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Section Priorities for 2016

By Leonard Mangini

As I write this in early May, we see that principle-based reserves (PBR) has finally “crossed the threshold” with Idaho, South Carolina, Utah and Washington state all having enacted versions of the Standard Valuation Law (SVL). This brings the number of jurisdictions that have passed the new SVL up to 43, representing 76.16 percent of 2008 market premium—just more than the 42 jurisdictions and 75 percent of market premium required to make the Valuation Manual and PBR operational at Jan. 1, 2017. Under the law, it is up to the individual states to decide whether other states' versions of the SVL are substantially similar enough to operationalize the Valuation Manual in their own state. The NAIC has concluded its legal review on behalf of the member states concluding that variants of the SVL that have already passed are indeed substantially similar. By the time you read this, subject to Plenary approval, the NAIC will be issuing a letter to the individual states recommending that each opine that the substantially similar provision has been met, and that each state positively affirm that they agree so that insurers are clear which states will actually operationalize PBR on Jan. 1, 2017. By the time you read this, Alabama, Massachusetts and Pennsylvania, who have already introduced legislation, may have already passed their own versions as well—so we all have a lot of work to do!

With that in mind, the Section Council held its Annual Face-to-Face Meeting in Chicago in late March to map out strategies and priorities for the rest of the year.

FACE-TO-FACE MEETING STRATEGIES AND PRIORITIES

First, we decided on the topics that will be covered at the 2016 SOA Annual Meeting being held in Las Vegas from October 23 through October 26. It might not be too difficult to get actuaries to travel to attend given how popular the Annual Meetings have become, with more than 2,000 attendees recently, but we knew it would be a challenge to capture your attention given the lure of the casinos or the networking with so many colleagues. Our goal is to make the Annual Meeting as important to financial reporting actuaries as the Valuation Actuary Symposium already is. We have come up with the following set of 10 very practical sessions that we hope will be relevant to your own professional development and the success of your company:

- US Statutory Update, US GAAP Update, and IFRS Hot Topics—to cover all the bases.
- PBR: Ask the Experts—an open forum for the intersection of pricing, valuation, and tax geared for senior management; and pricing, valuation, and risk management to develop a common ground.
- A linked sequence of five PBR-related sessions that take you from basic to advanced—starting with PBR credibility theory and underwriting score criteria and moving on through four increasingly more advanced topics—PBR practical implications and governance, control effectiveness, enhanced governance frameworks for assumptions, and nested stochastic modeling research.
- We also have a life insurance M&A update.

For those who are too busy to travel, or want the flexibility of distance learning, we plan to have a sequence of five integrated PBR-related webcasts:

- VM-20 Assumption Guidance—useful to financial reporting, pricing, and risk managers as these colleagues begin to work together much more closely.
- VM-31 Documentation Requirements and the PBR Actuarial Report—since assumption and model governance and compliant documentation of the considerable judgment applied is so critical.
- VM-20 Prudent Estimate Mortality—methods, credibility, UCS scoring, and margins.
- VM-G Governance—since the AOMR and the roles of management and actuaries are changing.
- VM-20 Asset Modeling—existing assets and reinvestments.

Since not everybody is concerned just with statutory reporting we will also offer a sequence of integrated US GAAP related webcasts progressing from the most basic to cutting edge material:

- GAAP Basics—term and traditional products.
- GAAP Basics—UL.

We have an ambitious research agenda.

- GAAP Basics—Annuities.
- GAAP—targeted improvements.
- GAAP—assumption management.

We will round out our webcasts with one on IFRS and another on Professionalism. We have an ambitious research agenda.

By the time you read this, attendees of the Life and Annuity Symposium will have seen the results of the recently completed Retention Management study. We have a call for research papers on predictive analytics with five submitted articles related to life insurance. As noted above, the nested modeling project will be presented at the annual meeting.

Two new projects on modern deterministic scenarios and PBR change attribution analysis have already been approved and will be in the works when this article is published. Also, in an effort to reach out to our Canadian colleagues we voted to fund two new projects on the application of credibility theory by Canadian life insurers and the use of predictive analytics by Canadian life insurers.

We will also be regularly providing research project updates in *The Financial Reporter*.

Finally, the section has voted to participate in the new SOA regulatory update website initiative that will provide curated links to financial reporting related material—with useful summaries of the content and routinely updated material impacting emerging and current regulations.

We look forward to helping our members, and the profession in general, deal with all of these changes and as always look for feedback and comments, and for volunteers! ■



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