



AMERICAN ACADEMY *of* ACTUARIES

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Academy Statement Regarding CAS Rescinded Ratemaking Principles

On April 1, 2021, the Casualty Actuarial Society (CAS) posted a statement regarding the CAS board response to member/regulator feedback on the rescinded CAS Statement of Principles on Ratemaking. In this statement, the CAS announced that the CAS board was making a formal request to the American Academy of Actuaries. Specifically, it stated:

“The Board unanimously passed the following motion during its March 27 meeting:
That the Board will formally request the American Academy of Actuaries develop a Practice Note on P/C insurance ratemaking to integrate the guidance amongst the various Actuarial Standards of Practice.”

The American Academy of Actuaries (Academy) appreciates that the CAS has worked with and continues to seek to collaborate with the Academy when topics it is faced with potentially pertain to U.S. actuarial guidance and public policy.

Actuarial standards of practice (ASOPs) set the standard for appropriate practice and are binding on the members of the U.S.-based actuarial organizations when rendering actuarial services in the U.S. Each ASOP provides a transmittal memorandum and one or more supporting appendices that may be useful to the actuary in interpreting the standard.¹ In contrast, practice notes are not intended to provide interpretations of actuarial standards of practice, nor are they meant to be a codification of generally accepted actuarial practice.²

While only the ASOPs provide professional actuarial guidance, the Academy is committed to developing and promoting a comprehensive body of professionalism resources. A number of resources exist to aid U.S. actuaries when providing actuarial services related to P/C insurance ratemaking. For example, the Academy’s [Applicability Guidelines](#), while not guidance themselves, do suggest which ASOPs may provide guidance relevant to the actuarial services being provided.

The Academy has issued and will continue to produce resources that will be useful to our members, the regulatory community, and the public that touch on P/C insurance ratemaking considerations, such as bias in data, assumptions and models. These resources include:

¹ ASOP No. 1, section 3.2.

² “[Guidelines for Developing Practice Notes](#)”; adopted by the Academy Board of Directors on September 25, 2006. “The purpose of practice notes is to provide information to actuaries on current or emerging practices in which their peers are engaged. They are intended to supplement the available actuarial literature, especially where the practices addressed are subject to evolving technology, recently adopted external requirements, or advances in actuarial science and other applicable disciplines.

...

Practice notes are not interpretations of actuarial standards of practice nor are they meant to be a codification of generally accepted actuarial practice. Actuaries are not bound in any way to comply with practice notes or to conform their work to the practices described in practice notes.”

1. *Big Data and the Role of the Actuary* monograph
2. Comments to regulators and legislators that include discussion of unfair discrimination topics³
3. Ongoing work on the Academy's Casualty Practice Council Racial Equity Task Force
4. Forthcoming Data Science and Analytics Committee issue brief and paper

We believe that the documents referenced above are just a few that provide valuable resources for actuaries providing P/C insurance ratemaking analyses, and we plan to continue to produce additional publications/work products as deemed appropriate.

Tom Campbell

President
American Academy of Actuaries

³ Comments to the NAIC Special (EX) Committee on Race and Insurance (November 12, 2020), comments to the National Council of Insurance Legislators Special Committee on Race in Insurance Underwriting (December 9, 2020), and comments to Honorable Janet Buckner regarding the proposed Colorado Senate Bill 21-169 (March 29, 2021).