

Stay on Top of Latest Updates With the Academy's Law Manuals

THE ACADEMY'S LAW MANUALS, updated each year, are designed to help appointed actuaries know requirements relevant to their work. Both manuals are available in a web format or as a CD-ROM.

- ▲ The just-released [Property/Casualty Loss Reserve Law Manual](#) contains a compilation of insurance laws relating to P/C loss and loss expense reserves

for all 50 states, Washington, D.C., and Puerto Rico.

- ▲ The [Life and Health Valuation Law Manual](#) contains a concise summary of the valuation laws (and NAIC regulations) of all 50 states, the District of Columbia, and Puerto Rico. It has been redesigned for 2019, streamlining the contents so users can easily access information. ▲

Academy Representatives Attend ASNA Meeting



Academy Assistant Director, Member Relations, Kasha Shelton shares information with a student at Canada's Actuarial Students' National Association (ASNA) meeting in Montreal this month. See story, p. 3.

Year-in-Review Alert Released

THE ACADEMY RELEASED its 2018 [year-in-review alert](#), which offers a comprehensive summary of last year's significant regulatory and legislative events at the state, federal, and international levels that are of interest to the U.S. actuarial profession. It also includes Academy-related work in the past year in key areas, including flood insurance; health care insurance, including potential changes to the Affordable Care Act and Medicare; principle-based reserving for life insurance; Social Security; international insurance capital standards; and many other issues. [Read the alert.](#)

Many of the issues the Academy worked on in 2018 will carry into 2019, including health care reform; needed changes to public programs such as Social Security, Medicare, and Medicaid; and consideration of certain federal legislation and regulation of the financial and insurance markets, among others.

At the beginning of this 116th Congress, legislation to address health care coverage and retirement security may receive significant attention. Lawmakers are also expected to take up reauthorization of the National Flood Insurance Program, which is scheduled to expire on May 31 following several short-term extensions passed in 2018. ▲

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FEBRUARY

1 Webinar: [P/C Actuarial Opinion Report Writing](#)

APRIL

6–9 NAIC Spring National Meeting, Orlando, Fla.

7–10 [Enrolled Actuaries Meeting](#), Washington, D.C.

8–10 [PBR Boot Camp](#), Orlando, Fla.

AUGUST

3–6 NAIC Summer National Meeting, New York City

SEPTEMBER

16–18 [Casualty Loss Reserve Seminar & Workshops \(CLRS\)](#), Austin, Texas

NOVEMBER

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

10–14 Life and Health Qualifications Seminar, Arlington, Va.

DECEMBER

7–10 NAIC Fall National Meeting, Austin, Texas

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

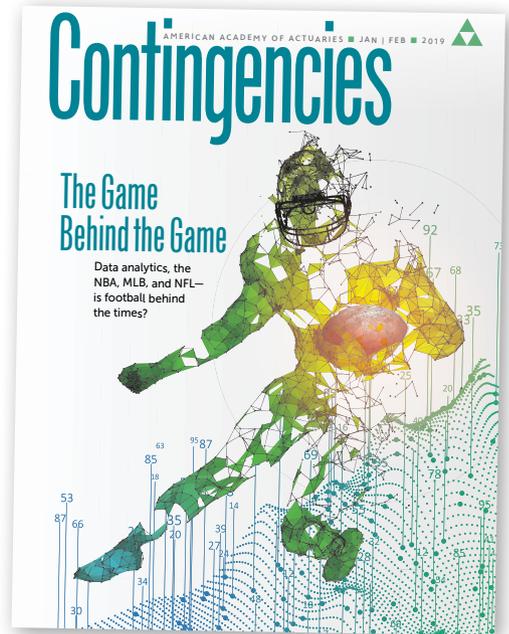
Academy NEWS Briefs

Recently Released

THE COVER STORY IN THE January/February issue of *Contingencies*, “The Game Behind the Game,” dives deep into the world of sports strategy and data analytics—is football behind the times? Among other features in this issue include “Demystifying The Art of War” and “The Case for the Bank Actuary”; plus, a President’s Message from new Academy President Shawna Ackerman on how the voice of the actuary has come to be recognized as the voice of a trusted adviser; the treasure trove of the Academy’s practice notes; and the latest in a series on managing catastrophic medical claims.

The winter *Life Perspectives* has a Q&A on the principle-based reserve (PBR) practice note released this month with Linda Lankowski, vice chairperson of the Academy’s Life Practice Council (LPC) and chairperson of the PBR Strategy Subgroup and its Practice Note Work Group and PBR 101 Work Group. Also included are legislative and regulatory updates and LPC comment letters to the NAIC.

The January *HealthCheck* covers the Medicare Subcommittees’ comment letter to the



Centers for Medicare & Medicaid Services on a proposed rule that would make changes to Medicaid and the Children’s Health Insurance Program; and legislative and regulatory updates, including to the Affordable Care Act. ▲

Feb. 1 Webinar—P/C Actuarial Opinion Report Writing

JUST IN TIME FOR OPINION writing season, join the Academy on Friday, Feb. 1, for a webinar, “[P/C Actuarial Opinion Report Writing](#).” Hosted by the Academy’s Committee on Property and Liability Financial Reporting (COPLFR), the webinar will review key considerations in writing an effective loss reserve opinion report—including a review of the actuary’s responsibilities, NAIC instructions, relevant actuarial standards of practice—and will feature a discussion of how clear communication and documentation of the actuary’s work is handled in each report chapter.

Get valuable insights from experienced presenters on differences in writing the narrative and technical components of the report, what kind of data and disclosures support the report, and what is included in the report to help the intended readers understand and navigate it. The webinar will be held Feb. 1 from noon to 1:30 p.m. EST. Continuing education credit is available. [Register today](#). ▲

Save the Date

LHQ Seminar Set for November

SAVE THE DATE for the Academy’s 2019 Life and Health Qualifications Seminar to be held Nov. 10–14 in Arlington, Va., just outside the nation’s capital. The annual LHQ Seminar provides the opportunity to obtain qualifications or relevant continuing education (CE) credit necessary to issue actuarial opinions for either the NAIC Life and Accident & Health (A&H) Annual Statement or the NAIC Health Annual Statement. ▲

Academy NEWS

Academy Representatives Attend Canada's Actuarial Students' National Association Meeting

THE ACADEMY WAS INVITED BY Canada's Actuarial Students' National Association (ASNA) to participate at ASNA's 2019 convention in Montreal this month. Academy President-Elect D. Joeff Williams gave a Jan. 19 presentation on actuarial qualifications in the U.S., and Academy Senior Policy Analyst Claire Mickelson gave the same presentation in French for the French-speaking students. Representatives answered questions about the Academy's essential role as the U.S. national association in establishing standards of conduct, practice, and qualification for actuaries practicing in the United States, encouraged students interested in practicing in the United States in the future to be aware of the need to comply with applicable U.S. standards, and hosted an exhibit booth where Williams and Academy staff answered questions. ▲



Williams presents to students on Jan. 19

Richard N. Gibson Is New Academy Senior P/C Fellow



RICHARD N. GIBSON, an actuary with more than 35 years of experience, was named the Academy's new senior property/casualty fellow this month. Gibson will communicate the Academy's work on casualty actuarial issues including cybersecurity, extreme events and climate risk, workers' compensation, medical professional liability, automobile insurance, and many more P/C issues to public policymakers and the public.

"Rich brings an impressive depth of actuarial experience and leadership to the Academy's ongoing work on property/casualty issues," said Academy President Shawna Ackerman. "He will provide valuable insights in the discussions surrounding today's P/C public policy issues."

Gibson has nearly 40 years of actuarial experience, most recently as a consultant, during which he has worked on a diverse portfolio of insurance lines including homeowners', automobile, workers' compensation, specialty and commercial property lines. Before 2018, he served 14 years as chief actuary of Hallmark Financial Services, where he also was the company's appointed actuary.

From 2000 to 2003 he was an independent actuarial consultant. Earlier in his career, Gibson directed or managed actuarial services for several insurers, including the California State Automobile Association, TIG Insurance Company, Nationwide, Farmers Insurance Group, Allstate, and others. ▲

April's PBR Boot Camp— Lessons Learned and What's Working Well

A ROBUST AGENDA IS IN PLACE for the Academy's [2019 PBR Boot Camp](#), which will be held April 8–10 in Orlando, Fla. Attendees will hear lessons learned from those who have been at the forefront of the implementation of principle-based reserving (PBR) for life insurance.

[Agenda highlights](#) include:

- ▲ Insight from regulators who have been reviewing the submissions to date about what is working well and where improvements can be made;
- ▲ “War stories” from those who have implemented PBR on what worked and what problems occurred in the process; and
- ▲ Discussions about modeling, model governance, setting assumptions, pricing, use of mortality tables, reinsurance, and more.

This seminar will provide useful and practical information for all levels of familiarity with the PBR methodologies and reserve requirements. If you haven't signed up yet, make sure to [register today](#) to take advantage of discounted rates. Prices will increase on Feb. 1. ▲

IN THE NEWS

An [Associated Press](#) column cited the Academy's [Social Security Game](#), which provides an estimate of how changes to the program would affect its financial condition. The column was reprinted by more than 400 media outlets. [Forbes](#) also cited the Social Security Game.

A [Modern Healthcare](#) subscriber-only story cited the Health Practice Employee Benefits Committee and Individual and Small Group Market Committee's Dec. 13 [comment letter](#) on the proposed rule regarding Health Reimbursement Arrangements (HRAs).

A [MarketWatch](#) article cited the [Actuaries Longevity Illustrator](#), developed jointly by the Academy and the Society of Actuaries. The article was reprinted by [Morningstar](#). An [Advisor Magazine](#) article also cited the Actuaries Longevity Illustrator.

[Actuarial Review](#) reported on Shawna Ackerman becoming the Academy's president at the 2018 Annual Meeting and Public Policy Forum in November. The California Earthquake Authority, for which Ackerman is chief actuary, also [congratulated her](#) on becoming the Academy's president.

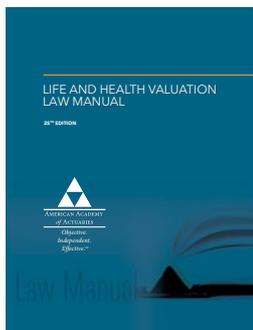
A story in [The Actuary](#) cited an Academy [issue paper](#), *Insights on the ACA Risk Adjustment Program*, and a 2017 [comment letter](#) to the U.S. Department of Health and Human Services regarding the proposed rule for the 2019 benefit and payment parameters.

The [Ventura County Star](#) (Calif.) noted the Academy's [analysis](#) that pension plans should have the objective of accumulating assets equal to 100 percent of a relevant pension obligation. ▲

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THE ACADEMY'S ANNUAL

Law Manuals

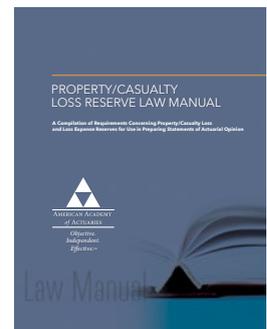


The Life and Health Valuation Law Manual

is designed to help appointed actuaries know the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation.

The P/C Loss Reserve Law Manual

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



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

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

BY ART PANIGHETTI

Vice President, Council on Professionalism

THE 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, each year the Academy Board requires Academy volunteers—and any individual who is an interested party on a committee, whether an Academy member or not—to 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 acknowledging this commitment is now. Academy volunteers and interested parties should have received a request at the end of January 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. 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 acknowledgment of the Academy's COI policy is one of the measures we use to cultivate and protect our commitment to objectivity and independence. Acknowledging the Academy's COI policy 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 engaging in activities for the Academy, volunteers and interested parties are required to disclose actual or potential conflicts of interest 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



When engaging in activities for the Academy, volunteers and interested parties are required to disclose actual or potential conflicts of interest if and when they arise and, as appropriate, recuse themselves from activities that give rise to any such conflict.

specific interests of employers or individuals when participating in Academy committees and work groups.

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](#)" and "[Guidelines for Developing Practice Notes](#)."

All Academy members who are members of an Academy committee or work group 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 are serving.

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 hours of relevant CE—including 6 from organized activities and 3 from professionalism topics—in 2018 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 acknowledgments promptly if you have not already done so. Follow the instructions in the Jan. 31 email or on the membership page under "Volunteer Acknowledgments."

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. If you experience any technical difficulties, please contact the membership department at membership@actuary.org or call 202-223-8196. ▲



Academy Comments on NAIC's Predictive Modeling White Paper

ACADEMY SENIOR PROPERTY/CASUALTY Fellow Rich Gibson [submitted comments](#) to the NAIC's Casualty Actuarial and Statistical Task Force (CASTF) regarding CASTF's proposed white paper on regulatory review of predictive models. The letter posed thoughtful questions to the task force; identified areas in the paper where additional clarification may be needed; mentioned some valuable Academy resources to consider including as part of the best practices, such as actuarial standards of practice (ASOPs); and reiterated the Academy's commitment to work with the task force in developing an appropriate review process for regulators.

The letter states, "Though predictive analytics is still in its early stages of use in insurance ratemaking, benefits are being realized. Along the way, the insurance industry has committed resources to fund and staff the development of predictive analytics projects. Actuaries have played a central role in this development." ▲

PROFESSIONALISM BRIEFS

- ➔ **Allan Ryan** joined the Council on Professionalism as a liaison from the Actuarial Board for Counseling and Discipline.

COPLFR Releases P/C Loss Reserves Practice Note

THE ACADEMY'S Committee on Property and Liability Financial Reporting (COPLFR) released the *Statements of Actuarial Opinion on Property and Casualty Loss Reserves [practice note](#)*, which provides information to actuaries on current or emerging practices relevant to signing NAIC P/C statements of actuarial opinion (SAOs) and actuarial opinion summaries (AOSs), and is intended to assist actuaries by describing practices that COPLFR believes are commonly employed in issuing SAOs and AOSs on loss and loss-adjustment expense reserves in compliance with the P/C Annual Statement Instructions for 2018 issued by the NAIC. Actuaries may also find this information useful in preparing SAOs for other audiences. ▲

CASUALTY BRIEFS

- ➔ **Yanjun Yao** joined the P/C Extreme Events and Property Lines Committee.
- ➔ **Smitesh Davé** joined the Property and Casualty Risk-Based Capital Committee.



Medicaid Subcommittee Comments to CMS

THE MEDICAID SUBCOMMITTEE [submitted comments](#) Jan. 14 to the Centers for Medicare & Medicaid Services (CMS) on a proposed rule that would make changes to the Medicaid and Children's Health Insurance Program (CHIP) managed care programs.

The letter cites key actuarial issues:

- ▲ The CMS proposal concerning Federal Financial Participation (FFP) impact on rating components may be overly restrictive with respect to justifiable, sound actuarial rating assumptions;

- ▲ The CMS-proposed approach to rate range certification and width might not be viewed favorably by states and their actuaries, who may not believe it provides states the flexibility needed to efficiently administer their programs or health plans and their actuaries who believe the allowed width is too wide;
- ▲ Implementation of directed payments and pass-through payments in capitation rates;
- ▲ Next-generation rate-setting around social determinants of health as well as payments by a state to a health plan based on value or outcomes instead of volume (as recorded by claims or encounter data) should be addressed; and
- ▲ Formal review of a health plan's operating needs should not be part of a capitation rate withhold analysis. ▲



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HEALTH BRIEFS

- ➔ **Jon Schaper** joined the Premium Review Work Group.
- ➔ **Ankit Nanda** joined the Health Care Delivery Committee and the Prescription Drug Work Group.



PBR Practice Note Released

THE LIFE VALUATION COMMITTEE'S Life Principle-Based Approach Practice Note Work Group released the newest version of the [practice note](#), *Life Principle-Based Reserves (PBR) Under VM-20*, which covers principle-based life insurance reserve valuation practices for individual life insurance. The practice note is an update to a 2017 Academy public policy practice note of the same name. The Academy also [released an alert](#) about the practice note.

The goal of this practice note is twofold: to assist actuaries who are implementing VM-20 with information to enhance their understanding of what the requirements are and to provide an overview of industry practice.

It is intended to assist actuaries with implementation of the principle-based life reserve valuation approach adopted by the NAIC as detailed in the *Requirements for Principle-Based Reserves for Life Products* (2018 Edition) dated Nov. 22, 2017, describing the proposed requirements for calculating minimum valuation standard statutory reserves for individual life insurance products. The *PBR Valuation Manual* became operative effective Jan. 1, 2017. As of early 2019, nearly all states have adopted a revised Standard Valuation Law which will become mandatorily effective Jan. 1, 2020. ▲

LIFE BRIEFS

- ➔ **Charles Chacosky, Michael Lockerman, and Bruce Rosner** joined the Life Financial Reporting Committee.
- ➔ **Pat Allison, Dave Neve, and Karen Rudolph** joined the PBR Governance Work Group.
- ➔ **Sam Early** joined the Government Mandates Work Group.

Assumptions Resource Manual Provides a Road Map for PBR

THE PBR ASSUMPTIONS Resource Manual Work Group of the Academy's Life Practice Council has released the [Life Principle-Based Reserves \(PBR\) Assumptions Resource Manual](#). The all-new resource manual is a step-by-step sample road map of a life insurance assumption development cycle.

The resource manual is intended to assist actuaries in implementing or maintaining a process for updating, reviewing, and uploading assumptions for valuation modeling purposes. The resource manual also specifically focuses on establishing the valuation assumption governance process, including communication, documentation, and the creation of controls. Finally, there are sample case studies for establishing materiality and developing margins appropriate for principle-based valuations. The resource manual also contains an appendix with a list of references and additional resources.

While PBR and life insurance contracts are the focus, users may also find applications to non-PBR and non-life contracts (such as governance and assumption development). ▲

Role of Actuary Subgroup Comments on VM-30

THE ROLE OF THE ACTUARY SUBGROUP submitted a [comment letter](#) to the NAIC suggesting that the definitions and guidance related to the various forms of actuarial opinion in VM-30 (valuation manual) could be clarified, and noting that it would explore or provide more specific recommendations if requested. ▲

PBR BOOT CAMP

APRIL 8–10, 2019 | ORLANDO
Loews Royal Pacific Resort in Orlando, Florida

Learn what's working from those who've been at the forefront of PBR implementation.



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Actuarial Update

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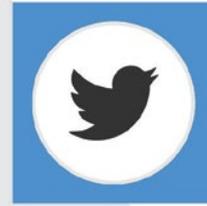
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Enrolled Actuaries Meeting Discounts Still Available

Registration discounts remain available for the 2019 Enrolled Actuaries Meeting. The 44th Annual EA Meeting offers opportunities for continuing education credit and will cover a wide range of pension topics. Early-bird registration ends Jan. 31.

2019 Enrolled Actuaries Meeting
April 7–10 | Washington, D.C.

RISK MANAGEMENT BRIEFS

- ➔ **Ralph Blanchard** is chairperson of the new Current Estimate Credit Losses Work Group, and the following actuaries are members of the work group: **David Heppen, Brian Mullen, John Pierce, Arlie Proctor, Shantelle Thomas,** and **Gary Traicoff.**
- ➔ **Steve Malerich** is chairperson of the new Long Duration Contracts Work Group, and the following actuaries are members of the work group: **Rowen Bell, Bruce Bohlman, Mike Celichowski, Derek Farmer, Rob Frasca, Gregory Goulding, Laura Gray, Tara Hansen, William Hines, Bill Horbatt, Laurel Kastrup, Darrell Knapp, Mike Lockerman, Warren Manners, James Norman, Lenny Reback, Jeff Schlinsog, Hui Shan, Henry Siegel, Steve Strommen, Doug Van Dam, Russ Willard, Shaowei Yang,** and **Darin Zimmerman.**
- ➔ **Michael Celichowski** joined the Financial Reporting Committee.

PENSION BRIEFS

- ➔ **Mary Leong** joined the Pension Assistance List.