

## **2010 SOA ANNUAL MEETING**

### **Session 83: Current Topics of Interest to Smaller Insurance Companies**

#### **Buzz Group Summary**

A number of topics were offered for discussion with the four which received the most interest to the attendees discussed in small, round table conversations. This is a summary of those discussions and the subsequent reporting of each of those discussions to the all the attendees.

The first topic discussed was on Cash Flow Testing and some of the issues that may pose problems for actuaries conducting the testing for the upcoming yearend. Concerns were expressed about the low interest environment and continued asset default assumptions. A number of questions and opinions were offered. Some of them included:

Will not passing level scenario constitute a major problem? Any of the down scenarios? At least one company adds reserves if even one of the tested scenarios fails. Actuary should provide more consideration for these failing scenarios.

How many and which scenarios to test? (Are the NY 7 enough)?

System issues both internal and external continue to be issues.

When should a Gross Premium Valuation be used? Generally, for health, including Premium Deficiency Reserves and credit business.

Assets – More below investment grade assets being used.

Asset Default Rates are still problematic for some asset classes.

CMBS – multiple default rates, should they grade off over time?

Peer Review – How can one get peer review if only actuary in the company? Who can question the assumptions used.

The second topic covered by the groups dealt with the federal healthcare legislation, from an insurer, employer or individual perspective. Again many more questions than answers that could be provided. Some of the issues covered included:

Availability – Legislation seemed to make this a priority with out tackling the cost.

What will Minimum Loss Ratios, Lifetime Maximum removal and Guaranteed Issue mean to the viability and sustainability of health insurers?

Employer – from there perspective can have smoker surcharge for employees. Some companies do not hire those that have a positive nicotine screen. How well do wellness

programs work to assist in curbing health costs? If not changed the Cadillac Tax will affect more people than many realize.

Grandfathering – Many plans will lose this status even if minor changes are made to the plan. Or changes made to assist in curbing benefit costs may not be implemented because it may force a plan to lose its grandfathered status. There are still many HHS issues to be worked out.

Exiting from current products – Some companies are exiting the market, even a couple of companies where health insurance is their primary market.

Other topical items included:

- Effect on the self-insured

- Experience issues vs. Health Care Reform

- Communication issues

- Where to go for info

Peer Review in a small company setting was also discussed. Generally, it is very informal. Some “bounce” issues off each other. There is probably a need to do more but that takes resources financial, time and personnel which are generally not available. Some have found that cooperating with colleagues at other companies may be useful. Need to be careful about exchanging trade secrets. Others may use personnel in other affiliated companies; however, they may not have the requisite knowledge or experience to perform the review.

Finally some time was spent on the issue surrounding Experience Data Reporting. Issues of credibility and cost are of prime concern. There needs to be some consistency in terminology as well to make the data comparison useable and meaningful. IT support will be critical in meeting the reporting requirements.

New York is conducting a pilot program to gather mortality experience data from 65 companies in the state. It may be costly to provide this information, as companies will need additional resources to develop the information and then pay to report the information to the statistical agent.

Overall, interesting and informative discussions were enjoyed by the participants.