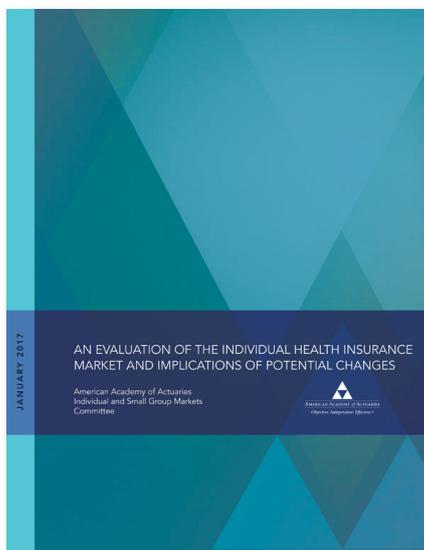


# Academy Releases Health Issue Paper on Individual Market Considerations

**T**HE ACADEMY'S Individual and Small Group Markets Committee released an [issue paper](#) Jan. 18 examining the experience of the individual health insurance market under the Affordable Care Act (ACA) and considerations of that market's sustainability under any potential reforms or repeal of the ACA.

With the 115th Congress considering potentially historic changes to the individual health insurance market, the issue paper, *An Evaluation of the Individual Health Insurance Market and Implications of Potential Changes*, gives an overview of the market's sustainability and implications of possible changes to the ACA.

"As Congress and the new administration consider major changes, it's essential for policymakers to take stock of the individual market, its challenges and successes, and the possible effects of any changes," said [Academy Senior Health Fellow Cori Uccello](#). "Our new issue paper outlines what's needed for a sustainable individual market, assesses how well the ACA has achieved those conditions, and explores how ideas



for addressing the challenges would affect the market."

The issue paper acknowledges improvement on some key measures in the nearly seven years since the ACA's enactment, such as lowering the uninsured rate. But enrollment has been lower than initially expected and enrollees have been less healthy than expected. In addition, there have been recent declines in insurer participation and consumer choice. The issue paper examines the pros and cons of a variety of different ideas put forward to address those challenges, including enhancing enrollment incentives, modifying insurance rules, and establishing high-risk pools.

Media coverage of the issue paper, including a Jan. 20 [FierceHealthcare](#) story focused on the paper and related stories by *Bloomberg Government* and *Politico Pro*, added to the extensive coverage the Academy has received as the future of the ACA is debated in Washington. Other recent coverage includes fact-checking pieces regarding the question of whether the ACA is in a premium spiral by

SEE [ISSUE PAPER](#), PAGE 3

# Academy Toolkit Offers Actuarial Perspective to Public Policymakers

**I**N JANUARY, the Academy sent a [public policy toolkit](#) to all members of the incoming 115th Congress highlighting major public policy issues on which actuaries have particular expertise. The Academy considers these issues to be particularly important in the coming months, and developed the toolkit in the hope that it will better inform policymakers and their staff.

Key issues identified include health care, Medicare, Medicaid, Social Security, lifetime income, retirement, long-term care financing, flood insurance, financial ser-



vices reform, cybersecurity, and climate risk.

"All signs indicate that Congress is eager to consider and act on far-reaching measures affecting the financial security of many Americans, including complex public policy matters that the U.S. actuarial profession has studied extensively through the Academy," said [Academy President Bob Beuerlein](#). "The Academy consolidated its analysis of major issues into this toolkit to provide legislators with an objective, nonpartisan resource detailing policy considerations and relevant alternatives, informed by actuarial expertise." ▲

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[Volunteers and Interested Parties: Commit to Objectivity](#)

8

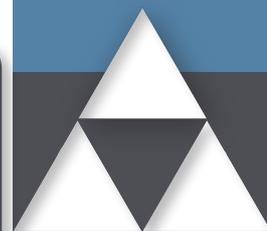
[ASB Adopts Revisions to Two ASOPs](#)

9

[Academy Seeks Pooled Health Plan Data](#)

10

[Visit the New PBR Webpage](#)



## APRIL

2-5 [Enrolled Actuaries Meeting](#), Washington, DC.

## MAY

22-24 [PBR Boot Camp: Basic Training and Beyond](#), Orlando, Fla.

## NOVEMBER

12-16 [Life and Health Qualifications Seminar](#), Arlington, Va.

14-15 [Annual Meeting and Public Policy Forum](#), Washington, DC.

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

# Academy NEWS Briefs

## Post-NAIC Webinars Cover Life, P/C Issues

**T**HE ACADEMY HOSTED two webinars in January recapping key issues in the life and property/casualty practice areas from the NAIC Fall 2016 National Meeting held in Miami in December.

In the **Life Practice Council's (LPC)** Jan. 5 [post-NAIC life webinar](#), speakers provided an overview of the Life Actuarial (A) Task Force meeting, and updates on principle-based reserving (PBR), NAIC risk-based capital and other capital activities, and reinsurance developments. It was also announced that the LPC will host another [PBR Boot Camp](#), following last year's very successful boot camps, May 22-24 in Orlando, Fla.

The post-NAIC webinar was moderated by Dave Neve, chairperson of the Academy's Life Reserves Work Group; and featured panelists Philip Barlow, associate commissioner for insurance, District of Columbia Department of Insurance, Securities and Banking; Michael Boerner, director of the actuarial office at the Texas Department of Insurance; and Richard Daillak,

chairperson of the Academy's Life Reinsurance Work Group. [Slides and audio](#) of the webinar are available for members without charge on the Academy's webinar page.

The **Casualty Practice Council's (CPC)** Jan. 26 [post-NAIC casualty webinar](#) reviewed discussions of top P/C issues, including an account of the Casualty Actuarial and Statistical (C) Task Force and other key discussions from the NAIC meeting. The webinar was moderated by CPC Vice President Rade Musulin and featured panelists Lauren Cavanaugh, chairperson of the Academy's P/C Risk-Based Capital (RBC) Committee; Kevin Dyke, chief actuary of the Michigan Department of Insurance; and Academy Senior Casualty Fellow Jim MacGinnitie.

Dyke cited several ratemaking issues that have gained attention in the past year in NAIC work groups, and Cavanaugh—who presented on RBC, underwriting risk, and operational risk—said the Academy committee she chairs submitted a report recommending P/C underwriting risk factors be updated.

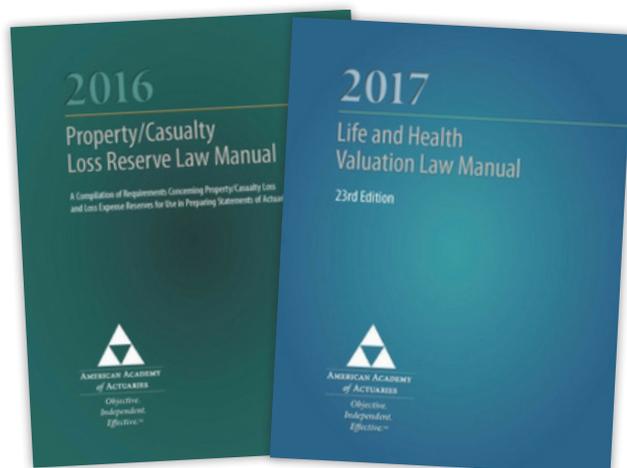
SEE **WEBINARS**, PAGE 11

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

**T**HE ACADEMY'S [2016 Property/Casualty Loss Reserve Law Manual](#) is now available. Updated annually and designed to help appointed property/casualty actuaries comply with NAIC annual statement requirements, the manual includes statements of actuarial opinion (SAO) requirements and state laws and regulations establishing those requirements; annual statement instructions for the SAOs for P/C, title loss, and loss expense reserves; and other pertinent annual statement instructions. It is available in two formats—web/online or CD-ROM. [Order online](#) through the Academy's website or via mail/fax.

The [2017 Life & Health Valuation Law Manual](#)—designed to help appointed life and health actuaries comply with the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation—is available for preorder. The manual includes a current-topics section outlining key valuation

developments and state guidance, NAIC model laws and regulations that have an effect on reserve calculations, a discussion of generally distributed interpretations, and copies of the current actuarial guidelines from the *NAIC Examiners Handbook*. [Reserve your copy today.](#) ▲



To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the member login page on the Academy [website](#).

# Academy NEWS Briefs

## Legislative/Regulatory Review Alert Recaps Key 2016 Events

**AS IT DOES EACH YEAR** as a service to its members, the Academy released its [year-in-review alert](#) with a summary of select 2016 significant regulatory and legislative events at the state, federal, and international levels that are of interest to the U.S. actuarial profession. It also recaps the Academy's efforts in the past year in addressing these key areas.

Topics covered include climate change, price optimization, Affordable Care Act implementation and changes, Medicare, principle-based reserving, Social Security, international insurance capital standards, and more. ▲

### Issue Paper, continued from page 1

the [Associated Press](#) and in [The Hill](#). A Jan. 13 [McClatchy DC](#) story noted the Academy's December [letters to Congress](#) on concerns about repealing the ACA without a replacement in place.

The issue paper has received widespread interest from policymakers. The topics and considerations discussed in the paper will be a focus of the Health Practice Council's visits to Capitol Hill in February. ▲

## Actuarial Club Information Sought for Online Hub

**AT OUR MEMBERS' SUGGESTION**, the Academy is compiling information on U.S. actuarial clubs. We invite a club's president or equivalent leader to submit information including your club's name and location, primary officer/contact information, regular meeting schedule, and website and practice areas, as applicable. Club information already received is online at [www.actuary.org/clubs](http://www.actuary.org/clubs), where you may also submit information. Or, you may email it to [clubs@actuary.org](mailto:clubs@actuary.org). ▲



### Dues Renewal Notice

Academy membership dues are due Jan. 1 each year. If you have not done so, please [log in now](#) to pay your dues, print your invoice, or update your profile.

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# Academy NEWS

## Academy Volunteers and Interested Parties: Required Acknowledgment of Your Commitment to Objectivity

By Joeff Williams

Vice President, Council on Professionalism

**T**HE ACADEMY'S WORK REQUIRES that its volunteers recognize their obligation to maintain a high level of professional objectivity and independence from any specific interests of members' employers or from partisanship. To emphasize the importance of remaining objective, the Academy Board requires that each year, Academy volunteers—and any individual who is an interested party on a committee, whether an Academy member or not—must acknowledge the Academy's Conflict of Interest (COI) policy. Those who fail to do so may not participate in the work of Academy boards or committees.

The time for making this commitment a reality is now. Academy volunteers and interested parties should have recently received a request to acknowledge the Academy's COI policy. Volunteers have an additional responsibility to comply with the continuing education (CE) requirements of the U.S. Qualification Standards (USQS) and are also asked to acknowledge that they have completed their CE requirements for 2017. I ask you to respond to this request as soon as possible.

The annual requirement for every Academy volunteer and interested party to submit an acknowledgement of the Academy's COI policy is one of the measures we use to cultivate and protect our commitment to objectivity. Acknowledging the Academy's COI policy also shows our recognition that the public's trust is fundamental to our credibility as a profession and that we, as individuals, have a responsibility to the Academy and to the public it serves on behalf of



the profession when we volunteer for the Academy.

When conducting activities for the Academy, Academy volunteers and interested parties are required to disclose actual or potential COI if and when they arise, and, as appropriate, recuse themselves from activities that give rise to any such conflict. For both volunteers and interested parties, this annual acknowledgment demonstrates our commitment to professional objectivity, as well as our independence from any specific interests of employers or individuals when participating in Academy committees. This independence and objectivity is illustrated, in part, by the longstanding requirement that Academy volunteers refrain from disclosing a committee's work-in-progress other than in a manner consistent with the COI policy and the Academy's "[Guidelines for Making Public Statements](#)."

All Academy members who are members of an Academy committee must also comply with the CE requirements of the USQS. While Academy work products are not necessarily statements of actuarial opinion under the USQS, the Board requires all Academy volunteers to meet the CE requirements of the USQS in the areas in which they practice.

All Academy volunteers were expected to be in compliance with the CE policy as of Jan. 1. Specifically, actuaries are expected to have completed 30 CE hours—relevant CE, including 6 from organized activities and 3 from professionalism topics—in 2016 or as otherwise allowed under [the USQS](#). Volunteers may earn CE credits, including organized activity credits, by serving on committees and in other ways described in the [FAQs on the USQS](#).

As a fellow Academy member who serves as an Academy volunteer (and as your vice president of professionalism), I ask you to provide these acknowledgements promptly if you have not already done so. Follow the instructions in the Jan. 31 email or on the [membership page](#) under "Volunteer Acknowledgements."

For more information about the Academy's commitment to professional objectivity, please visit the [Professional Objectivity at the Academy](#) webpage. If you have questions, you may contact the Academy at [objectivity@actuary.org](mailto:objectivity@actuary.org). If you experience any technical difficulties, please contact the Membership Department at [membership@actuary.org](mailto:membership@actuary.org) or call 202-223-8196.

▲



## Recently Released

**I**N THE JANUARY/FEBRUARY issue of *Contingencies*, the cover theme “The Future Is Here” includes feature stories looking at telehealth, retail medical clinics, long-term care financing, and transparency in a changing U.S. health care system. Other stories explore the Actuarial Board for Counseling and Discipline as a critical part of the infrastructure of U.S. actuarial professionalism; a look at catastrophic medical claims and how to mitigate against them; and an incisive look at two books that cast the actuarial profession in a less-than-rosy light.

The winter *StateScan Quarterly* highlights fourth-quarter state legislative and regulatory activities, including actions taken on automobile insurance, ACA reforms, principle-based reserving, and state adoptions of own risk and solvency assessments. *StateScan*, the legislative/regulatory portal for Academy members, provides updated state legislative and regulatory reports on key topics in all actuarial practice areas.

The January *HealthCheck* recaps Academy health presentations at the NAIC Fall 2016 National Meeting; long-term care (LTC) issues, including a comment letter sent to the Maryland Insurance Administration on LTC insurance; and a call for volunteers on pooled health plan data. ▲



## IN THE NEWS

A fact-checking Jan. 24 article published by *The Hill* discussing whether the ACA is in a premium spiral quoted Academy Senior Health Fellow Cori Uccello on how steady enrollment and age distribution are not indicative of such a spiral. A similar Jan. 10 story by the *Associated Press* was published by more than 100 media outlets including the *New York Times*, *CBS News*, and *NBC News*.

A subscriber-only *Bloomberg Government* story discussing ACA repeal efforts and potential changes to Medicare and Medicaid programs quoted Uccello on the difficulties of implementing certain proposed provisions such as continuous coverage without a full ACA

replacement. In a separate *Bloomberg Government* story, Uccello discussed the options for addressing challenges in the indi-

vidual market outlined in the Individual and Small Group Markets Committee's new [issue paper](#).

*LifeHealthPro*, *Fierce Healthcare*, *LifeHealthPro*, and subscriber-only *Politico Pro* ran stories focused on the Academy's new [issue paper](#) evaluating the health insurance individual market and reform options.

The Academy's jointly sponsored [Actuaries Climate Index](#), which provides a quarterly gauge of changes in extreme weather events and sea levels, was cited by a number of media outlets, including *Insurance Journal*, *Yahoo Finance* (Canada), *CBC News* (Canada), *Water Canada*, and *Artemis*.

An op-ed in *The Hill* by Rep. Sander Levin (D-Mich.) mentioned the Academy's Health Practice Council's December letters to the [U.S. House](#) and [Senate](#) on the potential implications of repealing the ACA without immediate replacement. The letters

also were mentioned by *Health Affairs Blog*, *McClatchy DC*, the *Charlotte Observer*, and *Westfair Communications*.

A *CNN Money* story on the best jobs in America featured a comment from Joeff Williams, the Academy's vice president of professionalism, on why being an actuary is a great job.

International law firm *Sutherland* published a report on the NAIC's Fall 2016 National Meeting that discussed the Academy's role throughout the meeting in informing regulators on bond factors; solvency, longevity risk, operational risk issues; and other topics. The report was reprinted by *JD Supra Business Advisor*.

A *JD Supra Business Advisor* story on the NAIC's 2017 plans for its Big Data Working Group quoted Oregon Insurance Commissioner Laura Cali's comments from the Academy's Annual Meeting and Public Policy Forum late last year. ▲



# BOARD OF DIRECTORS, 2016–2017



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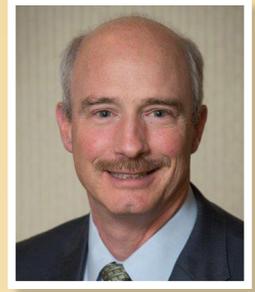
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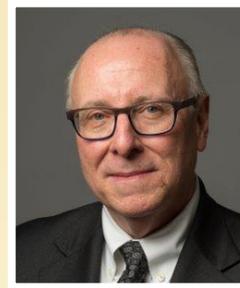
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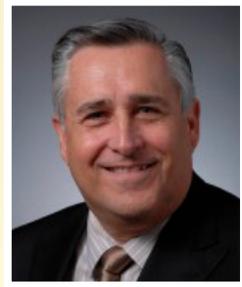
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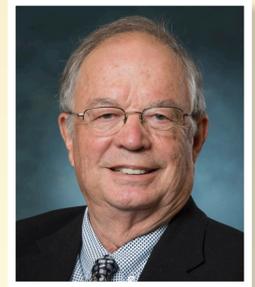
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## Important Interpretations: Qualifications FAQs in 2016

By KEITH PASSWATER

Chairperson, Committee on Qualifications

**B**ACK IN 2008, when I joined the Academy's Committee on Qualifications (COQ), the COQ was putting the finishing touches on a significant rewrite to the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS)*. And, as a result of those revisions, many actuaries began thinking more carefully about how to apply the qualification standards. As readers may recall, under Precept 2 of the Code, actuaries must perform actuarial services only when qualified to do so, but, because the work of actuaries is complex and constantly evolving, they may not always be sure that they are applying the USQS appropriately. This is why, as part of its mandate, the COQ has long responded to questions about the USQS. Section 1.5 of the USQS encourages actuaries to contact the COQ for guidance to address specific questions and concerns. Actuaries who do so will receive a thoughtful response with reference to the relevant provisions of the USQS.

The COQ has published the essential questions addressed in many of these interpretations in the *Frequently Asked Questions on the U.S. Qualification Standards (FAQs)*. If you have a question about the USQS, your first stop should be a visit to the [FAQ page](#). But if your situation is novel or unaddressed, you can get help from the COQ by submitting a question [online](#).

Some questions addressed in the FAQs are fairly simple, while others involve more complex provisions dealing with emerging changes and trends in actuarial practice. In 2016, in an effort to enhance transparency and knowledge among all actuaries, the COQ published three new FAQs, which are summarized below.

**FAQ 50: Long-Term Care (LTC) Qualifications.** This FAQ discusses the minimum qualifications necessary to issue statements of actuarial opinions (SAOs) related to LTC policies. Because pricing and reserving for LTC policies typically involve aspects of health and life insurance, the core of the COQ's answer lies in section 2.3.2, Statements of Actuarial Opinion that Blend Elements of Two or More Areas of Actuarial Practice. For these types of blended opinions, the USQS states, an actuary meets "the General Qualification Standard if the actuary meets the basic education and experience requirement in any one area. In meeting the continuing education [CE] requirement, an actuary should include material in all areas of actuarial practice relevant to the [SAO]. An actuary may find it prudent to work with an actuary with complementary experience and education... or to obtain additional experience and/or [CE] relevant to the [SAO]." The FAQ also emphasizes that, in addition to meeting the basic education and experience requirements



under USQS section 2.1, the actuary must be familiar with the law applicable to LTC. If the opinion is an NAIC Statement opinion, the actuary must also meet the requirements of section 3, including the CE requirements.

**FAQ 10: Changing Practice Areas.** The COQ was asked to clarify the scope of USQS section 4.1, Changes in Areas of Actuarial Practice. The COQ stated that an actuary who wishes to change practice areas must satisfy not only the CE requirements, but also the basic education and experience requirements applicable to the SAOs the actuary intends to issue in the new practice area. Does that mean that the actuary must take exams in the

new practice area? Not necessarily, although an actuary may do so. Instead, the COQ states,

*"When considering what is needed to become qualified in the new area of practice, an actuary should keep in mind that some of the actuary's existing education and experience may help to qualify the actuary in the new area of practice."*

An actuary should review carefully the requirements under section 2.1 (or section 3.1 for SAOs falling under the Specific Qualification Standards) with respect to the new area of practice to determine whether they have satisfied the applicable qualification standards.

**FAQ 19: Experience under the Specific Qualification Standard.** The COQ received a question on whether the experience needed to sign an NAIC statement must be obtained while working directly under an actuary qualified to sign that opinion. The COQ stated that the three years of experience must have been "under review" by an actuary who was qualified to issue the SAO at the time the review took place under the standards in effect at the time, but that there is no requirement to work "directly under" the qualified actuary, nor is it necessary for the reviewing actuary to have actually issued the opinion. The qualified actuary must have reviewed the actuary's work and must have been appropriately qualified "at the time the review took place."

Because actuarial work is typically provided in dynamic and changing circumstances, the COQ was given the ability to provide the means for the interpretation of the USQS in new situations and a platform for dialogue between the COQ and practicing actuaries. The COQ is pleased to provide practicing actuaries with this support. And, through the FAQs, the COQ makes several useful interpretations of the USQS publicly available, as we did in 2016 and plan to continue to do so in the future. ▲



## ASB Adopts Final Revisions of ASOP Nos. 23, 24

**T**HE ACTUARIAL STANDARDS Board (ASB) adopted a final revision of two actuarial standards of practice (ASOPs). The ASB revised [ASOP No. 23, Data Quality](#), which provides guidance to actuaries when selecting data, performing a review of data, using data, or relying on data supplied by others, in performing actuarial services. It also applies to actuaries who are

selecting or preparing data, or are responsible for the selection or preparation of data, that the actuary believes will be used by other actuaries in performing actuarial services, or when making disclosures with regard to data quality.

The ASB also adopted a final revision of [ASOP No. 24, Compliance with the NAIC Life Insurance Illustrations Model](#)

*Regulation*, which provides guidance to actuaries when performing professional services pursuant to applicable law based on the NAIC Life Insurance Illustrations Model Regulation and related NAIC actuarial guidelines or when performing professional services with respect to illustrations represented to be in accordance with that model. ▲



### PROFESSIONALISM BRIEFS

- ➔ **Christopher Noble** is the chairperson of the Actuarial Standards Board Pension Committee, and **David Kausch** and **Steve McElhane**y are members of the committee.
- ➔ **Audrey Halvorson** has joined the Council on Professionalism.
- ➔ **Therese Vaughan** has joined the Committee on Actuarial Public Service.
- ➔ **Rhonda Ahrens** has joined the Life and Health Qualifications Seminar Committee.

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## Call for Volunteers—Academy Seeks Pooled Health Plan Data

**SECTION 3.7.7(B)** of the revised **ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions***, calls for consideration of age-specific costs within a pooled health plan. One large pooled health plan, CalPERS, has made its

age-specific cost data publicly available—a [link to this data](#) can be found on the Academy website. The Academy is interested in working with other pooled fund administrators to make similar data publicly available to actuaries.

If you are a health actuary who has worked with and/or has contacts at large pooled

health funds across the country and can assist in the Academy's goal to make contact with large pooled fund administrators, we want to hear from you. If you can help, have any questions about this call for volunteer assistance, or need additional information, please contact Heather Jerbi, assistant director of public policy, at [jerbi@actuary.org](mailto:jerbi@actuary.org). ▲

## Subcommittee Submits Comments on LTC Public Hearing

**THE LTC REFORM SUBCOMMITTEE** submitted a [comment letter](#) to the Maryland Insurance Administration's public hearing on long-term care insurance (LTCI).

The letter noted the [issue brief](#) developed by the subcommittee last year examining important underlying factors affecting LTCI increases. Without LTCI, many more people would exhaust their savings on care costs and then potentially rely on public programs such as Medicaid for their additional care needs, the letter states, noting that LTCI requires a long projection period with assumptions extending over 50 years into the future.

Under any approach, the need for a premium rate increase should be driven by projected lifetime loss ratios, rather than actual past experience alone. Despite the relatively straightforward mathematical calculations to determine premium increases, predicting future policyholder and service provider behavior can be difficult, the letter states.



A means for taking corrective action to accommodate the changing future is important. The more conservative assumptions in today's pricing of private LTCI and improved speed at taking corrective action should improve future projections, resulting in fewer and smaller rate increases, the letter states. ▲

### HEALTH BRIEFS

- ➔ **Laurel Kastrup** is vice chairperson of the Health Practice Council.
- ➔ **Jonathan Rosenblith** joined the Medicaid Subcommittee.

### LIFE BRIEFS

- ➔ **Rodrigo Careaga** has joined the Life Financial Reporting Committee.
- ➔ **Rhonda Ahrens** joined the Model Governance Work Group.
- ➔ **Ben Slutsker** joined the PBR Review Procedures Work Group.

### PENSION BRIEFS

- ➔ **Aaron Weindling** joined the Pension Practice Council.
- ➔ **John Potts** is chairperson of the Joint Program Committee for the Enrolled Actuaries Meeting, and **Eli Greenblum** has become a member of the committee, and past chairperson **Brian Hollard** remains a member.
- ➔ **Casey Humphrey** joined the Pension Assistance List as a volunteer.

## Committee Comments on LTC Asset Adequacy Analysis

**THE HEALTH FINANCIAL REPORTING** and Solvency Committee [sent comments](#) to the Long-Term Care Valuation (B) Subgroup on asset treatment for stand-alone LTC asset adequacy analysis.

The subgroup asked for feedback on whether assets should be explicitly projected for asset adequacy analysis of stand-alone LTC insurance plans. The committee offers its assessment that “there is sufficient existing actuarial guidance on asset adequacy testing (AAT),” and points to the relevant actuarial standards of practice that cover such practice. The committee highlights the divergence in practice among companies with LTC block of business, such that it is not possible to compare companies' AAT reserves. Further, the committee asks the subgroup for clarification on materiality and combo products. ▲



## Academy Launches PBR Webpage

**T**HE ACADEMY HAS [launched a new digital hub](#) to serve as a resource for actuaries and regulators as the United States moves into the implementation phase of principle-based reserving (PBR) for life insurance. The Academy—which [released an alert](#) Jan. 13 announcing the new webpage—has been the technical archi-

tect behind PBR, helping to shape it into the valuation standard for life insurance issued after Jan. 1, 2017.

The page summarizes Academy comments, publications, and presentations on PBR; gives a PBR overview and implementation update; notes PBR implications for regulatory actuaries; and cites PBR-relevant actuarial standards of practice (ASOPs) and qualification standards.

**Save the date for PBR Boot Camp:** Registration will open in early February for the Academy’s “[PBR Boot Camp: Basic Training and Beyond](#),” to be held May 22–24, in Orlando, Fla. Members will be notified when registration opens. ▲



## Work Group Submits Comments to New York Agency on Life Insurance Regulation

**T**HE NON-GUARANTEED Elements Work Group [submitted comments](#) to the New York State Department of Financial Services on Proposed 11 NYCRR 48 (Insurance Regulation 210) on life insurance and annuity nonguaranteed elements.

The letter states that the proposed regulation limits practices for setting and changing nonguaranteed elements within certain life insurance and annuity products, and cited the work group’s concern that these limits will have unintended consequences in the insurance marketplace.

The current regulatory framework enables companies to offer consumers a wide array of product choices with competitive features and benefits. Companies are able to offer these benefits, in part, because changes in future experience (e.g., mortality, persistency, economic, expense, regulatory, etc.) can be managed by using the full array of nonguaranteed elements found within the policy form, the letter states.

Limiting companies’ ability to manage nonguaranteed elements may have a negative impact on consumers, through decreased choice

and/or increased price of available product offerings, and a negative impact on companies seeking to maintain financial stability.

Actuaries play an important role in the determination of nonguaranteed elements both at issue and after issue, the letter states, and notes several pertinent actuarial standards of practice (ASOPs) promulgated by the Actuarial Standards Board that provide guidance to actuaries in fulfilling this role, including ASOP No. 2, *Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Products*.

Actuaries performing duties in connection with this regulation are also expected to follow the guidance in that ASOP, and the comment letter notes that the work group is concerned the proposed regulation, in specifying certain new requirements around pricing, could hinder an actuary’s exercise of professional judgment, as described in ASOP No. 2, in determining appropriate nonguaranteed elements, and offers several specific comments on the draft regulation as well. ▲



## Work Group Submits Comments on LATF’s VM-22 Draft Report

**T**HE STANDARD VALUATION Law Interest Rate Modernization Work Group [submitted comments](#) to the NAIC’s Life Actuarial Task Force on its “VM-22: Maximum Valuation Interest Rates for Income Annuities” exposure draft.

“In general,” the letter notes, “the work group believes the exposure represents a significant improvement over the current framework by more accurately reflecting the individual characteristics of the liabilities and increasing conservatism in select

circumstances. The work group does, however, recommend two substantive changes.”

The work group recommends the exposure should reference the “normal” annuity form rather than the form that results in the lowest maximum valuation interest rate. Further, the work group suggests removing the Guidance Note after 3.H, as it is “unclear whether this is a new requirement or one possible method to determine whether reserves contain sufficient prudence.” ▲



## Actuarial Update

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## Academy Hosts P/C Loss Reserve Opinion Writing Webinar

**M**ORE THAN 200 people attended the Academy's Jan. 19 webinar hosted by the Casualty Practice Council, "[P/C Loss Reserve Opinion Writing](#)," which reviewed relevant professional guidance including

actuarial standards of practice and the Code of Professional Conduct, as well as changes to the 2016 SAOP/C Loss Reserves Practice Note.

The panel included Committee on Property and Liability Financial Reporting Chairperson

Lisa Slotznick and Vice Chairperson Kathy Odomirok, and the webinar was moderated by former Academy Board member Patricia Teufel. [Slides and audio](#) are available on the Academy's webinar page. ▲

### WEBINARS, CONTINUED FROM PAGE 2

MacGinnitie covered cyber risk, group capital, and international regulations. He cited continuing dialogue with the International Association of Insurance Supervisors on capital standards, and noted that some European Union countries are imposing additional requirements on U.S. companies on solvency implementation. Another NAIC task force is developing a cybersecurity model law and discussions on that subject are ongoing, MacGinnitie added.

Musulin noted the National Flood Insurance Program (NFIP) is scheduled to expire Sept. 30 and is up for congressional reauthorization this year. The Academy is developing a paper on catastrophe modeling and has a monograph on flood insurance in peer review, he said.

[Slides and audio](#) are available for members without charge on the Academy's webinar page. ▲

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