

# HPC Conducts Virtual ‘Hill Visits’ With Federal Lawmakers, Policymakers

**H**EALTH PRACTICE COUNCIL (HPC) volunteers and Academy staff virtually visited the offices of federal policymakers and regulators in mid-April during their annual “Hill visits,” discussing a number of timely topics including the Academy’s new telehealth issue brief and health equity discussion brief.

More than 20 volunteers took part in two dozen meetings with U.S. House and Senate committee staff members, and with representatives from federal agencies including the Treasury Department, Department of Labor, Congressional Budget Office, Centers for Medicare & Medicaid Services, the Government Accountability Office, and others. They discussed issues including Medicaid and Medicare, health equity, COVID-19, surprise billing, prescription drug prices, long-term care (LTC), and the Affordable Care Act (ACA).

“We were pleased to offer the Academy’s perspective to a wide range of federal policymakers,” said Al Schmitz, Academy vice president, health. “The new telehealth issue brief, in particular, was a timely publication for the Health Practice Council to discuss with these public policy stakeholders in addition to other issues as well as the Academy’s ongoing work related to COVID-19, health equity, the ACA, and long-term care. The input we provided was well received by the policymakers and regulators who we met with.”



## Issue Brief Explores Future of Telehealth

The new issue brief, [Telehealth After COVID-19](#), makes the observation that, during the pandemic, the need to limit in-person health care resulted in many states and localities relaxing or waiving many of the legal and regulatory restrictions on telehealth, increasing its use.

As policymakers and regulators consider new or revised public policies regarding the availability of and payment for telehealth services now and in a post-pandemic health system, questions regarding the effects of telehealth on access to care, the costs of care, health outcomes, and potential fraud need to be considered, according to analysis in the issue brief. ▲

# Professionalism Webinar Looks at ASOP No. 1

**T**HE ACADEMY’S FIRST professionalism webinar of 2021 looked at Actuarial Standard of Practice (ASOP) No. 1, *Introductory Actuarial Standard of Practice*. Members of the Actuarial Standards Board (ASB)—Chairperson Darrell Knapp, along with ASB members Kevin Dyke and Cande Olsen—presented during the webinar, “[How to Read an ASOP— and Other Nuggets From ASOP No. 1](#).” General Counsel and Director of Professionalism Brian Jackson moderated the April 21 webinar, attended by nearly 3,000 people.

Knapp kicked off the discussion with a brief overview of actuarial



professionalism and the ASB. “Actuaries have a privileged position in the U.S., in that we are a self-regulating profession. In order to keep that status, we need to maintain a focus on professionalism,” he said.

Describing the ASB process for developing ASOPs, Knapp highlighted a few points for the audience: “A couple of things I’d like listeners to take away from this: a) We really encourage everybody to comment. The comment process makes the ASOPs better, and it’s really the opportunity for the public to have an active role in the standards-setting process. And then b) If you do make a comment, the comments are very definitely read, and evaluated, and understood, and often result in a lot of action.”

Dyke dove into the specifics of ASOP No. 1, which lays the

**WEBINAR, CONTINUED ON PAGE 6**

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Last Chance to Register Early for PBR Boot Camp

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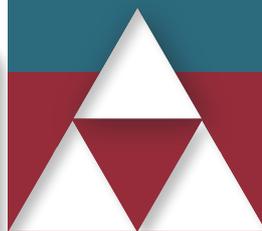
Academy Offers Actuarial Perspective on Public Policy Issues

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Scalars Methodologies Research Paper

9

‘Professionalism Counts’—Exercising Professional Judgment



## 2021

### MAY

**5** Life webinar: "[Academy Life Practice Webinar: Spring 2021 Policy Update](#)"

**24** Health webinar: "[Health Equity: An Actuarial Perspective](#)"

**25** Life webinar: "[The Impacts of COVID-19 on the Life Insurance Industry](#)"

### JUNE

**7-9** [PBR Boot Camp](#) (virtual event)

### AUGUST

**3** Pension webinar: "[Multiemployer Plan Provisions in the American Rescue Plan Act of 2021 \(ARPA\)—Discussion of Recently Issued Regulations](#)"

### NOVEMBER

**15-18** Life and Health Qualifications Seminar, Arlington, Va. (registration opening soon)

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

## Dues Reminder—Renew Now to Avoid a Late Fee

**A**CADEMY MEMBERSHIP DUES are due on Jan. 1 of each year. By renewing now, in addition to continuing to receive your membership benefits, you will also avoid a 20% late fee, which will be assessed on renewals received after May 1. If you have not yet done so, [log in to the membership webpage](#) now to pay your dues, print your invoice, apply for a partial dues waiver, update your contact information, or update your member profile in the Academy's online membership directory. Your dues support the Academy's mission to serve the public and the U.S. actuarial profession. Questions? Please contact the Academy Membership Department ([membership@actuary.org](mailto:membership@actuary.org); 202-785-6925). ▲

## Recently Released

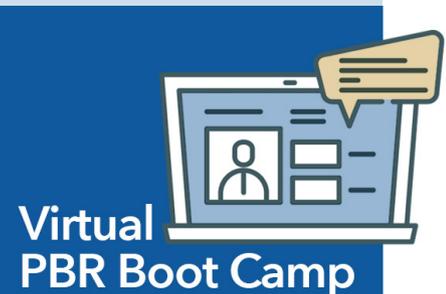
**T**HE SPRING *Casualty Quarterly* includes a Q&A with the Casualty Practice Council's Cyber Risk Task Force Chairperson Norman Niemi on cyber risk issues being addressed by the Academy, including a look at some forthcoming papers. Also in the issue, a report on a new issue brief on automobile insurance and COVID-19, news items on Senior Casualty Fellow Rich Gibson's presentations on P/C issues at two events, the latest Actuaries Climate Index data, and recent state and federal legislative and regulatory activity.

The Spring *HealthCheck* covers the Health Practice Council's (HPC) virtual "Hill Visits" with federal policymakers to discuss key health public policy issues; the Health Equity Work Group's (HEWG) discussion brief on health equity issues and an "Actuary Voices" podcast with HEWG Chairperson Annette James; the Long-Term Care (LTC)/Disability Committee's issue brief on LTC insurance and COVID-19; and the HPC's comments to federal agencies on COVID-19, Medicaid, and the Affordable Care Act. ▲

## Don't Miss Early Registration for the Academy's Virtual PBR Boot Camp

**D**ISCOUNTED EARLY registration ends today, April 30, for the Academy's Virtual PBR Boot Camp—make sure to [register now](#) to take advantage of the lowest rates to attend this highly regarded seminar. [The agenda](#) for this Boot Camp, to be held June 7-9, is geared for those who are new or relatively new to principle-based reserving (PBR)—if you recently went through PBR for the first time or are just getting started with PBR work, this virtual seminar is for you.

Sessions will include external reviews of PBR, model overview and model governance, reserve change analysis and pricing projections, implementation of VM-20, mortality, additional liability assumption, reinsurance, an overview on assets, standard projection methodology, and sample reports. Daily and group rates are available—[register today](#). ▲



# Academy NEWS

## Actuarial Perspective ‘Essential,’ Academy Notes as President Biden Addresses Congress

**A**N OBJECTIVE ACTUARIAL perspective is needed on key issues such as climate risk, pensions and retirement, and health equity, the Academy noted ahead of President Biden’s April 28 address to a joint session of Congress.

“The Academy offers technical analysis to policymakers and regulators that is

essential to developing and implementing effective public policy to address the new and continuing challenges facing Americans’ financial and retirement security through public programs and insurance and pension protections,” Academy President Tom Campbell said in a [news release](#).

“The Academy looks forward to

working with the Biden administration and Congress in an objective, nonpartisan basis on issues such as assessing climate risk, addressing the solvency of retirement and insurance systems both public and private, and identifying equity concerns in insurance coverages and health disparities that can benefit from actuarial insight,” he said. ▲

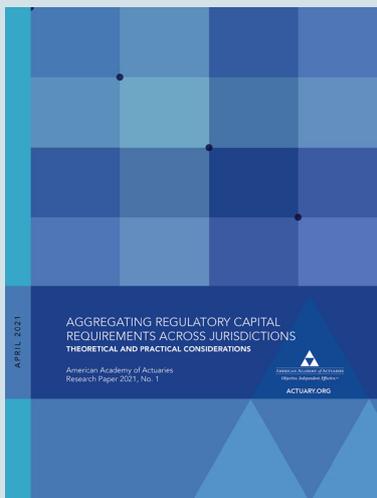
## Academy Releases Research Paper on Scalars Methodologies

*Solvency Measures of Concern to U.S. and International Group Capital Regulatory Frameworks*

**S**INCE THE FINANCIAL CRISIS of 2007–08, regulators in the U.S. and around the world have recognized that the solvency of insurance groups as well as that of their individual legal entities need to be examined. The need for a measure of group capital adequacy has generated efforts at the National Association of Insurance Commissioners (NAIC) in particular, but also among the other players in “Team USA” (e.g., the Federal Reserve Board), and to negotiations at the International Association of Insurance Supervisors (IAIS) over a group solvency capital standard for all Internationally Active Insurance Groups (IAIGs).

Regulatory stakeholders in the United States (as well as some other countries) have been seeking to provide an alternative approach with a comparable measure of capital across jurisdictions that will help allow for a common understanding of IAIG capital adequacy to the approach the IAIS has determined to take with the International Capital Standard.

The Academy released an original research paper, [Aggregating Regulatory Capital Requirements Across Jurisdictions: Theoretical and Practical Considerations](#), on scalar methodologies to aggregate capital requirements across regulatory frameworks. Scalars are a central part of efforts to develop capital adequacy measures for financial groups



that operate businesses in more than one country and/or more than one industry. In a virtual presentation, Steve Jackson, assistant director for research (public policy) and the paper’s lead author, gave a summary of the paper April 7 to the NAIC’s International Insurance Relations (G) Committee during the NAIC’s 2021 Virtual Spring National Meeting.

“Regulators examining the so-called building-block approach to regulating group capital solvency have been operating with very limited published, expert guidance on the design of scalars,” Jackson said. “In this paper, the Academy has provided a roadmap to the complicated terrain of aggregating levels of capital across jurisdictions. Without recommending a specific route, the Academy has provided insight into some of the hazards along each of several routes and offered suggestions on how to minimize the risks.” Read the [Academy news release](#).

Due in part to the lack of expert guidance on scalar methodologies, this aspect of an alternative approach to the group capital measurement has proven a difficult process. The Academy’s paper aims to provide analysis for all regulatory stakeholders worldwide and in particular to support U.S. regulators as they work to define the most appropriate scalar methods. ▲

# Committee on Qualifications Revises an FAQ in Response to Comments

**T**HE COMMITTEE ON QUALIFICATIONS (COQ) periodically adds to or revises its [Frequently Asked Questions \(FAQ\)](#) when it receives a question or comment that calls for some additional clarification. Last fall, the Academy issued an exposure draft of a proposed revision to the current U.S. Qualification Standards (USQS) that was developed by the COQ and subsequently approved for exposure by the Academy Board. Comments received on that exposure draft included questions about the current language of FAQ No. 48 as it applies to the currently effective USQS. FAQ No. 48 stated in part:

“Business ethics courses are closely aligned to professional conduct and might count as professionalism. On the other hand, diversity training would likely better fit the examples for business and consulting skills, which are capped at 3 CE hours annually (Section 2.2.7 and 2.2.9).”

After discussion by the COQ of the text of the current Qualification Standards, the COQ is clarifying FAQ No. 48 so that it is clear that its interpretation of the existing USQS language

should not appear to limit diversity training in the way that commenters have suggested it does. Therefore, the COQ has revised FAQ No. 48 to clarify that diversity, equity & inclusion (DE&I) training “may count toward the professionalism topic or business and consulting skills topic categories, depending upon how the training fits into the definition of these categories in Section 2.2.7” and to provide examples of where DE&I training may count toward professionalism or be classified as business and consulting skills.

The COQ is revising the language of the current FAQ to make it clear that the present language of the USQS can be interpreted to include DE&I training given the current definitions in the USQS.

With respect to any proposed changes in the language of the current USQS that were exposed last fall, the process of reviewing the comments submitted and the COQ’s recommendation of any future steps to the Academy Board continues to be the main focus of the COQ’s activities. ▲

## Academy Participates in Virtual AAE Meeting

**A**CADEMY INTERNATIONAL Secretary Tom Wildsmith and Director of Public Policy Craig Hanna participated in the virtual Spring Actuarial Association of Europe (AAE) meeting, held April 15–16.

“We appreciate how, even during this pandemic, the AAE has generously extended an invitation to the Academy to their meetings—just as we invite them to ours. This is a reflection of the strong, ongoing relationship between our two sister organizations,” Wildsmith said following the meeting.

“While the specific issues changed from session to session, there was a consistent focus on professionalism and representing the European actuarial community to their key regulators—which is the same role the Academy plays for the U.S. actuarial community,” he said.



“As might be expected, COVID-19 is on everyone’s mind, both as a topic of discussion and as the reason the meeting was conducted virtually,” Wildsmith said. “While no final decisions have been made, AAE leadership is looking forward to when they can return to in-person meetings and the Academy for its part would like to renew its personal engagement as observer with them when that day comes.” ▲

## Statement Regarding CAS Rescinded Ratemaking Principles

**F**OLLOWING A Casualty Actuarial Society (CAS) statement earlier this month regarding the CAS board’s response to their members’ and regulator feedback on their decision to rescind the CAS Statement of Principles on Ratemaking, Academy President Tom Campbell issued an [Academy statement](#) that said 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”—but that 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.” ▲

# Academy Provides Input on Diversity & Inclusion

**I**N AN [April 9 letter](#) to the NAIC, Academy President Tom Campbell reiterated and reinforced the Academy's commitment to work with the NAIC's Special (EX) Committee on Race and Insurance to address diversity and inclusion concerns pertaining

to insurance coverages. The letter described work underway in several Academy practice councils pertaining to public policy Diversity, Equity & Inclusion concerns and introduced to the commissioners the recently published health equity discussion brief

which has relevance to the work of the Special Committee. The comments were made regarding recently proposed 2021 charges of the committee. Campbell presented virtually on April 16 about the comments to NAIC's Special Committee on Race and Insurance. ▲

## Latest Episode of 'Actuary Voices' Features Julia Lerche

**T**HE LATEST "[Actuary Voices](#)" features Julia Lerche, chairperson of the Health Practice Council's Medicaid Subcommittee. Lerche talks about how her love for math led her to an actuarial career, which began in pensions and then led to the health practice area and getting a master's degree in public health, and to her current position as chief actuary at the North Carolina Department of Health and Human Services. Lerche is also active in the Academy's new Health Equity Work Group.

"It's something I care deeply about, and I'm proud of the Academy and actuaries as a profession to come together around that issue," she said. There are many ways actuaries can help in the health area now, which the pandemic has accentuated, she said, citing public service as an example. ▲



Lerche



### IN THE NEWS

A [Washington Post](#) personal finance piece on changes to required minimum distributions for certain taxpayers took note of the regulatory use of actuarial tables based on the joint American Academy of Actuaries/Society of Actuaries Payout Annuity Table Team's 2012 [Individual Annuity Mortality tables](#).

A [Managed Healthcare Executive](#) story and an opinion piece in the [Washington Times](#) cited findings from an article in the [JAMA Health Forum](#) that was co-authored by Senior Health Fellow Cori Uccello on

approaches to lowering the Medicare eligibility age and the challenges that it would bring to an already complex health care system.

[Advisor Magazine](#) and [California Broker](#) wrote about the Health Equity Work Group's new [discussion brief](#), which looks at health equity from an actuarial perspective.

An [InsuranceNewsNet](#) article on the COVID-19 pandemic and long-term care (LTC) and LTC insurance cited analysis from the Academy's [issue brief, Impact of COVID-19 on Long-Term Care Insurance](#).

A [Northwest Herald](#) (Ill.) story cited analysis of the National Flood Insurance Program's financial condition from the [Academy monograph, The National Flood Insurance Program: Challenges and Solutions](#).

A personal finance column in the subscriber-only [Financial Times](#) used results from the jointly sponsored [Actuaries Longevity Illustrator](#) in exploring retirement savings decumulation strategies.

[Eversheds Sutherland](#) reported on the Academy's presentation to the NAIC on the Academy's new

[research paper on scalar methodologies](#) to aggregate capital requirements across international regulatory frameworks.

A subscriber-only [Bloomberg Law](#) article and a [Health Affairs Blog](#) post reported on the 5th U.S. Circuit Court of Appeals' reversal of a district court decision regarding a U.S. Department of Health and Human Services regulation on actuarially sound Medicaid payments to managed care organizations that the Academy has contended [mischaracterized the role of the Actuarial Standards Board](#). ▲

groundwork for interpreting all of the other ASOPs. ASOP No. 1 establishes that ASOPs are principle-based and that actuaries often need to use professional judgment. “The use of professional judgment is foundational for a profession like the actuarial profession. Actuaries have specialized skills gained through basic and continuing education and are bound by a code of professional conduct and standards that allow for professional judgment when providing actuarial advice appropriate for the intended purpose of the work,” Dyke said.

He recommended that actuaries pay careful attention to the scope section of an ASOP, as the ASB spends considerable effort crafting this section to make clear what tasks an ASOP applies to. Knapp underlined this idea in his discussion of the different sections of the ASOPs. “We want to be sure an actuary can read through the scope with a particular task in mind and determine the ASOP is

applicable to the task at hand,” he said.

In discussing section 2, Knapp noted that “[t]erms defined in the ASOP are defined only for that ASOP and are not applicable to other ASOPs. In fact, there are a couple of ASOPs that have the exact same term defined in very different ways because different practice areas have different terms of art.”

He briefly discussed section 3, which includes analysis and recommendations and is “the meat of the ASOPs,” and section 4, which covers “communications and disclosures that need to be included in any actuarial report you may do.” Returning to the importance of comments in the process, he said that Appendix 2 summarizes major issues raised in the comments and how the drafting committee addressed these comments. “If you make a comment in the exposure draft process—as we highly encourage you to do—you ought to be able to, in the next version of the ASOP, go to Appendix 2 and see what the drafting

committee did to address the comment.”

Noting that “[d]efinitions included in ASOP No. 1 are intended to apply to all other ASOPs, unless the ASOP includes a specific definition of the term,” Olsen looked the terms defined and discussed in ASOP No. 1, which include “material,” “professional judgment” (see “Professionalism Counts,” p. 9), “reasonable,” and “reliance.”

“The definition of ‘material’ is related to the needs of the person who will rely on the actuarial findings,” she said. “So if you include or omit an item in an actuarial analysis that goes into your actuarial findings, it is material if it is likely to influence a decision that the intended user may make based on those actuarial findings.” The guidance in ASOPs need not be applied to immaterial items.

The webinar concluded with a Q&A from attendees. [Slides and audio](#) are available free for logged-in Academy members. ▲

### PRESIDENTIAL TASK FORCE BRIEF

➔ **Hal Tepfer** is chairperson of the new Academy Pension Actuary Continuing Education Task Force and the following are members of the task force: **Raymond Berry, Tom Campbell, Sarah Dam, Jonathan de Lutio, Lorraine Dorsa, Tim Geddes, Horace Jones, Iris Kazin, Leslie Lohmann, Steven Mendelsohn, Christine O’Neal, Valmiki Ramsewak, Tom Terry,** and **David Woodmansee.**

## This Month in Social Media



On Twitter, we celebrated National Volunteer Week by thanking our volunteers and encouraging our followers to learn more about them by listening to our podcast, “Actuary Voices.”



On Facebook, we marked Earth Day by encouraging our followers to read about the Actuaries Climate Index.



On LinkedIn, we shared a reminder about Essential Elements, a series of papers that provides a quick overview of important public policy concerns of interest to Academy members, policy makers and the general public.

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

### John Purple

**E**ACH MONTH, the Academy has been introducing you to an actuary who shares insights about their professional lives, as well as some glimpse into their personal lives. Visit the [Member Spotlight page](#), part of the Academy's "Professionalism First" hub. This month we profile John Purple, a member of the Committee on Professional Responsibility, the P/C Extreme Events and Property Lines Committee, and the ASOP No. 41 Task Force.

#### **When and why did you decide to become an actuary?**

I first learned about the actuarial profession in the fall of my senior year in college. A fraternity brother who had graduated the prior year had come back for homecoming and he told me about this great job he had as an actuarial student at The Hartford. He described it as "an insurance position that utilizes math and statistics. All you have to do is study and be able to pass a series of three-hour exams. And each time you pass one, you get a raise!" (He neglected to mention the amount of effort it took to pass them all!) Although my degree was in economics, I had taken a number of math courses and thought that the work sounded interesting. So, I interviewed with several insurance companies that had actuarial student programs, learned a little more about what actuaries did, and ended up accepting a position with Aetna Life & Casualty.

#### **Describe one of the professionalism challenges you faced early in your career. How did you handle it?**

While this is not really a "professionalism challenge," I had one experience in my early career that concerned volunteering and giving back to the profession. Once I obtained my FCAS designation, my boss at the time asked me which CAS committee I was going to volunteer for. Having spent many years and a lot of effort to get through the exams, I said that I just wanted to focus on my work and enjoy more family time. After being asked the same question several more times in the next few months, I got the message and agreed to join the

CAS' committee on continuing education. (I wanted no part of an exam committee!) And it didn't take long for me to realize some of the benefits of volunteering, including learning and interacting with other actuaries. As a result, I have served as a volunteer in one form or another every year since 1982.

#### **What aspect of being an actuary do you enjoy the most?**

I think it's the idea of being able to explain issues that have actuarial implications to non-actuaries. When I was a consultant, and later as the chief actuary at the Connecticut Insurance Department, we often had issues that the client, the state legislature, or the NAIC were considering that required actuarial input. I always found these discussions to be not only interesting, but also a learning experience.

#### **Tell us a little about yourself. What do you do for fun?**

I like outside activities including golf, fishing, downhill skiing, and spending time in the summer at the cottage on our island at a lake in Connecticut.

#### **What advice would you give to someone who is just beginning their career as an actuary?**

I would encourage new actuaries to focus on not just mastering the technical skills required for their job, but also enhancing their communication skills. While they will need the technical expertise, they will also need to be able to explain their analyses and findings to whoever their "principal" is. ▲

## Save the Date

### Life and Health Qualifications Seminar

**Nov. 15-18, 2021**

Crystal Gateway Marriott  
Arlington, Va.

*Registration opening soon.*





## Professionalism Outreach

**ACADEMY PRESIDENT** Tom Campbell provided actuarial science students at the University of Connecticut with an introduction to and overview of the Academy. Presenting virtually on April 5 to the UConn Actuarial Society, he provided a high-level look at the Academy's recent public policy and professionalism activities and noted the dual aspects of the Academy's mission "are designed to work together to build the public's trust in the profession and our ability to regulate ourselves." Campbell wished students luck with their actuarial exams and described the value he has derived from being involved in the Academy, and urged them to join and become involved when

eligible. He found the students were exceptionally interested in the possibilities for actuaries to affect the development of sound public policy.

On April 7, Council on Professionalism member and Actuarial Board for Counseling and Discipline (ABCD) member William Hines provided the firm Risk and Regulatory Consulting with a virtual presentation, "A Look at Ethics and Professionalism." Hines described common ethical challenges facing actuaries, case trends before the ABCD, and engaged in a lively discussion with attendees regarding the Code of Professional Conduct considerations involved in several ethics case studies. ▲

## ASB Approves Exposure Draft of ASOP No. 18 Revision

**THE ASB APPROVED** an exposure draft of a revision of Actuarial Standard of Practice (ASOP) No. 18, now titled [Long-Term Care](#). The proposed revised ASOP provides guidance to actuaries when performing actuarial services with respect to long-term care benefit plans sponsored by insurers or other entities. Commenting instructions can be found in the exposure draft; the comment deadline for the exposure draft is Sept. 1. ▲

## Pension, P/C Groups Comment to ASB on Assumptions ASOP

**COMMENTS** from the Academy's [Casualty Practice Council](#), and the Pension Committee of the [Pension Practice Council](#), were submitted to the Actuarial Standards Board (ASB) regarding the third exposure draft of the proposed *Setting Assumptions* ASOP. ▲

### Casualty News



## Automobile Insurance Committee Releases Brief

**THE AUTOMOBILE** Insurance Committee released an [issue brief](#) on the development and pricing of automobile insurance.

Key points from the issue brief also include:

- ▲ increased availability of data and technology has advanced pricing sophistication over the years, resulting in lower premiums paid by many consumers.
- ▲ consumers can impact the price they pay for automobile insurance based on factors such as how safely they drive, deductibles they select, or types of automobiles they operate. ▲

### Issue Brief

### Consumer Cost of Automobile Insurance

APRIL 2021

## P/C RBC Committee Presents to NAIC

**DAVID TRAUOGOTT**, chairperson of the Academy's Property and Casualty Risk Based Capital (RBC) Committee, [presented an update](#) on P/C RBC underwriting factors experience to the NAIC's P/C RBC (E) Work Group. The presentation included time management, context for the report, results, methodology, and analysis of change. ▲

### CASUALTY BRIEFS

- ➔ **Melanie Leavy** joined the P/C Extreme Events and Property Lines Committee. committee: **Katie Campbell, Janet Fagan, Keith Passwater, Stephen Rosen, Hal Tepfer, and Chad Wischmeyer.**

## Professional Judgment: Exercise It With Skill and Care

**P**ROFESSIONAL JUDGMENT is core to an actuary's work; it comes into play when determining whether an actuary is qualified to take on an assignment, which actuarial standards of practice (ASOPs) to use when performing an assignment, and how to interpret those ASOPs. But the ability to exercise sound professional judgment isn't magically bestowed when an actuary earns their credential—it is developed over years of training and experience.

As ASOP No. 1, *Introductory Actuarial Standard of Practice*, states in its discussion of professional judgment:

Actuaries bring to their assignments not only highly specialized training, but also the broader knowledge and understanding that come from experience. For example, the ASOPs frequently call upon actuaries to apply both training and experience to their professional assignments, recognizing that reasonable differences may arise when actuaries project the effect of uncertain events.<sup>1</sup>

Professional judgment is not based solely on training and experience, though these play a vital role. The structure of the actuarial profession—the Code of Professional Conduct, U.S. Qualification Standards, and ASOPs—gives actuaries a framework within which to exercise actuarial judgment. This is important because, as ASOPs are principle-based, actuarial work relies heavily on professional judgment. As ASOP No. 1 notes:

ASOPs are not narrowly prescriptive and neither dictate a single approach nor mandate a particular outcome. Rather, ASOPs provide the actuary with an analytical framework for exercising professional judgment, and identify factors that the actuary typically should consider when rendering a particular type of actuarial service. The ASOPs allow for the actuary to use professional judgment when selecting methods and assumptions, conducting an analysis, and reaching a conclusion, and recognize that actuaries can reasonably reach different conclusions when faced with the same facts.<sup>2</sup>

The ASOPs are written in such a way that actuaries have great leeway to exercise professional judgment. There are very few instances where the actuary is absolutely required to take a certain action. Most guidance in the ASOPs is phrased either as “the actuary should” or “the actuary should consider.” Where the guidance is phrased as “the actuary should,” the Actuarial Standards Board believes that in the vast majority of cases the actuary will find that the guidance

indeed sets out the best course of action. But even in such cases, the actuary is permitted to exercise professional judgment. ASOP No. 1 acknowledges that:

Situations may arise where the actuary applies professional judgment and concludes that complying with this practice would be inappropriate, given

the nature and purpose of the assignment and the principal's needs, or that under the circumstances it would not be reasonable or practical to follow the practice.<sup>3</sup>

In such situations, actuaries may deviate from the guidance but must disclose the deviation, their rationale for doing so, and the effect of the deviation—in essence, putting their professional judgment on display.

Often, the ASOPs call directly for an actuary to exercise professional judgment. For example, the documentation section that appears in most recently issued ASOPs includes the following sentence: “The degree of such documentation should be based on the professional judgment of the actuary and may vary with the complexity and purpose of the actuarial services.” Professional judgment also comes into play when determining whether something is material, significant, reasonable, or practical—all terms used frequently in the ASOPs.

Much, then, depends upon the professional judgment of actuaries. While the ASOPs point to specific situations where actuaries must use professional judgment, actuaries would do well to exercise their professional judgment within the framework of professionalism as a whole. In particular, Precept 1 of the Code is worth keeping in mind when exercising professional judgment—preferably with integrity, competence, skill, and care. ▲

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### Footnotes

<sup>1</sup> ASOP No. 1, section 2.9.

<sup>2</sup> Ibid, section 3.1.4.

<sup>3</sup> Ibid, section 2.1.



## Health Equity Work Group Releases Discussion Brief

**THE ACADEMY'S** Health Equity Work Group (HEWG) released a discussion brief, [Health Equity From an Actuarial Perspective: Questions to Explore](#), that serves as an introduction to the HEWG's work in the following areas: health insurance benefit design, provider contracting and network development, premium pricing, and managing population health.

"This foundational document on health equity issues begins

by offering questions and topics for further exploration to help identify ways in which health benefit programs might affect health equity," said HEWG Chairperson Annette James. Read the [Academy news release](#).

The discussion brief can also be found on the Academy's new [webpage on Diversity, Equity & Inclusion](#), along with postings and updates on other DE&I work across practice areas. ▲

### Health/LTC Outreach

**ACADEMY HEALTH VICE PRESIDENT** Al Schmitz and LTC/Disability Committee Chairperson Bruce Stahl delivered a virtual presentation providing a public policy update on long-term care insurance (LTCI) to the Columbus (Ohio) Actuarial Club on April 28.

The presentation noted heightened focus recently on LTC issues due to the COVID-19 pandemic and reviewed the Academy's extensive body of work on LTC issues including issue briefs, comment letters and presentations to federal and state policymakers, including congressional testimony. Schmitz and Stahl also discussed the Academy's ongoing work on LTC issues. ▲

### Health Equity Webinar Set for May 24

**WEBINAR NEXT MONTH**, "[Health Equity: An Actuarial Perspective](#)," will feature Health Equity Work Group (HEWG) members, who will discuss the impetus and goals for the work group and its work to apply actuarial expertise to efforts to reduce health disparities, including the HEWG's recent discussion brief, [Health Equity From an Actuarial Perspective: Questions to Explore](#). Time will be available for Q&A from webinar attendees. Presenters will include HEWG Chairperson Annette James, and Vice Chairpersons Bela Gorman and Stacey Lampkin. Senior Health Fellow Cori Uccello will moderate. The webinar will be held on Monday, May 24, from noon to 1:15 p.m. EDT. [Register today](#). ▲

### Financial Reporting and Solvency Committee Comments to HATF

**THE HEALTH PRACTICE COUNCIL'S** Financial Reporting and Solvency Committee sent a [comment letter](#) to the NAIC's Health Actuarial (B) Task Force (HATF) regarding the proposal to modify the definition of "actuarial assets" as used in the instructions for the Health Statement of Actuarial Opinion. Committee Chairperson Marc Lambright followed up with verbal remarks relevant to the letter during HATF's April 23 meeting. ▲

### Committee Comments on Impact of Investment Income

**THE HEALTH SOLVENCY** Subcommittee sent a [comment letter](#) in response to a request from the NAIC's Health Risk-Based Capital (E) Working Group to provide an additional digit within the subcommittee's summary of the Investment Income Adjusted Health H2 Experience Fluctuation Risk Factors. ▲

## LIFE NEWS

### Subgroup Releases VM-22 In Brief Document

**THE VM-22 SUBGROUP** released its [VM-22 In Brief](#), providing an overview of Valuation Manual (VM)-22 requirements, which specifies new interest rate requirements for reserves on single premium immediate annuities and similar contracts. ▲



#### LIFE BRIEFS

- ➔ **Ben Slutsker** joined the Life Capital Adequacy Committee.
- ➔ **Yan Friedman** and **Chris Trost** joined the Annuity Reserves and Capital Work Group.
- ➔ **Katie Nelson** joined the Life Reserves Work Group.



## Two Life Webinars Set for May

**A** LIFE PRACTICE COUNCIL (LPC) webinar, “[Academy Life Practice Webinar: Spring 2021 Policy Update](#)” will be held May 5 from noon to 1 p.m. EDT. Presenters will discuss NAIC and LPC activity, including recent publications and resources. A focused presentation will look at the latest developments on a proposed new NAIC Economic Scenario Generator for

use in regulatory reserve and capital calculations. Academy Life Vice President Laura Hanson will moderate. [Register today.](#)

**COVID-19 Life Webinar May 25:** Look for registration to open soon for the webinar, “[The Impacts of COVID-19 on the Life Insurance Industry](#),” which will be held on May 25 from noon to 1:30 p.m. EDT. ▲

## PENSION NEWS



## Pension Webinar Looks at Risk-Sharing Plan Designs

**T**HE PENSION PRACTICE Council held an April 27 webinar, “[Risk-Sharing Plan Designs—Going Deeper \(Part 1\)](#),” the first of a two-part series exploring this topic in depth. Members from several PPC committees presented, and had an in-depth discussion of new pension plan designs to minimize cost volatility and/or provide gain sharing. The presenters were Lee Gold, of the Retirement System Assessment and Policy Committee; Mariah Becker, a member of the Multiemployer Plans Committee; and Tom Vicente, from the Public Plans Committee. Pension Committee member Rachel Barnes moderated.

Gold covered “pure” variable benefit plans, and benefit stabilization, Becker discussed multiemployer plans, and Vicente covered public plan considerations and offered examples of current state risk-sharing benefits. In discussing possible enabling legislation and policy issues, Gold said that “one thing that would be helpful is to have some specific approval from the IRS about floors and ceilings. ... It would be nice to have some

specifics around these points, and smoothing of investment returns.”

“There’s a real interest” in risk-sharing plans, Becker said, and gave several examples of multiemployer variable plans, and adoption and transition issues. She also noted bipartisan interest in the GROW Act—Give Retirement Options to

Workers—which would provide for new risk-sharing plan design to be made available to multiemployer plans.

The panelists took questions from participants during the webinar for a lively exchange. [Slides and audio](#) are available free of charge to logged in Academy members. ▲



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# Pension Webinar Looks at Multiemployer Plan Issues

**T**HE APRIL 6 PENSION WEBINAR, “[Multiemployer Pension Plan Provisions of the COVID-19 Stimulus Law: Overview and Implementation Considerations](#),” examined provisions of the newly enacted *American Rescue Plan Act of 2021* (ARPA), which provides relief to some underfunded multiemployer plans. Presenters were Multiemployer Plans Committee Chairperson Christian Benjaminson, Committee Vice Chairperson Joe Hicks and committee member and past Academy Pension Vice President Josh Shapiro. Senior Pension Fellow Linda K. Stone moderated.

Presenters reviewed some of the key challenges that have faced multiemployer plans stemming from the 2008 financial crisis and looked at ARPA in context with other legislative efforts and proposals put forth in recent years. They covered issues related to the role of the Pension Benefit Guaranty Corporation (PBGC), and made observations that while the new law addresses challenges for some troubled plans, it does not comprehensively reform the multiemployer system. [Slides and audio](#) are available for logged in Academy members. ▲

## August Webinar to Focus on Multiemployer Plan Regulatory Implementation

**T**HE MULTIEMPLOYER PLAN Committee is planning an August pension webinar, “[Multiemployer Plan Provisions in the American Rescue Plan Act of 2021 \(ARPA\)—Discussion of Recently Issued Regulations](#).” Following up on its April 6 webinar

reviewing the newly enacted ARPA multiemployer plan relief provisions, it will discuss anticipated PBGC regulations and their implications for plan sponsors. The webinar is being planned for Aug. 3, with registration slated to open in early July. ▲

### PENSION BRIEFS

➔ **Mahrukh Mavalvala** joined the Social Security Committee.

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