



SOCIETY OF ACTUARIES

**Request for Proposal
July 28, 2014**

Economic Balance Sheet Seminar



Contents

Overview 3

 Background 3

Focus & Goals..... 4

Present State 4

Project Scope 5

Roles & Responsibilities 6

 Course Development 6

 Course Delivery 7

Recognition and Ownership..... 7

Selection Criteria..... 7

Proposal Information 7

Proposal 8

Administrative Information 8



Overview

The Society of Actuaries is interested in contracting with an external organization to develop and deliver an in-depth seminar for actuaries in hands-on Economic Balance sheet calculation. The purpose of this document is to provide enough detail to prepare a response, however, creative solutions are highly encouraged.

Background

Established in 1949, the Society of Actuaries (SOA) is a nonprofit educational, research and professional organization dedicated to serving the public and Society members. With over 23,000 members, the Society of Actuaries (SOA) is the largest actuarial professional organization in the world. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The fair value concept for life insurance has evolved strongly in the recent years. It started with Market Consistent Economic Value. Now various flavors exist from Solvency II to IFRS and US GAAP. Sometimes proprietary measures have been introduced in companies to better fit both the theoretical concepts as well as technical or practical shortcuts.

A life insurance company may link internal goals and objectives based on this type of metric, as well as external financial reporting and risk management with ORSA. In other words, the profile of this type of metric is rising.



Focus & Goals

The Society of Actuaries seeks an outside independent organization to develop the content and deliver an Economic Balance Sheet Seminar as part of its continuing education course offerings.

The purpose of this document is to provide organizations with enough information to respond to the need. The SOA desires to award a contract as a result of this RFP process. The seminar must address these requirements:

- **Purpose:** Augment the skills of actuaries to prepare them to build an economic balance sheet of a life insurance company within the scope of business of their current employers – insurance and actuarial consulting. Key points:
 - Practical. The seminar is hands on. The attendee will need a laptop¹ and be able to actually perform tasks during the seminar. At the end of the seminar the attendee will be able to apply basic principles at their job.
 - Relevant. The seminar uses case studies and examples relevant to actuarial work and spans several different practice areas.
 - Simplified but Realistic. The case studies should be representative of a life insurance company and the hands-on experience should mirror the calculations done within companies – but the calculations should be simplified and/or pre-computed to fit the time frame of the seminar.
 - Understandable. An additional goal of the seminar should be to provide an understanding of what the calculation results mean for decision making purposes.
- **Target Audiences:** Early to mid-career actuaries, all designations, any organizational affiliation, who are interested in or in line for economic balance sheet and/or economic capital calculations.
- **Timing:** Rapid response needed to position actuaries. The seminar should be available late spring/early summer 2015 and minimally 2 times annually to groups of 35-40 through 2017.
- **Branding:** The seminar needs to be clearly branded as an offering from the Society of Actuaries.

Present State

Actuaries have a wide range of capabilities in using and understanding the tools and techniques associated with analytics. Some actuaries have taken courses in these topics as part of their university education. Some actuaries have learned on the job, supplementing their education as needed and have built successful careers focused on analytics. Some actuaries have learned from past offerings from the SOA.

Since 2004 the SOA has offered continuing education via seminars, meeting sessions and webinars in analytics. It will continue these programs. However, most of these sessions are lecture format. There is no opportunity for attendees to practice, demonstrate or assess what they have learned.

¹ Either attendees bring their laptop or laptop to be provided.



The approach to the Economic Balance Sheet Seminar is different from most current arrangement the SOA has for continuing education. The vast majority of its education is developed and delivered by volunteers with the infrastructure for the event (location, registration, promotion, catering, project management) handled by SOA Staff. The SOA owns the content and all rights to distribution for these events. Other arrangements include: e-learning vendor contracts where the SOA pays for development and uses the materials over and over; occasional contracts with organizations to deliver a specific event; and sometimes the SOA is a marketing partner for an event with no other involvement.

Thus, at least in recent years, it is not typical for the SOA to pay for both development and delivery over a period of time for continuing education. That makes the SOA interested in organizations that are responding to this RFP that will take the initiative to outline various approaches to matters such as delivery, cost and revenue sharing.

Qualified actuaries must fulfill 30 hours of continuing education credits each year. The SOA anticipates many actuaries will attend this event not only for its ability to improve their analytical skills, but also because it will contribute significantly towards their continuing education requirement.

Project Scope

The project has two phases. Phase 1 is the development of the course material. Phase 2 is delivery.

- **Conceptual Design**

Overall goals: Attendees understand how to compute the economic balance sheet of a life insurance company and the meaning of the results for business decisions.

Learning Objectives: After the seminar, the attendee will be able to:

1. Explain the concept of economic value for both tradable and non-tradable assets, explain at high level the differences between the IFRS, MCEV, Solvency II, US GAAP market values
2. Explain the concept of economic value for insurance liabilities
 - Best estimate liability
 - Risk margin
 - Economic capital, free capital
3. Apply these concepts on a simplified life insurance portfolio of asset and liability
4. Compute economic capital using one approach or multiple approaches
 - Stochastic VaR calculation
 - Shock approach
 - CTE90 calculation
 - Scenario calculation
5. Present results to a non-technical audience

What it isn't

- A course in business presentation skills



- Validation or proof of competency in economic balance sheet
- Promotion of a specific vendor tool or service

- **Seminar Logistics**
 - The SOA envisions a 1-2 day seminar with possible prior webinars, e-learning modules, pre-reading, or suggested prerequisites for attendees to ensure:
 - attendees can participate at similar levels.
 - the event that is affordable for employers both from a cost standpoint as well as staff time away from the office.
 - The SOA prefers the seminar be offered in at least 2 different locations during the year. The seminars should be offered to registrants at approximately the same cost regardless of location. If the organization is a possible host site, different economic and planning scenarios should be developed. When hosting, the organization would handle rooms, catering, and various logistics, whereas if at a hotel or similar space, the SOA staff would handle selection, contracts, and logistics.
 - The seminar must be interactive and must include hands on work. The RFP proposal should include requirements for the use of laptop computers. Although the SOA is not requiring a specific software package, the choice should reflect the seminar goal of having attendees being able to use the skills learned on the job immediately following the seminar. To that end, the software package should be readily available to most attendees with little or no learning curve.
 - Pre-reading may be required or recommended as part of the seminar. That said, the chosen text should be inexpensive, easy to understand and more practice than theory.
 - To the extent possible, concepts should be demonstrated using examples and graphics as opposed to theorems and proofs.
 - Seminar includes some type of demonstration or personal assessment (determined by the provider) of understanding or mastery of the material. Attendees must be actively engaged during the seminar. While the process includes assessment, the intent is that it not be with the rigor (or stress) of SOA prequalifying or university education course work.
 - Seminar pricing – 2 day seminar registration is (approximately) \$950, whether the event is added on to an additional SOA event, any special status of the registrants or other consideration.

Roles & Responsibilities

Course Development

- Selected organization assembles a team with the skills needed to create the course.
- Selected organization develops a project plan with checkpoints and quality verification steps.
- The SOA answers developmental questions.
- The SOA evaluates vendor output at quality verification checkpoints.
- The SOA pays expenses for any meetings deemed necessary by the SOA to bring consultants, staff and volunteers together for the purpose of project oversight.



Course Delivery

- Selected organization provides course instructors.
- Selected organization has implementation plan for course delivery.
- Selected organization furnishes meeting materials.
- The SOA promotes seminar to its membership.
- Seminar locations will jointly be determined by the organization and SOA staff.
- On site equipment may be jointly determined by the organization and SOA staff (location dependencies).
- SOA staff handles seminar registrations.
- SOA develops seminar evaluations.
- First seminar will be viewed as a pilot, providing input to enhance subsequent seminars.

Recognition and Ownership

The selected organization will be recognized by the SOA in promotional materials as the author of the seminar. The SOA will own all rights to the course. The final agreement will include both a statement of work that indicates the organization's responsibilities and a contract that indicates ownership. In the future, the SOA may want to develop additional education programs based on this material. SOA membership has indicated the SOA brand is an important factor in selecting professional development venues. Ownership would include any course materials, case studies, or recordings. The SOA realizes it can't own "economic balance sheet valuation." However, it does not want to be in a position of competing against the original developer in the future.

There will be no additional sponsors in cost and revenue sharing for the seminar without mutual agreement by the selected organization and the Society of Actuaries.

Selection Criteria

The organization will be selected by SOA staff and volunteers. Criteria include:

- Customization of design/proposed content for actuaries
- Cost
- Development and delivery experience
- Practical, actuarial-oriented, business applications
- Responsiveness and scalability
 - What happens when the seminar is wildly successful?

Proposal Information

Proposals should include:

- Organization name
- Address



- Phone number
- E-mail address
- Website address
- Primary contact

Proposal

Organization's proposal in response to this RFP will be incorporated into the final agreement between Society of Actuaries and the selected organization. The submitted proposals should address the following topics:

- Executive Summary
- Approach and Methodology
- Project Deliverables
- Project Management Approach
- Quality Review Standards & Schedules
 - How do you envision SOA "user acceptance testing?"
- Detailed and Itemized Pricing
 - Development
 - Delivery – If organization has a site, provide scenario for the site and at a location of the SOA's choosing
- Appendix: References
- Appendix: Project Team Staffing
- Appendix: Sample course material on a related topic
- Appendix: Brief Organization Overview
- Concisely articulate your understanding of the scope of this project
- Identify any risks/challenges
- Address opportunity creatively!

Administrative Information

- **Proposed Timetable.**
 - **7/31/2014** – SOA RFP published
 - **8/29/2014** – Update SOA with intention to participate (note any issues with dates at that time)
 - **9/12/2014** – Proposal to SOA due by end of business day
 - **9/19-10/24/2014** – Interviews and conference calls with organizations*
 - **11/15/2014** – Internal SOA recommendation
 - **10/4/2014** – Notify all participating organizations

** SOA team may choose to have these with some or all of the participants, based on how closely the proposals meet criteria.*

- **Confidentiality.** The Society of Actuaries stipulates that responses will be treated in confidence but may be shared with the organization's advisers if there are already confidentiality agreements between the Society of Actuaries and its advisers.



SOCIETY OF ACTUARIES

- **Attachments.** The bidder is allowed to submit attachments as part of its response to specific items in the RFP. Attachments are allowed if they are in soft copy in the formal proposal format.
- **Communication.** After written proposals are reviewed, the Society of Actuaries may contact qualifying vendors for further information. The SOA will hold a webinar (tentatively the week of Sept 1st) with all interested RFP participants to address outstanding questions. The Society of Actuaries also reserves the right to award a contract to a responder to this RFP without further communication to the other bidders. All proposals submitted, therefore, should be based upon the most appropriate and favorable terms responders have to offer. All participants in the RFP will be notified of the selection by the end of the project.
- **Right of rejection.** The Society of Actuaries reserves the right to accept or reject any or all responses to the RFP, as well as to withdraw this RFP.
- **RFP Costs.** The bidder's initial and subsequent proposals will be at no charge to the Society of Actuaries.
- **Right of incorporation.** The bidder's response to the RFP constitutes a business offer and the Society of Actuaries may incorporate all or part of the response in any contract.
- **Contact**

David Schraub
Society of Actuaries
475 N. Martingale Rd., Suite 600
Schaumburg, IL 60173
847-706-3560
dschraub@soa.org