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# Chairperson's Corner

By Jeremy Bill

The life insurance industry is currently in the midst of a period of significant change. It seems like change is occurring in virtually every part of our business: from the way that we attract new customers, to the way that those customers are underwritten, and even how we calculate the reserves once policies are issued.

Through all of this change, the Product Development Section continues to provide value to our members through the work we are doing. As I've seen firsthand over the last three years, there are numerous volunteers who work throughout the year to help support our members during this season of change.

While I certainly can't list all of the accomplishments of the Product Development Section, I do want to highlight a few significant areas of change and the tools we are providing to our members to help navigate this change.

## REGULATORY CHANGES

A number of regulatory items will change our work in the coming years. One of the biggest changes most certainly will be the move from a formulaic approach to calculating life insurance reserves to a principle-based approach. The effective date for principle-based reserves (PBR) is Jan. 1, 2017, which marks the start of a three-year transition period for moving to PBR. This change also involves a move from the 2001 CSO mortality table to the 2017 CSO mortality table over the same time period.

The Product Development Section has provided a number of items to assist its members as they navigate this move to PBR. In the July 2016 issue of *Product Matters!*, we included articles related to assumption documentation, VM-20 and 2017 CSO. We also help to fund research projects that dig even deeper into topics related to PBR. For example, we have sponsored a research project titled, "Impact of VM-20 on Life Insurance Product Development," which provides insight into how companies will incorporate PBR into pricing. The results were presented at the Valuation Actuary Symposium and the Society of Actuaries (SOA) Annual Meeting & Exhibit and will be included in a webcast in December.

## CHANGES TO UNDERWRITING

Another significant area of change is in the area of underwriting. The tools that we are using to evaluate risk continue to evolve and will likely look much different in the coming years.

For the last four years, the Product Development Section has sponsored a specific meeting devoted to this topic. I was able to

attend the Underwriting Issues & Innovations Seminar this past August in Chicago, and I found it to be a great meeting to hear the latest developments related to underwriting and to connect with others from a variety of other disciplines (underwriters, doctors, geneticists, etc.). Planning is already underway for the 2017 seminar, so I would encourage you to attend this seminar next summer.

The Product Development Section also supports research that is related to developments in the area of underwriting. We have partnered with other sections to fund a research project titled "Genetic Testing, Family History and Mortality." We feel this type of research will be extremely important to product development actuaries as underwriting continues to evolve.

## PREDICTIVE ANALYTICS

One emerging area of work for actuaries relates to predictive analytics and predictive modeling. Earlier this year, the SOA announced a revision to the curriculum for candidates pursuing any of the SOA designations that include a significant emphasis on predictive analytics. In making this announcement, then SOA President Craig Reynolds stated, "The SOA believes it is essential that all aspiring actuaries gain critical new analytics skills as part of their basic 'tool kit' for being an actuary."<sup>1</sup>

In addition to the broader emphasis on this topic from the SOA, the Product Development Section has also provided tools to help our members gain confidence in this area. In August 2016, we helped sponsor a webcast on "Practical Considerations for Basic Predictive Modeling." We are also sponsoring research on "Use of Predictive Analytics." As you can see, our focus has been on providing practical ways that product development actuaries can use predictive analytics in the "real world."

As my time on the Product Development Section Council comes to a close, I am confident that the section will continue to look for ways to provide value to our members. If you have any ideas for how we can do that better, please feel free to reach out to one of the members of the section council listed on the inside cover of this newsletter.

I've appreciated the opportunity to lead the section over the last 12 months, and I look forward to seeing the great things the section will do for our members in the years to come. ■

## ENDNOTES

<sup>1</sup> Email from Craig Reynolds on 7/5/2016 titled "Plain Talk—Curriculum Review."



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