

# Academy 2020 Election Guides Offer Insight on Key Issues

**W**ITH THE IOWA CAUCUSES and the New Hampshire primary set to kick off the 2020 presidential election cycle next month, the Academy released [2020 Making Issues Count](#), offering voters information on key issues of interest in areas of health insurance, Social Security, and more.



The election guides give pertinent background information and sample questions for presidential and congressional candidates about financial challenges and public policy reform options for major insurance and retirement systems and programs such as Social Security and Medicare, along with health insurance coverage, lifetime income and retirement risk, climate risk, and long-term care.

“Financial security issues are top-of-mind for millions of Americans in this important election year, and the Academy considers it paramount to provide nonpartisan information about the issues based on our

profession’s unique expertise in analyzing risk to voters ahead of next month’s Iowa caucuses,” said Academy President D. Joeff Williams.

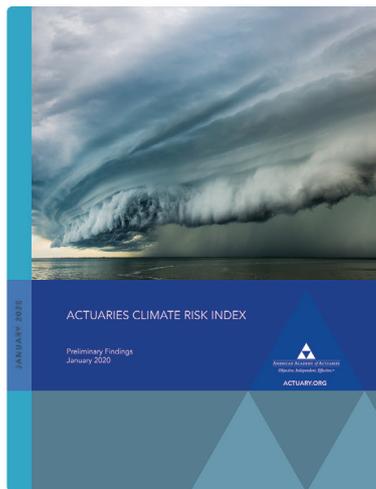
“Many voters have read or heard about proposals debated by candidates but want more information about the issues and the potential impacts of changes. The Academy’s election issues guide provides objective background information and informed discussion of different policy approaches on an array of particular financial risk issues, as well as suggesting questions that can help get to the heart of the candidates’ positions and proposals,” Williams said. ▲

# Academy Releases First Actuaries Climate Risk Index Model and Results

**T**HE ACADEMY introduced the first model and results of the [Actuaries Climate Risk Index](#) (ACRI), which provides results associating dollar estimates of property losses in the United States with changes in extreme weather.

In the introduction to this research, Academy presidential leadership notes that the publication of the ACRI is not a political statement, but rather provides the Academy’s objective voice about matters related to risks from climate, an area that can only benefit from objective and independent actuarial analysis.

“The ACRI breaks new ground by connecting the dots between property losses and changing patterns of extreme weather, providing a new, more precise level of understanding of the effects of these changes to public



policymakers, actuaries, insurers, disaster planners, and others,” said Academy Senior Casualty Fellow Rich Gibson. Steve Jackson, the Academy’s assistant director for research (public policy), was the ACRI report’s primary author.

Preliminary ACRI results show an estimated additional \$24 billion of property damage in the United States from 1991 to 2016 associated with changes in extreme weather in this period. The dollar amount is over and above what would have been expected for the period, relative to climate and climate risk data from the reference period of 1961–1990 and after adjustment for changes in property damage estimates that could be expected purely due to increases in population and development.

National Public Radio and NPR affiliates across the country, including WNYC-FM (New York Public Radio) and WNPR-FM (Connecticut Public Radio), highlighted the ACRI release in national news roundups. It was also noted by [The Washington Post](#), [Advisor](#) magazine, [E&E News](#), and subscriber-only [A.M. Best](#). ▲

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[Academy Attends ASNA Annual Meeting](#)

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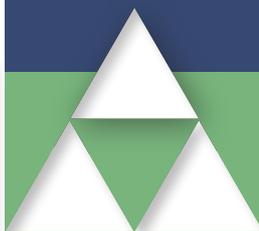
[‘Actuary Voices’ Podcast Series Continues](#)

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[Volunteer Action Needed on COI/CE](#)

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[‘Professionalism Counts’—New Modeling ASOP](#)



2020

## MARCH

21–24 NAIC Spring National Meeting, Phoenix

29–April 1 [Enrolled Actuaries Meeting](#), Washington, D.C.

## AUGUST

8–11 NAIC Summer National Meeting, Minneapolis

## SEPTEMBER

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

## NOVEMBER

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

14–17 NAIC Fall National Meeting, Indianapolis

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

### Review Your Membership Profile

To continue receiving *Actuarial Update*, *Contingencies*, and other Academy publications on time, please make sure the Academy has your correct contact information. Academy members can update their member profile, subscribe to Academy alerts, pay their dues, and review archived professionalism and public policy webinars at the [member login page](#).

# Academy NEWS Briefs

## Dues Renewal Notice

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

## Recently Released

**I**N THE JANUARY/FEBRUARY issue of *Contingencies*, the cover story, “Is ‘Data Science’ an Existential Threat for Actuaries?”

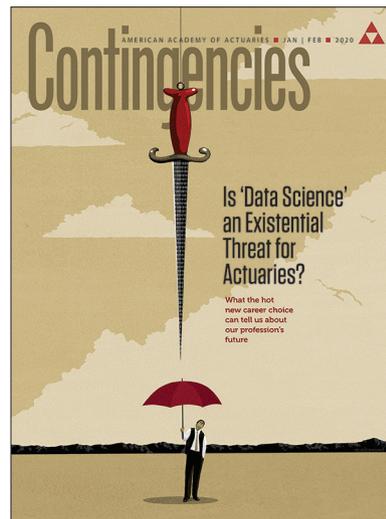
investigates what the hot new career trend can tell us about our profession’s future. Other features include “Predictably Irrational,” which looks at how we make decisions, and aims to apply behavioral economics to actuarial science; and “Calculating Death With Dignity,” which looks at the issue of more states legalizing medically assisted suicide and what that means for actuaries. Also in the issue, in his first President’s Message, Academy President D. Joeff Williams explores how the Academy lives up to its “effective” motto.

The January [HealthCheck](#) covers the Risk Sharing Subcommittee’s comment letter

regarding the Department of Health and Human Services’ white paper on risk adjustment validation (RADV). Legislative/judicial/regulatory developments on the Affordable Care Act (ACA) and a draft proposed federal rule that would allow states to import some prescription drugs from Canada are also included in the January issue.

The Winter [Life Perspectives](#) covers the recently released *Principle-Based Approach Projections Practice Note*, including a deep-dive Q&A with PBA Projections Practice Note Work Group Chairperson Ben Slutsker. Also in the issue, recaps of the

Academy’s life presentations at the NAIC Fall National Meeting, Academy Annual Meeting and Public Policy life sessions, and a legislative/regulatory update. ▲



## Public Employment Opportunities

**T**HE CONNECTICUT INSURANCE Department is seeking a [property/casualty insurance actuary](#) and a [life/health insurance actuary](#). Both roles will support the needs of the department in financial analysis, field exams, NAIC committees, and other product management support. For more information and to apply, click the links above.

The New Mexico Office of Superintendent of Insurance is seeking a full-time credentialed health actuary with at least three years of actuarial experience. The position is in the Santa Fe/Albuquerque area. For more details, [click here](#).

The Academy has long supported government employers who are seeking to hire qualified actuaries. See our [Public Employment Opportunity Posting Policy](#) for more information. ▲

# Academy NEWS

## Academy Representatives Attend ASNA Convention

**T**HE ACADEMY again attended the Canada's Actuarial Students National Association (ASNA) annual convention, held Jan. 17–19 in Niagara Falls, Ontario.

Academy President-Elect Tom Campbell gave a presentation, “What You Need to Know about Qualifications in the United States,” which included information about what students need to

know to be qualified to practice in the United States, which professionalism rules apply, and how the U.S. disciplinary process works, with frequent references to the similarities between the Academy and Canadian Institute of Actuaries, the national associations in their respective countries. Academy staff member Claire Mickelson also gave the presentation in French.

The Academy hosted an exhibit booth, at which Campbell and Academy staff answered attendees' 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. They encouraged students interested in practicing in the United States to be knowledgeable of the need to comply with applicable U.S. standards. ▲



Campbell presents at a Jan. 18 session

## Latest ‘Actuary Voices’ Podcast Episode Features Past President Tom Wildsmith

**J**ANUARY SAW THE RELEASE of two new episodes of the Academy's “Actuary Voices” podcast stream—a two-part interview with Academy Past President Tom Wildsmith, current Board member and international secretary.

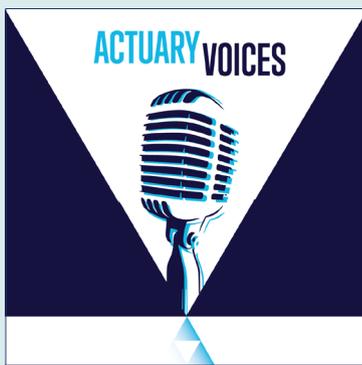
In the first, Wildsmith reflects on his many roles as an Academy volunteer, and offers his perspective on professionalism and the profession. He also shares how and why he decided to become an actuary—a career choice he didn't think he would make as a college student. “I became an actuary by accident. I really didn't intend to be one,” Wildsmith said.

Part two of the interview, just released, includes an interesting discussion on the difference between the Academy and a trade association, our international strategy, and what challenges Wildsmith sees ahead for the Academy and the profession.

Subscribe to “Actuary Voices” via iTunes, Spotify, or other podcast services. [Click here to listen now.](#) ▲



Wildsmith



# Volunteer Action Needed on COI, CE

**A**S JANUARY DRAWS to a close, the Academy begins its annual renewal of acknowledgements of our conflict of interest (COI) and continuing education (CE) requirements. This is one of the Academy's essential tools to cultivate the highest level of professional objectivity and independence from commercial interests when someone is performing Academy work—the annual acknowledgment of the Academy's COI policy and CE attestation that every member, interested party and non-Academy members who serve on our committees must acknowledge.

To emphasize the importance of objectivity, each year the Academy Board requires volunteers—and any individual who is an interested party on a committee, whether an Academy member or not—to acknowledge the Academy's COI policy. This process began today. If you are an Academy volunteer, please take a moment now to review and acknowledge the COI and CE policies. As always, those who fail to do so will not be able to continue

to participate in the work of Academy boards or committees.

For those who are interested in additional context and discussion, consider listening to the second of two installments of our “Actuary Voices” [podcast interview with Past President Tom Wildsmith](#), which was just released (see previous page). It includes a very thoughtful and considered exploration of the Academy's singular role in the profession and our clear distinction from a trade association that brings credibility not only to the Academy's work, but to each of our members who contribute to that.

For more information about the Academy's commitment to professional objectivity, please visit the [Professional Objectivity at the Academy](#) page. If you have questions, you may contact the Academy's professionalism department at [objectivity@actuary.org](mailto:objectivity@actuary.org).

If you experience any technical difficulties, please contact the Academy at [membership@actuary.org](mailto:membership@actuary.org) or 202-223-8196. ▲

## Nat'l. Academy of Social Insurance Taps Senior Pension Fellow Stone

**A**CADEMY SENIOR PENSION Fellow Linda K. Stone is among 64 social insurance experts who have been newly elected to the National Academy of Social Insurance, the group announced this week. The organization addresses challenges facing the nation by

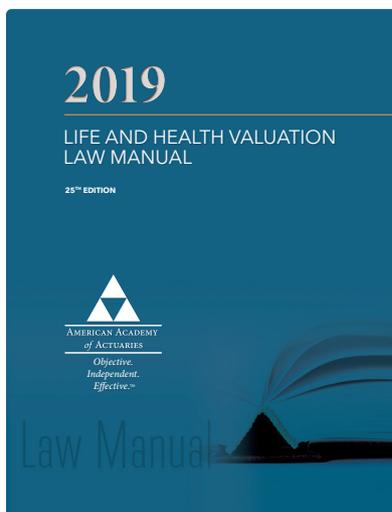
increasing public understanding of how social insurance contributes to economic security, encompassing established social insurance programs like workers' compensation, unemployment insurance, Social Security, and Medicare. For the full list, see the organization's [press release](#). ▲

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

**T**HE ACADEMY'S LAW MANUALS are now available online for immediate purchase and download.

The *P/C Loss Reserve Law Manual* is designed to help appointed actuaries know the requirements for specific statements of actuarial opinion. The 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. Users can directly access each jurisdiction's laws, making it a useful reference tool for actuaries. [Order today](#).

The *Life and Health Valuation Law Manual* contains information to help appointed actuaries know the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. It includes a concise summary of the valuation laws (and NAIC regulations) of all 50 states, the District of Columbia, and Puerto Rico. [Order today](#). ▲



### IN THE NEWS

Senior Property/Casualty Fellow Rich Gibson discussed the Academy's analysis of Terrorism Risk Insurance Program issues with [Actuarial Review](#) for a summary of congressional activity related to P/C practice.

A 2018 Academy [comment letter](#) discussing potential concerns related to non-ACA-compliant plans was cited in a [Bloomberg](#) story on new short-term health plans offered in Idaho. The story was also reprinted in [MSN](#).

A report published by [JD Supra](#) and [Lexology](#) highlighted the Academy's presentations at the NAIC Fall 2019 National Meeting last month in Austin, Texas.

A column in [Forbes](#) cited the Academy's [Social Security Game](#), which provides an estimate of the effect of various potential changes on the program's financial condition.

[The Commonwealth Fund](#) cited the Academy's issue briefs on the major drivers of health insurance premium changes for [2016](#) and [2017](#). ▲

## ASB Releases New *Modeling* ASOP

**T**HIS MONTH'S "Professionalism Counts" highlights and provides some background information on the recently promulgated and much-anticipated actuarial standard of practice (ASOP) on modeling that the Actuarial Standards Board (ASB) released this month. [ASOP No. 56, \*Modeling\*](#), applies to all practice areas and will be effective for work performed on or after Oct. 1, 2020.

Explaining the importance of the new standard, Dale Hagstrom, chairperson of the Modeling Task Force, said, "Modeling is a balancing act, requiring professional judgment. A model can help maintain structure in analyzing a problem, but the actuary needs to be wary of simply accepting model output. I hope the new ASOP No. 56 helps guide the actuarial profession as models become ever more important."

The scope of the standard is broad, but the ASOP recognizes that the actuary's responsibilities may extend to performing actuarial services related to an entire model or to only a small portion of a model. The standard applies only to the extent of the actuary's responsibilities.

ASOP No. 56 applies to actuaries in any practice area when performing actuarial services with respect to designing, developing, selecting, modifying, or using all types of models. For example, an actuary using a model developed by others in which the actuary is responsible for the model output is subject to this standard.

The standard also applies to actuaries reviewing or evaluating models, in that the reviewing or evaluating actuary should be reasonably satisfied that the actuarial services were performed in accordance with the standard. In addition, the reviewing or evaluating actuary should apply the guidance in the standard to the extent practicable within the scope of the actuary's assignment.

The ASOP also applies to the actuary when, in the actuary's professional judgment, the intended user's reliance on the model output has a material effect for the intended user. This judgment should be made within the context of the use of the model output and the needs of the intended user, based on facts known by the actuary at the time the actuarial services were performed. For example, the actuary may need to apply the guidance in the standard when performing actuarial services in relation to pension plan contribution and cost projection models, insurance pricing models, predictive models,

reserving models, and insurance company financial planning models.

The modeling standard evolved from the ASB's earlier work on standards, which began in the late 1990s.

Motivated primarily to address the role catastrophe modeling of earthquakes and hurricanes played in casualty ratemaking, the ASB focused on the use of specialized models where actuaries would have to rely on a model that was developed by professionals other than actuaries. As a result of this work, the ASB approved ASOP No. 38, *Using Models Outside the Actuary's Area of Expertise*, in June 2000 with the scope

of the standard limited to the property/casualty area of practice. Historically, ASOP No. 38 had been the only ASOP that specifically addressed modeling.

Since then, the number and importance of modeling applications in actuarial science have increased, with the results of actuarial models sometimes being reflected in financial statements. Recognizing this trend, the ASB asked the Life Committee in 2010 to begin work on an ASOP focused on modeling. In February 2012, a discussion draft titled *Modeling in Life Insurance and Annuities* was released, asking for comment on the idea of expanding the scope to all practice areas.

Based upon the feedback received and numerous other discussions on the topic of modeling, in December 2012 the ASB created two multidisciplinary task forces under the direction of the General Committee: i) a general Modeling Task Force, charged with developing an ASOP to address modeling applications in all practice areas, and ii) a Catastrophe Modeling Task Force to consider expanding ASOP No. 38 to all practice areas while focusing exclusively on using catastrophe models.

ASOP No. 56 sprung from the work of the Modeling Task Force at the direction of the ASB. During its development, the draft ASOP was exposed for comment by the ASB four times and received a total of 139 comment letters.

A revision of ASOP No. 38, *Catastrophe Modeling (for All Practice Areas)*, developed by the Catastrophe Modeling Task Force, was adopted by the ASB in 2014, but has been held pending the finalization of the *Modeling* ASOP. Now that ASOP No. 56 has been approved, the ASB will review the previously approved ASOP No. 38 for any changes necessitated by ASOP No. 56 and take appropriate action. ▲

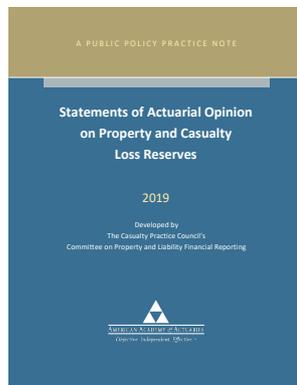




## COPLFR Issues P/C Loss Reserves Practice Note

**T**HE COMMITTEE ON PROPERTY and Liability Financial Reporting (COPLFR) has issued a [practice note](#), *Statements of Actuarial Opinion on P/C Loss Reserves (2019)*, which includes a new section on FAQs about new requirements for Appointed Actuaries.

The practice note is intended to assist actuaries by describing practices that COPLFR believes are typically employed in issuing statements of actuarial opinion (SAOs) and actuarial opinion summaries on loss and loss-adjustment expense reserves in compliance with the P/C Annual Statement Instructions for 2019 issued by the NAIC. Actuaries also may find this information useful in preparing SAOs for other audiences. ▲



## Extreme Events Committee Responds to NAIC on Wildfires

**T**HE EXTREME EVENTS and Property Lines Committee responded to the NAIC's Catastrophe Risk Subgroup's request for [additional information about wildfires](#), which included a reference to the committee's [wildfire issue paper](#) released last summer.

In the wildfire paper, the Academy noted the California Department of Insurance (CDI) required the California FAIR Plan to terminate the moratorium it initiated on writing new fire insurance coverage in wildfire-impacted areas, and the CDI directed insurers to cease moratoriums on issuing auto insurance in wildfire areas (December 2017). The latest news is that the CDI is banning insurers from non-renewing policyholders in wildfire disaster areas under SB 824 (December 2019). ▲

## HEALTH NEWS



### Committee Comments to CMS

**T**HE INDIVIDUAL AND SMALL GROUP Markets Committee sent a [comment letter](#) to the Centers for Medicare & Medicaid Services (CMS) on the Sept. 30 bulletin, *Opportunity for States to Participate in a Wellness Program Demonstration Project to Implement Health-Contingent Wellness Programs in the Individual Market*.

The letter notes that:

- ▲ Evidence finds that many wellness programs do not achieve cost savings or improve health outcomes;
- ▲ Wellness programs should not be used to exclude less-healthy individuals;
- ▲ Clarification is needed regarding actuarial value requirements and benchmark premium calculations;
- ▲ Wellness program rewards or penalties could increase advanced premium tax credits (APTCs); and
- ▲ Wellness program rewards and penalties could affect subsidized and unsubsidized enrollees differently, depending on the program's design. ▲

#### HEALTH BRIEFS

- ➔ **Jamala Arland** joined the LTC Reform Subcommittee.

### Risk Sharing Subcommittee Comments on RADV Paper

**T**HE RISK SHARING SUBCOMMITTEE sent a [comment letter](#) to the Center for Consumer Information and Insurance Oversight regarding the Department of Health and Human Services' white paper on risk adjustment validation (RADV).

"A RADV process should identify and hold accountable issuers that submit codes not reflecting enrollee diagnoses, thereby reducing incentives to overcode while also minimizing uncertainty and variability for other issuers," the letter states.

It addresses the white paper's glossary and executive summary, along with Section 2, changes to sampling; Section 3, outlier determination; Section 4, error rate calculation; and Section 5, application of HHS-RADV results. ▲

#### PROFESSIONALISM BRIEFS

- ➔ **Katherine Campbell, Darrell Knapp, and Paul Zeisler** joined the Council on Professionalism.
- ➔ **Darrell Knapp** is chairperson of the Life and Health Qualifications Seminar Task Force.
- ➔ **Katherine Campbell** is chairperson of the Committee on Qualifications, and the following are new members of that committee: **Maryellen Coggins, Laurel Kastrup, Kevin Russell, and Lisa Slotznick.**



## Life Groups Comment to NAIC

**L**IFE GROUPS COMMENTED to NAIC on a pair of topics this month.

### Task Force Comments on Longevity Risk

The Longevity Risk Task Force sent a [comment letter](#) on the proposed longevity risk charge to the NAIC Life Risk-Based Capital (E) Working Group.

While noting there are two different versions of the risk-based capital (RBC) worksheet and instructions included in the exposure, the task force wrote that it “support[s] the first structure that provides for an explicit correlation assumption and do[es] not support

the second, which keeps correlation implicit in the formula and restricted to a value of 100%.”

### Illustrations Work Group Comments to LATF

The Life Illustrations Work Group sent a [comment letter](#) to the NAIC’s Life Actuarial Task Force (LATF) addressing LATF’s questions on illustrations of Indexed Universal Life (IUL) insurance policies under Actuarial Guideline XLIX (AG 49).

The work group suggested modification to Section 3.C.vi. to clarify that multipliers will not create additional benchmark index accounts (BIAs), though



## National Association of Insurance Commissioners

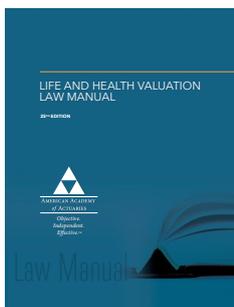
additional clarification might be needed if the intent is that additional BIAs are only for products with different levels of account charges that offer different levels of cap rates.

It also suggested that the definition of “Supplemental Option Budget” be modified to be “Supplemental Hedge Budget,” to allow for consistency of wording within AG 49 (Section 5, “companies engaging in a hedging program”) and to recognize the use of hedge instruments other than options. ▲

### LIFE BRIEFS

- ➔ **Linn Richardson** joined the PBR Strategy Subgroup.
- ➔ **Rachel Hochberg** joined the PBR Analysis Templates Task Force.

## THE ACADEMY'S ANNUAL Law Manuals

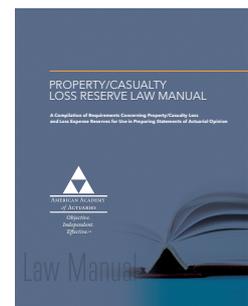


### The Life and Health Valuation Law Manual

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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## Actuarial Update

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## PENSION NEWS

# Intersector Notes Available

**T**HE INTERSECTOR GROUP released the notes of its November meetings with the [Treasury Department and the IRS](#), and the [Pension Benefit Guaranty Corporation](#). ▲

### PENSION BRIEFS

➔ **Kelly Coffing** joined the Retirement System Assessment and Policy Committee.

# IRS Announces Renewal Season Open for Enrolled Actuaries

**T**HE IRS HAS OPENED the renewal season for enrolled actuaries for the April 1, 2020–March 31, 2023, period. The Joint Board for the Enrollment of Actuaries (JBEA) has asked the Academy to help publicize the re-enrollment period. For details on the instructions, [click here](#). ▲



## RISK MANAGEMENT & FINANCIAL REPORTING NEWS

# Solvency Committee Comments on IAIS Risk Management Paper

**T**HE SOLVENCY COMMITTEE [submitted comments](#) to the International Association of Insurance Supervisors (IAIS) regarding IAIS's Draft Application Paper on Liquidity Risk Management.

The letter comments on various sections of the paper, including liquidity stress testing, detailing possible options in an emergency situation, considering fungibility for purposes of liquidity

assessment, and adding a materiality element to balance the liquidity needs arising from both life and non-life products.

The letter states that while testing of contingency fund plans can illustrate tactics and strategies, it is important to note that simulation in a non-stressed environment does not “ensure that plans will be executed” in a stressed environment. ▲



### RISK MANAGEMENT BRIEFS

➔ **Robert Hanes** and **Marc Oberholtzer** are vice chairpersons of the Financial Reporting Committee.

## Enrolled Actuaries Meeting Registration Discounts

Early registration rates end today, Jan. 31, and regular rates are available through the end of February for the 2020 Enrolled Actuaries Meeting. The 45th annual EA Meeting—sponsored by the Academy and the Conference of Consulting Actuaries—offers opportunities for continuing education credit and will cover a wide range of pension and retirement topics.

**2020 Enrolled Actuaries Meeting**  
March 29–April 1 | Washington, D.C.