



SOCIETY OF ACTUARIES

Article from:

Small Talk

March 2015 – Issue 43

ValAct 2014—SmallCo in the Big Apple

By Roger Brown

The Smaller Insurance Company Section (SmallCo) hosted a trio of excellent sessions at the 2014 Valuation Actuary (ValAct) Symposium in New York. Two of the three sessions were the long-running Smaller Company Issues (“Buzz Group”) and the Smaller Insurance Company Chief and Corporate Actuaries Forum (CAF). The third touched on a very relevant topic—Own Risk and Solvency Assessment (ORSA)—and how it could impact smaller insurance companies.

At the Buzz Group and CAF, a small group of table leaders facilitated discussion about issues that were on the mind of small company actuaries. For those who have never had the good fortune to attend either one of these first-rate sessions, both offer engaging and valuable interaction. The CAF benefits from a longer time slot that affords more networking opportunities and a slightly more relaxed format. Some of the topics covered included:

- *The continued impact of low interest rates on asset adequacy testing.* There was good dialogue on what scenarios companies test, at what level results are aggregated and the new internal reporting requirements. The impact of low rates on product development and in-force management also came up. Companies are facing decisions on how to manage lower interest rate spreads and the resulting shift in product focus.
- *Principle-Based Reserves (PBR).* This perennial topic had some renewed excitement as a possible small company exemption was under consideration. There was also some discussion about using asset adequacy documentation and procedures as a starting point to implementing PBR.

- *Working with regulators and auditors.* As time is a precious commodity, much discussion centered on the increased time that actuaries now have to devote to audits. Ideas to improve communication were tossed around as were other tips to make the audit process more efficient.
- *Staffing.* Since hiring more actuaries is generally not an option, participants at this table talked about how roles and responsibilities are organized, the use of temps and non-actuarial associates, and when to reach out to consultants.
- *Small company survival.* Several discussion threads were started on this topic. Most centered on best practices that small company actuaries employ to try to position their firms in the best possible manner to not just survive, but to thrive. Given how the insurance industry has evolved with more regulations, more data requirements, more analytical challenges, more everything ... this is no easy task.

Special thanks are due to the following SmallCo volunteers who helped coordinate and lead these sessions: *Buzz Group*—Bryan Amburn, Stefanie Harder, Norm Hill, Mike Kaster and Terry Long; *CAF*—Mark Rowley, Pam Hutchins, Tim Cardinal, Stefanie Harder and Mike Kaster.

SmallCo was also well-represented by a superb session on the looming ORSA requirements. The presenters did a fine job giving an overview of what ORSA will require, breaking down the report components, detailing the status of ORSA within the National Association of Insurance Commissioners (NAIC), and discussing where ORSA fits into a company’s broader enterprise risk management framework. Stefanie Harder, Terry Long and Mark Yu then facilitated a question-and-answer segment that sparked some very lively discussion.

Kudos to all SmallCo members who helped make this year’s ValAct a success!

Please save the date now for the 2015 edition of the Valuation Actuary Symposium to be held in Boston on Aug. 31–Sept. 1. ●



Roger A. Brown, FSA, MAAA, is vice president and chief actuary at Cincinnati Life Insurance Co. in Cincinnati, Ohio. He can be reached at roger_brown@cinfin.com.