (health). Coggins also acted as the moderator.

Coggins kicked off the webinar with a brief history of the modeling ASOP. Hagstrom then discussed the scope of the ASOP, noting that the scope is broad and that the ASOP applies to all practice areas and all types of models, including projection and predictive models.

He said the scope applies to the actuary's own responsibilities regarding modeling and recognizes that the actuary plays many possible roles. The actuary ultimately uses professional judgment to determine how to apply the ASOP, he said.

Coggins examined the definition of a model, defined in the ASOP as a simplified representation of relationships, with three components: an information input component; a processing component; and a results component. Discussing the ASOP's fundamental guidance, Hagstrom said that the model should meet its intended purpose in any given situation, so the

SEE **MODELING**, PAGE 5

Cross-Practice Webinar Looks at COVID-19

ON APRIL 28, Academy President D. Joeff Williams moderated another well-attended and -received webinar that took a cross-practice perspective on known and unknown risks and challenges actuaries may need to focus on brought on by the COVID-19 pandemic.

The Academy's four practice-area senior fellows presented, along with the chairperson of the ERM/ORSA Committee, who addressed risk management and financial reporting considerations. This cross-practice perspective is one that the Academy is uniquely qualified to provide to the profession at large given our broad base of members from all practice areas, as well as our mission emphasis on the public policy and professionalism aspects that touch the lives of all Americans through the work of our members.

Williams

To begin, Senior Health Fellow Cori Uccello gave an overview of COVID-19's potential impact on health spending, which will be driven by the number of cases, treatment costs, whether there will be additional waves of outbreaks later this year or next year, and perhaps most importantly, the extent to which spending increases due to the outbreak are offset by declines in non-COVID services and treatments.

"Utilization of lower-cost services such as office visits has declined dramatically," said Uccello. "In addition, non-emergency hospital services, such as high-revenue producing elective surgeries, have also declined." As a result, total spending could be higher or lower than expected.

She discussed the pandemic's impact on the individual and group market, Medicare and Medicaid, and the effects and possible ramifications of people losing their health insurance with their jobs, and noted uncertainty on 2021 premiums, which are due to be filed this spring. She added the increase in telehealth use during the stay-at-home orders

SEE **COVID-19**, PAGE 4

2020

MAY

27 Pension Webinar: "Focus on Private-Sector Plans, State Initiatives, and Opportunities to Expand Coverage"

AUGUST

8–11 NAIC Summer National Meeting, Minneapolis

SEPTEMBER

14–16 Casualty Loss Reserve Seminar & Workshops (CLRS), Orlando. Fla.

NOVEMBER

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

9–12 Life and Health Qualifications Seminar, Arlington, Va.

14–17 NAIC Fall National Meeting, Indianapolis

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 *Briefs*

FAQs on Academy's New Webinar Signup Process

THE ACADEMY has released answers to some frequently asked questions (FAQs) regarding the new webinar signup process, group registration, and more. If you have administrative questions about our webinar process, check these FAQs for answers. If you don't find your question answered, email us at webinarhelp@actuary.org and we'll be happy to assist.

Membership Dues—Grace Period Extended

MEMBERSHIP DUES were due on Jan. 1, with late fees accruing as of May 1. Due to the disruptions caused by the COVID-19 pandemic, the Academy has extended this year's grace period for accrual of late fees to June 1. Some members also may qualify for a partial or full dues waiver.

Members can log in now to pay dues, print an invoice, and make changes to their account. The Academy's Membership Department staff are available to assist members via phone or email—(202) 785-6925 or membership@actuary.org. The Academy appreciates all members for their membership and dedication to our mission.

Recently Released

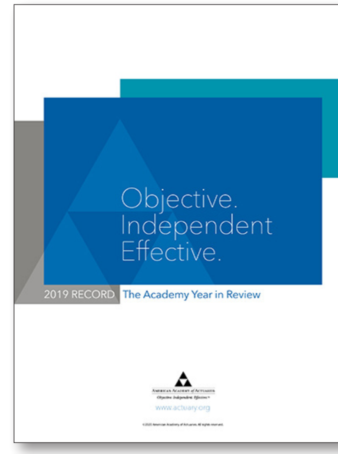
HEALTH CHECK

THE SPRING *HealthCheck*—the first edition of this 10-year-old publication as a quarterly—covers the Academy's new webpage of coronavirus pandemic resources, as well as the recently published "FAQs on COVID-19 and Its Effects on Health Spending and Health Insurance," both of which are being continually updated. Also in the issue it was reported Academy health volunteers visited federal lawmakers and policymakers in their annual "Hill visits" in late February; an early look at the Academy's Annual Meeting and Public Policy Forum; and legislative and regulatory updates, including recently passed laws related to the ongoing pandemic.

The Spring *Life Perspectives* covers a new principle-based reserve (PBR) public policy practice note. Also in the issue, a life task force commented on an exposure draft of Actuarial Standard of Practice (ASOP) No. 11, the National Association of Insurance Commissioners (NAIC) released PBR guidance to insurers, Academy life groups comments to NAIC, and recent state and federal life-practice legislative and regulatory activity.

Academy NEWS

Academy Releases The Record—Take a Look Back at 2019 Highlights



THE ACADEMY has released the 2019 edition of *The Record*—the Academy's annual report to the membership and the public, recapping the work of Academy over the past year in serving the public and the profession.

As Shawna Ackerman notes in her President's Letter, "The highlights you will see in The Record represent countless hours of work from an amazing group of dedicated volunteers and staff." From professionalism to public policy activities, from volunteering and communications to international goals, *The Record* illustrates what a productive year 2019 was for the Academy. ▲

Register With Confidence for Academy Fall Events: New Cancellation Policy

THE ACADEMY is monitoring the ongoing coronavirus pandemic situation and adhering to the guidelines surrounding in-person events and large gatherings. While we are moving forward with our fall event schedule—including the marquee Annual Meeting and Public Policy Forum, as well as the ever popular Life and Health Qualifications Seminar—we also want our members to be able to register with confidence knowing it's important to you, and the Academy, to try to anticipate a likely return to normalcy in the coming months. The Academy now has cancellation policies in place to accommodate any necessary change to your registration resulting from a continuation of the current pandemic situation.

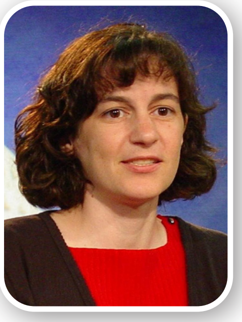
So you can rest easy as you register for our fall events—we look forward to seeing you in person later this year. You can find the detailed cancellation policy for the Annual Meeting registration page here and the LHQ Seminar here. ▲

Academy Continuing to Update COVID-19 Resources Webpage

THE ACADEMY IS CONTINUING to add pertinent information about the ongoing coronavirus pandemic to our "COVID-19 Resources" webpage. New links are noted each week with a "NEW" designation, highlighted in yellow. This month's new entries include stakeholder calls via the Centers for Medicare & Medicaid Services; FAQs on COVID-19's potential impact on Medicaid and Medicaid Managed Care Organizations; H.R. 748, the *CARES Act*; academic articles; and actuarial resources from various actuarial companies and organizations. Academy members may use this form to suggest additions to the resources page or FAQs on COVID-19, potential webinar topics, or other issues we might want to investigate on the pandemic. Visit the webpage at actuary.org/coronavirus. ▲

GASB Proposes Postponing Effective Dates

THE GOVERNMENTAL Accounting Standards Board (GASB) announced April 15 it is proposing to postpone the effective dates of provisions in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later. Earlier in the month, GASB had announced it was considering such an action, primarily in response to requests from local and state governments, whose office closures due to the COVID-19 pandemic hinders access to information necessary for implementing GASB provisions. Read the Academy alert. ▲


Uccello

and social distancing as a result of the pandemic may lead to more of its use in the future.

Senior Casualty Fellow Rich Gibson covered issues including general economic impacts, property/casualty line-of-business-specific issues and the impact on P/C actuarial practice, and legislative and regulatory challenges. He noted the favorable claim expense impact for select lines—the most obvious being automobile insurance, which is seeing fewer claims and offering policyholders rebates or credits—as well as the impacts for reinsurers.


Gibson

A number of lines of business will be affected—in particular, auto insurance, workers' compensation, and business interruption. He noted the favorable claim expense for auto due to the recent decline in claim frequency, and that workers' compensation is seeing cost pressure from the expansion of presumption of benefits.

Business interruption has been a focus since the shutdown and has raised a lot of questions about commercial insurance coverage. "There's been considerable political and public pressure on this," with a number of lawsuits being filed, he said.

Some of the P/C challenges for actuaries as they review emerging data include how to treat the "pandemic experience period," measuring expected frequency and severity trends, and how predictive analytics and models that are currently in use are affected, Gibson said. He noted the Academy's Committee on Property and Liability Financial Reporting (COPLFR) is developing frequently asked questions (FAQs) regarding COVID-19 that should be available soon.

And in addition to state legislative proposals, federal legislation includes H.R. 6494—the Business Interruption Insurance Coverage Act—and the proposed Pandemic Risk Insurance Act (PRIA).


Bennett

Senior Life Fellow Nancy Bennett said the pandemic's impacts on life actuaries' practice were expected to emerge more slowly. While the effects on claims will be manageable for most insurers, that may be more challenging for others with particular risk profiles, she said.

"Even if the virus has a manageable impact on death claims, the financial impact resulting from the shutdown and the second-order impact on capital markets could be quite material," she said, adding that there is stability nonetheless, as life insurers are "well-capitalized with established risk-management processes, positioning most insurers on solid ground to navigate through these challenges."

The life insurance industry is in a "wait-and-see mode" regarding the pandemic, future solvency, and related issues, Bennett said. "For actuaries, we need to ask ourselves whether our actuarial models are sufficiently robust, in particular the way we've established our assumptions, the scenarios that we are evaluating, and also whether we are sufficiently reflecting risk correlation in our models. Most of us feel confident that the actuarial profession is well-equipped to meet these challenges."

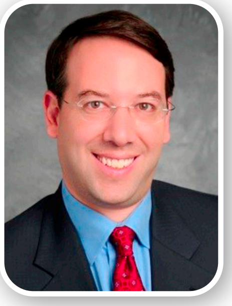

Stone

Senior Pension Fellow Linda K. Stone covered the pandemic's potential effects on retirement and retirement security.

"COVID-19 has tested, or will test, every aspect of the retirement system—from Social Security to the plans that cover many workers, whether they are corporate plans, multiemployer plans, or public pension plans," she said.

As with the other practice areas, the pandemic's impact on pension systems will take some time to unfold, Stone said, as some employers have already deferred or cut back their contributions to employees' retirement plans. "Those unemployed are facing not only the loss of income but the loss of employer-provided benefits as well," she said. "This current economic shock will deepen the retirement savings challenge."

Americans were challenged to save enough for a secure retirement before the pandemic, and "COVID-19 has put security more out of reach for many who are struggling from paycheck to paycheck—or now, paycheck to no paycheck," she said.


Heppen

Dave Heppen, chairperson of the ERM/ORSA Committee, covered enterprise risk management aspects of the pandemic, and while he reiterated Bennett's point that the insurance industry is well-capitalized, the confluence of impacts on underwriting, investments, and operations was not contemplated in stress scenarios one typically sees in own risk and solvency assessment (ORSA) summaries and publicly available risk commentary, he said.

The pandemic could result in reverse stress-testing "taking on a bigger role in the [enterprise risk management] toolbox," he said. "I believe insurers may be well-prepared for the next giant surprise, and if we've learned anything from COVID-19, it's that there will be more surprises out there, for all of us."

Slides and audio are available for logged-in Academy members. Also, be sure to check out our COVID-19 Resources webpage—there you'll find academic articles, actuarial resources, federal rules and regulations, Academy publications, and much more.

Modeling, continued from page 1

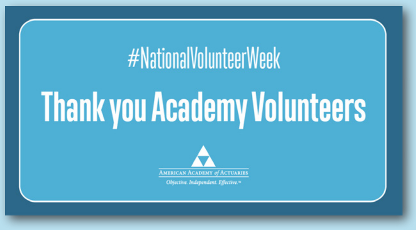
actuary must understand the model's intended purpose and then build or apply the model in a manner appropriate to that intended purpose.

He referenced the current situation in an example: "The original intended purpose of a model was to determine how a virus could spread biologically, without sensitivity to government or individual decisions and behavior. But what if a new intended purpose is to apply the model to COVID-19? Is the new intended purpose a little different from the original situation? Does the model support getting the full range of answers for all kinds of behavior?"

Winkelman discussed reliance on others and said that if the actuary has limited ability to get information or understand the model, it is important to disclose that fact, as well as any reliance on experts. In practice, he said, this means doing reasonable due diligence and then documenting what you did—and disclosing any barriers to doing more. He also discussed governance and controls, including model risk, model testing, and model output validation, saying that the actuary should take reasonable steps, perform sufficient tests, and document what was done—again, along with disclosing any barriers to doing more.

Turning to documentation requirements, Stromback noted that the actuary may supplement his or her documentation with model documentation provided by the developer or vendor of commercially available projection model systems. She also discussed the disclosures required by section 4 of the ASOP, "Communications and Disclosures," including the model's intended purpose, material limitations, and known weaknesses; any material inconsistencies among assumptions and reasons for the inconsistencies; and any unreasonable output resulting from aggregation of assumptions.

The webinar wrapped up with an extensive question-and-answer session, along with a few concluding thoughts from the presenters. Academy members may view the webinar free of charge on the Academy's website once it is posted.



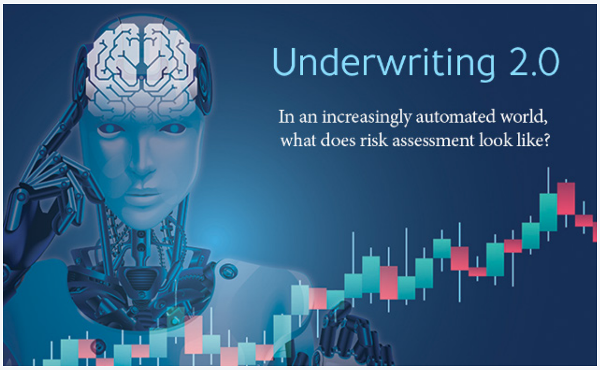
Thanks to the Volunteers Who Make the Academy's Work Possible

THIS MONTH saw the return of National Volunteer Week in the U.S. (April 19–25). In honor of the occasion, we extended our hearty thanks via social media to the 1,300 dedicated volunteers who selflessly serve the Academy. Volunteers are vital to the Academy's successful pursuit of our mission—we're grateful for your commitment and continuing professionalism.

Not currently an Academy volunteer? Click here to discover how you can join your colleagues in helping the Academy serve the profession and the public.

This Month in Social Media

On Facebook, we shared the feature story "Underwriting 2.0" from the March/April issue of Contingencies, which explores how Big Data and other elements of data science can be used to help support risk assessment.



On Twitter, we spotlighted our #COVID19 FAQs, which share insights on the pandemic's potential effects on health care spending and insurance, and thanked Academy volunteers during National Volunteer Week.

On LinkedIn, we highlighted our four April webinars, which looked at public pension plans, provided updates on P/C public policy issues, explored implications of COVID-19 on all practice areas, and reviewed the ASOP No. 56, *Modeling*.

Make sure you're a part of the conversation online by following us on Facebook, Twitter, and LinkedIn. Like what you see? Help spread us the word by liking and sharing our updates.

Member Spotlight
Gareth Kennedy

EACH MONTH, the Academy will introduce you to an actuary who shares a glimpse about their professional lives, as well as some insight into their personal lives. Visit the member spotlight page on the Academy's professionalism page. This month, we profile Risk Management and Financial Reporting Council Vice President Gareth Kennedy, a property/casualty actuary. (*Note: This Q&A was done prior to the coronavirus pandemic.*)

Why did you become an actuary?
I decided to become an actuary during my last year of university. I was a theoretical physics major and was looking for a way to apply my math skills in the business world when I came across a career pamphlet at my university in the UK. The mix of practicality and theory appealed to me a great deal.

Describe a challenge you have overcome.
I've always worked at a Big Four accounting firm, and it was drilled into me early on the importance of technical checks of our work. I used to have reams of paper to check and different types of check marks with a key so someone could follow how I checked a piece of work. It fostered in me an understanding of the various P&C methods through formulaic checks as well as just reconciling inputs and outputs.

What do you enjoy most about being an actuary?
I really enjoy the problem-solving aspects of this job. Starting with a business question and piles of data, then developing a model, refining and tweaking and soliciting the feedback of others, and finally arriving at the solution—that's immensely satisfying.

Share something about yourself.
Of course, I'm not always in the office. With three young children, a lot of my spare time is spent with them. Swimming, camping, bike-riding, board games, video games, museum outings, and trips to the zoo. Family time is a good balance for the rigors of the workplace.

What advice would you share with young actuaries?
To anyone just starting out, I strongly suggest you pass your exams and then give back to the profession. The Academy provides you with great volunteer opportunities and chances to get to know folks beyond your employer. I've found that I get as much out of volunteering as I hope the various committees I've worked on have received from me.

In-Person Conference Canceled? Check Out the Academy's Online Offerings

WITH CONFERENCES and other in-person events canceled across the country due to the ongoing COVID-19 pandemic, many of you may be looking for opportunities to earn relevant continuing education (CE) to fulfill your professionalism obligations, which are so important to maintaining the public's trust in our profession during these challenging times. The Academy is focusing on its online offerings to continue to provide members a variety of opportunities to earn CE in every practice area, as well as the organized and professionalism credits that you may need.

Some of you have told us you are especially concerned about meeting the requirement for organized activity this year. As you know, the U.S. Qualification Standards (USQS) require six hours of organized activity each year. The key to organized activity is the ability to interact with actuaries or other professionals from outside your organization. This condition can be met by attending live webinars, where you have the opportunity to ask questions.

If you have fulfilled your organized activity requirement, you then need 24 more credits of relevant CE, 3 of which must qualify as professionalism credits. A good place to look for CE relevant to your area of practice is the Academy webinar archive, which members may access free of charge.

The Academy hosts four professionalism webinars each year, always featuring recognized experts in their areas as speakers. Most recently, members of the Actuarial Standards Board (ASB) and its Modeling Task Force discussed the new actuarial standard of practice (ASOP) on modeling (ASOP No. 56), which is effective for work performed on or after October 1, 2020.

Other recent popular professionalism webinars have included "Friday the 13th: More Tales from the Dark Side," in which members of the Actuarial Board for Counseling and Discipline (ABCD) discussed entertaining scenarios based on issues brought before the ABCD. In a 2019 offering, "Reliance: '...A Little Help from My Friends,'" an important topic that is of perennial interest to our members, several ASB members looked at how the ASOPs address the concept of reliance and when it is appropriate to rely on another's work or opinion. "Big Data: Professional Standards Provided by Actuaries and New Research on Regulatory Views" reviewed guidance in the Code of Professional Conduct and the ASOPs relevant to working on/with Big Data, and it presented new insights into what regulators think about how Big Data is being used.

If you are searching for something a little bit different, "Promoting Ethical Decision-making: Rules, the Human Brain, and Cognitive Biases" featured an engaging discussion with a professor of business law and ethics who discussed the latest research on ethics and compliance and how actuaries can avoid the common pitfalls of bias and self-interest when fulfilling their professional responsibilities. Delving deeper into the archives, you will find excellent webinars on the Code of Professional Conduct, the USQS, and communication that provide useful refreshers on perennially relevant professionalism topics.

Other ways to potentially earn professionalism credit can include reviewing the Code, the USQS, and ASOPs relevant to your work and providing comments on a draft ASOP. The ASB currently has two drafts open for comment: ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, and ASOP No. 11, *Reinsurance Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*. If these ASOPs are relevant to your work, we encourage you to review the drafts, and if you have comments, consider submitting them.

The Academy provides opportunities to earn CE in each area of practice. In late April, "Cross-Practice COVID-19 Update" focused on the impact of COVID-19 on actuarial practice and implications for public policy, looking at issues relevant to all actuarial practice areas. Earlier this spring, the Academy launched a three-part series of pension webinars. Part one focused on multi-employer pension plans, while part two focused on public pension plans. Part three, scheduled for May 27, will focus on private pension plans. Recent casualty webinars have covered topics such as the impact of coronavirus on P/C lines, 2019 changes to instructions for qualified actuaries, and cyber risk insurance. A February life webinar looked at separate account products.

The Health Practice Council is in the process of planning a webinar with state and federal regulators to discuss the potential effects of the coronavirus pandemic and the prospective impact of COVID-19 on 2021 rate filings and 2020 reporting requirements for individual and small group plans.

We encourage you to keep an eye on your inbox and our homepage, and check the Academy's webinar page for forthcoming events. Working from home doesn't mean you can't meet your CE requirements—there are plenty of online opportunities that can help you meet your requirements, stay qualified, and be ever ready to meet the profession's commitment to serve the public.

ASB Extends Comment Deadlines for ASOP Nos. 11 and 4

THE ACTUARIAL STANDARDS BOARD (ASB) has extended the comment deadlines for the exposure draft of Actuarial Standard of Practice (ASOP) No. 11, *Reinsurance Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*, and the second exposure draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*.

The extension of the comment deadlines is due to the current COVID-19 pandemic and its worldwide impact on normal business operations, which may have impeded individuals or organizations from submitting comments.

The ASB received requests to extend the deadlines from several committees and task forces of the Academy's Life Practice Council and Pension Practice Council (PPC)—the PPC letter can be viewed here. The LPC commented on ASOP No. 11 in mid-April; its letter can be viewed here.

The new comment deadline for ASOP No. 11 is June 30 and for ASOP No. 4 is July 31. Both exposure drafts can be viewed here.

HEALTH NEWS

Comment Deadline on Actuarial Memorandum Practice Note Extended Until June

IN LIGHT OF THE CORONAVIRUS pandemic, the Academy has extended the comment period for the exposure draft of the Health Practice Council's *Actuarial Memorandum Practice Note* until June 15. Comments had previously been due in March. The Actuarial Memorandum Practice Note Work Group published the exposure draft in January to provide information that can be useful for appointed actuaries dealing with challenges of producing an Actuarial Memorandum in support of the Actuarial Opinion filed as part of the Health Annual Statement Blank, which is often referred to as the Health Blank or the Orange Blank. Comments can be submitted to health@actuary.org.

HEALTH BRIEFS

- **Peter Davidson** joined the Medicare Subcommittee.

IN THE NEWS

InsuranceNewsNet covered the Academy's April 28 cross-practice webinar in a story in the COVID-19 pandemic's impact on insurance and pensions.

Plan Sponsor reported on the Academy's April 23 webinar on public pension plans.

On April 4, radio station WMOV-AM (Ravenswood, W.Va.) aired an interview with Senior Life Fellow Nancy Bennett about the coronavirus pandemic's potential effects on life insurance.

Senior P/C Fellow Rich Gibson discussed the implications of the coronavirus pandemic for automobile insurance in a subscriber-only *A.M. Best* story.

An *AIS Health* story quoted Academy Senior Health Fellow Cori Uccello on how the COVID-19 pandemic may differently affect health spending and health insurance in different areas of the country.

Managed Healthcare Executive cited the Health Practice Council's FAQs on COVID-19's potential effects on health spending.

A *Best's Review* (subscriber-only) story noted the Academy's involvement in conducting initiatives to analyze information that insurers have provided in the NAIC's Climate Risk Disclosure Survey.

The Sacramento Bee, *The Charlotte Observer*, *Roll Call*, and other media outlets featured comments from Pension Committee member Aaron Weindling in a story on a congressional proposal to provide financial relief to community newspapers that contains pension provisions.

Nashville Medical News reported on the Academy's new "FAQs on COVID-19's Potential Impact on Medicaid and Medicaid Managed Care Organizations."

Issue Brief Looks at Medicare Trustees Report

AN ACADEMY ANALYSIS of the 2020 Medicare Trustees Report notes that the serious issues with Medicare's financial condition persist, a situation that if left unaddressed could shift growing financial burdens to future taxpayers and beneficiaries. The issue brief, *Medicare's Financial Condition: Beyond Actuarial Balance*, was released in late April shortly after the annual report was released.


Issue Brief

Medicare's Financial Condition: Beyond Actuarial Balance

APRIL 2020

"The exhaustion date for the Hospital Insurance (HI) trust fund remains unchanged over last year's projection, drawing ever closer, while funding demands from premiums and general revenue for other parts of the program are also tracking upward," said Academy Senior Health Fellow Cori Uccello. "A big question in many peoples' minds—which the report acknowledges but does not address—is what effects the COVID-19 pandemic will have on Medicare's financial condition."

Key facts about the program's financial condition brought to light by the trustees' report include:

- The projected HI trust fund exhaustion date is 2026, unchanged from last year's Medicare Trustees Report.
- Supplementary Medical Insurance general revenue funding is scheduled to nearly double from 1.7 percent of gross domestic product (GDP) in 2020 to 3.1 percent in 2094.
- Under current law, Medicare expenditures as a percentage of GDP will grow from 3.7 percent of GDP in 2019 to 6.5 percent of GDP in 2094. However, under the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary's alternative scenario, total Medicare expenditures would increase to 8.6 percent of GDP in 2094.

P/C Public Policy Webinar Looks at COVID-19

THE ACADEMY'S Casualty Practice Council (CPC) hosted an April 23 webinar, "P/C Public Policy Update—Spring 2020," which explored the impacts of the coronavirus pandemic on various property/casualty lines, as well as the latest updates on P/C public policy activity at the state and federal levels.

Speakers included:

- Lisa Slotznick, vice president, Casualty Practice Council;
- Greg Frankowiak, chairperson, Automobile Insurance Committee;
- Dave Heppen, chairperson, Workers' Compensation Committee;
- Susan Forray, chairperson, Medical Professional Liability Committee;
- Kathy Odomirok, chairperson, Committee on Property and Liability Financial Reporting (COPLFR);
- Senior Casualty Fellow Rich Gibson;
- Jeri Xu, vice chairperson, Extreme Events and Property Lines Committee;
- Steve Jackson, Academy assistant director for research (public policy); and
- Daniel Roth, past chairperson, Travel Insurance Task Force.


Slotznick

The presenters discussed proposed legislation affecting coverage of losses related to pandemic viruses; gave updates on federal legislation, including the reauthorization of the National Flood Insurance Program (NFIP) and the extension of the Terrorism Risk Insurance Act (TRIA); wildfires; and reviewed the latest on the Actuaries Climate Index (ACI) and the Actuaries Climate Risk Index (ACRI).

In her opening remarks, Slotznick noted that "the epic events associated with COVID-19" have affected many lines of P/C insurance. She explained that this was a first look at what is currently known and what actuaries should be watching for as the pandemic continues to unfold.

In the Q&A, Odomirok addressed questions that have come up concerning how the coronavirus pandemic and related financial events might be reflected in revised reports on 2019 reserves and how 2020 midyear analyses might be affected. She said COPLFR will be issuing a "frequently asked questions" COVID-19 document soon.

Slides and audio are available to logged-in Academy members.

CASUALTY BRIEFS

- **Jared Smollik** is vice chairperson of the Automobile Insurance Committee.
- **Aaron Hillebrandt** joined the Opinion Seminar Subcommittee.

New PBR Practice Note Released

THE LIFE VALUATION Committee's Principle-Based Reserve Review (PBR) Procedures Work Group released a public policy practice note in mid-April, *Common Practices of Examining Actuaries Involved in Statutory Financial Solvency Examinations of Life and Health Insurers, Including Considerations for PBR*.

The document is intended primarily to assist examining actuaries in coordinating with examiners in charge and in effectively conducting risk-focused examinations. The approach is based on an examining actuary being an integral member of the examination team.

The practice note "will help examining actuaries bring more value to the risk-focused examination approach and be more integrated in the risk identification, risk assessment, and risk mitigation aspects of the financial examination process," said work group Chairperson Randall Stevenson.

"There is so much more to a risk-focused examination than validating the correctness of reserves. It is more about the processes used to ensure the reserves are and will continue to be correct. As an analogy, a broken clock is right twice a day, instead of verifying it has the correct time when checked, the risk-focused approach is intended to make sure it is running properly," he said.

PBR Practice Note Updated

The Life Principle-Based Approach Practice Note Work Group updated the practice note, *Life Principle-Based Reserves (PBR) Under VM-20*, first released in 2017, to reflect emerging practices and changes to the Valuation Manual since the version effective for Dec. 31, 2019, valuations.

LIFE BRIEFS

- **Chris Conrad** is co-vice chairperson of the Annuity Reserves Work Group.
- **Sue Bartholf** joined the Life Practice Council.
- **William Obert** and **Cindy Stark** joined the Life Reserves Work Group.
- **Marc Altschull** joined the PBR Analysis Templates Task Force.

Academy Hosts Public Pension Plans Webinar

THE PENSION PRACTICE COUNCIL on April 23 held the second of three webinars in its "Retirement Plan Coverage in America" series. "Part Two: Focus on Public Pension Plans" discussed public pension plans covering state and local government workers, and provided overviews of such plans' purpose and the unique issues facing them.

Hosted by Academy Senior Pension Fellow Linda K. Stone, the webinar featured speakers Sherry Chan, vice chairperson of the Pension Practice Council and chairperson of the Public Plans Committee; Randall Dziubek, deputy chief actuary, valuation services, with the California Public Employees' Retirement System; Todd Tauzer, vice chairperson of the Public Plans Committee; and committee member Elizabeth Wiley. They weighed in on who is covered by these plans, how they are regulated, and current issues impacting these plans and their participants.

Over 80 percent of public employees have access to one or more public pension plans and over 25 million people are members or beneficiaries of public pensions.

Unlike U.S. multiemployer and single-employer plans, there is limited federal oversight of public plans. Each state generally determines how public plans operate in that state, resulting in a patchwork of rules governing benefit guarantees and funding requirements, with each state operating as "practically its own sovereign mini-nation," Tauzer said.

Some public employers offer both defined benefit (DB) and defined contribution (DC) plans. While it is uncommon for a public plan to only offer DC plans, many systems face pressure to limit or eliminate DB plans. "It remains to be seen if we will see a movement to DC plans in the public sector like we have seen in the private sector," Dziubek said.

Public pension plans also often have features uncommon in the private sector, including cost-of-living adjustments (COLAs), Deferred Retirement Option Plans (DROPs), generous death and disability benefits, and gain sharing, as well as a trend toward variable benefits, panelists said. "The debate over whether public pension benefits are in general too rich has valid points on both sides ... and will continue to be debated," Dziubek said.

Chan provided an overview of current trends and issues facing public pension plans and discussed media coverage of public plans issues she has experienced in her high-profile role as New York City's chief actuary.

During the Q&A, attendees were primarily interested in the effects of the ongoing COVID-19 pandemic. Presenters identified asset and revenue drops, and service-connected deaths and disabilities, as the key emerging challenges to public plans.

Slides and audio are available to logged-in Academy members.

Part Three Pension Webinar: Private-Sector Plans, State Initiatives

The third webinar in the pension series, "Part Three: Focus on Private-Sector Plans, State Initiatives, and Opportunities to Expand Coverage," will be held on Wednesday, May 27, from noon to 1:30 p.m. EDT. Register now.

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Multiemployer Plans Committee Releases Issue Brief

THE MULTIEMPLOYER PLANS COMMITTEE released an issue brief, *Determining Withdrawal Liability for Multiemployer Pension Plans: A Range of Approaches to Actuarial Assumptions*, that explores current practices and approaches to the selection of withdrawal liability interest rates.

The issue brief notes that:

- There is a diversity of practice across the multiemployer actuarial community in the selection of the interest rate used for determining employer withdrawal liability, and the selection of these rates has received increased scrutiny in recent years;
- Common approaches to selecting the withdrawal liability interest rate include the use of the expected return on plan assets, market-observed interest rates, and a blend of these two approaches; and
- Actuaries select withdrawal liability assumptions through a combination of relevant facts and circumstances, the actuarial standards of practice, and their professional judgment.

Retirement Security Issue Brief Released

THE RETIREMENT SYSTEM Assessment and Policy Committee released an issue brief, *Retirement Security Challenges: Portability and Retirement Income*, that considers potential ways to optimize portability and personal management of retirement assets, income, and benefits.

The issue brief notes that:

- Today's mobile workforce faces challenges in keeping track of retirement savings accumulated from different employers and converting those savings into sustainable retirement income;
- Potential solutions include the creation of a centralized registry for benefits, providing periodic benefit statements, and offering basic education on retirement-related topics at different career stages to help demystify the retirement planning process; and
- Secure retirement income can be facilitated by easy access to low-cost investments offering an opportunity for growth while managing risk, and making available at retirement a variety of easy-to-initiate, institutionally priced income options.

Shapiro Takes Part in ERISA Panel on Multiemployer Plans

JOSH SHAPIRO, Academy past vice president, pension, was the Academy's representative at the ERISA Industry Committee's virtual Spring Policy Conference panel on "The Multiemployer Pension Crisis and Why You Should Care" on April 29. Shapiro, a member of the Academy's Multiemployer Plans Committee, led a discussion of the Butch Lewis and Grassley/Alexander proposals in Congress to address multiemployer-plan reform, and took part in a discussion around recent COVID-19 stimulus legislation and its potential effect on plans.

Shapiro

RISK MANAGEMENT BRIEFS

- **Kayne Kirby** joined the ERM/ORSA Committee and the Liquidity Risk Work Group.

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