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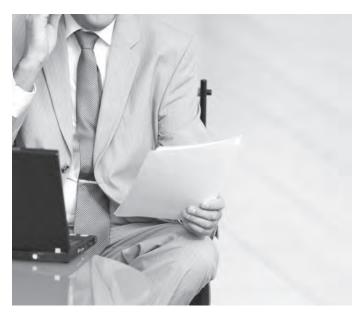
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Chairperson's Corner

By Bob Leach

mplementation of the NAIC Valuation Manual (VM) for 2017 reporting reminds us of the many things we must do in order to be good financial reporting actuaries. Some may view these activities as merely a distraction. Nothing could be further from the truth. It is in the attending to these details that the financial reporting actuary engenders confidence among associates, regulators and other users of our statutory financial reports, and gains distinction as a true professional. The new requirements will also result in improved governance and understanding of our work and increased appreciation from others for the responsibilities of the financial reporting actuary. For example, consider the following:

- VM-05 (the NAIC Model Standard Valuation Law) requires that the assumptions and methods used in principle-based reserve (PBR) valuation are consistent with the company's risk assessment process. It also requires a certification of PBR control effectiveness to the company's board of directors and its domiciliary regulator. This solidifies the link that should exist among three important processes: valuation, risk management and controls. It also helps to increase the board's understanding and engagement in our work.
- VM-30 (Actuarial Opinion and Memorandum Requirements) requires the Actuarial Opinion to include a Table of Key Indicators, making it easier for the regulator to determine whether the appointed actuary's opinion regarding reserve adequacy is unqualified, and alerting the regulator to the use of wording in the opinion that is other than that prescribed in VM-30. The VM creates additional requirements for regulatory actuaries too, so it makes sense to minimize obstacles they might otherwise face in understanding a company's Actuarial Opinion.
- VM-G (Corporate Governance Guidance for Principle-Based Reserves) spells out specific responsibilities with respect to PBR valuation for the company's board of directors, senior management and the qualified actuary (or



actuaries) providing certification of PBR reserves. Clarity with respect to the roles played by each party helps all of those involved in the PBR process to ensure that they have appropriately fulfilled their responsibilities.

To be sure, these and other aspects of the VM have created a lot of new requirements. This year-end was busier than last, and for companies which have elected to defer implementation of VM-20 (Requirements for Principle-Based Reserves for Life Products) to a future year, there is even more work ahead. Also remaining ahead for all of us is the implementation of VM-50 (Experience Reporting Requirements).

Paying attention to these details can provide a learning experience, and it helps to approach the new requirements with this mindset. I have often found that documentation of a procedure or execution of a control can uncover opportunities to enhance actuarial modeling. The documentation, governance and control requirements laid out in the VM are not a distraction—rather, they are a means to improve and validate the quality of our actuarial work. And quality work is the hallmark of professionalism!



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