SOCIETY OF ACTUARIES

SMALLER INSURANCE COMPANY SECTION

Small Talk

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Recent Developments in the Health Care Market

By Michael L. Frank

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Small Talk

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This newsletter is free to section members. Current issues are available on the SOA website (www.soa.org).

To join the section, SOA members and non-members can locate a membership form on the Smaller Insurance Company Section webpage at https://www.soa.org/sections/small-insurance/.

Publication Schedule
Publication Month: December 2019
Articles Due: September 18, 2019

The digital edition of this newsletter can be found at https://www.soa.org/sections/small-insurance/.

2019 SECTION LEADERSHIP

Letter From the Editor

By Jonathan Pollio

First, I have some exciting news to share. With this issue, *Small Talk* is launching a digital edition. Digitization means more than having an electronic version of the newsletter; it means making it interactive. Each article will have its own webpage with active links to content and will be voice enabled so our audience can listen to an article rather than reading it. Further, readers will be able to shape each page to fit their viewing device. These are just a few of the features our members will enjoy, and more will roll out over time.

One of my frustrations as a small company actuary is expecting to be the expert on a variety of topics to which I have only mild exposure. In this issue of *Small Talk*, we present several articles that will give you a start on some of those products and issues you have to deal with but where you may not be an expert.

The first article, by Michael Frank, gives readers insight into health insurance issues. When I was first introduced to stop loss, one of my biggest surprises was how a medical procedure performed in New York could have such a different cost compared with the same procedure in Georgia. I attributed it to cost of living until I saw that the same procedure in Texas also had a much different cost. Texas and Georgia have very similar costs of living, while New York's is much higher. The other surprise to me was how a network could affect pricing so significantly. Michael Frank's story on fraud explains some of those differences. The article is also relevant to people in group health insurance as well as major medical insurance. You will surely gain insight into some of the impacts of fraud in health care.

In the second article, Ben Keslowitz writes about all the ways reinsurance can help a company prosper. Many years ago, I saw a start-up company with really strong marketing departments struggling financially due to growing too fast. The surplus strain was one item hurting the company. Reinsurance is a potential solution to this issue. In another situation, my company wanted to buy a company but did not have the necessary capital. Once again, reinsurance was a good solution. Ben explains why.

To cap off this issue, I am pleased to introduce a new recurring column: SmallCo Resource Corner. Here *Small Talk* features resources that small company actuaries can use for assistance. It is amazing to me how many resources the Society of Actuaries (SOA) has that I never knew about. It is also amazing how many other resources are available elsewhere to help us. For this inaugural article, Michael Watanabe has written about one of his favorites, the *Life & Health Valuation Law Manual* from the American Academy of Actuaries. I have also found the valuation manual useful in my role as an actuary. How often is state 1 different from state 2 in its reserving requirements? If you have other resources that you use all the time, please write an article on it and submit it to *Small Talk*. There are probably others who need the help.

I welcome other ideas for articles and if you do not think something you wanted was written about, call me. I am always eager to take ideas from our readers. Even better, write an article about it. ■

Jonathan Pollio, FSA, MAAA, is senior vice president and chief actuary at Amalgamated Life Insurance Company. He can be reached at *jpollio@amalgamatedlife.com*.

Chairperson's Corner

By Julie Hunsinger

As I write this, I'm on my way home from Tampa, Florida, after attending the 2019 Life & Annuity Symposium. During the networking general luncheon I found myself involved in a conversation about the value of sections within the Society of Actuaries (SOA). Only two of my six lunch companions were involved in sections. The remaining four didn't belong to a single section, much less participate in any section activities! Each of my non-section-joining companions didn't think that section membership would bring any value to their actuarial lives. That made me think: Maybe we are not marketing the value of sections to the best of our ability.

What would happen to the SOA without sections?

- **Session content for meetings would be severely lacking.** Sections sponsor, recruit and develop a significant amount of session content of particular interest to section members—and usually of general interest to many nonsection members.

- **There would be fewer webcasts available.** Most webcasts are developed by sections. Some sections raise a majority of their funds through webcasts as well.

- **There would be less grassroots input on research performed by the SOA.** Sections can propose research projects or guide the direction of specific research to produce a result of interest to section members. Section members are often active on Project Oversight Groups (POGs) and report regularly to their section members.

- **There would be less of a sense of community in a very large organization.** Section membership is an easy and effective way to connect to other SOA members with similar professional interests.

- **Our elected leaders would have less opportunity to develop their leadership skills within the SOA.** Sections are the means by which many of our current SOA leaders first became involved in the SOA and you will find that most of our current leaders were heavily involved in one or more sections in the past.

This list is far from complete, but it shows why I think sections are important to the SOA.

So, how does the Smaller Insurance Company Section support the SOA and its members?

- In 2019 SmallCo sponsored or cosponsored three sessions at the Life & Annuity Symposium, four sessions at the Valuation Actuary Symposium and four sessions at the SOA Annual Meeting & Exhibit.

- SmallCo has at least five webcasts and a town hall meeting under development for 2019, covering a variety of topics. Past webcasts have had a many as 1,400 viewers.

- SmallCo's research team is active on POGs regarding subjects of interest to SmallCo members.

- SmallCo has a great sense of community and collaboration.

- Several current and past SOA Board members were past SmallCo Section Council members.

If you want to help guide the direction of the SOA, join the Smaller Insurance Company Section! Your $25 dues will provide all the above, *plus* first access to webcasts, town halls and the *Small Talk* newsletter, *plus* a $25 discount on a webcast. In addition, you don't have to be an SOA member to join a section. I encourage you to encourage other SOA members, actuarial students and any other interested party to become a part of the community of the Smaller Insurance Company Section. ■

Julie Hunsinger, FSA, MAAA, is executive vice president and chief actuary with Investors Heritage Life Insurance Company in Frankfort, Kentucky. She can be reached at *jhunsinger@ihlic.com*.

Staff Corner

By David Schraub

The newsletter is one of our section members' most valued assets. This result has shown up in all the section surveys I have seen during my six-year tenure with the Society of Actuaries (SOA). This Staff Corner will shed some light on how newsletters are produced. Let's open up the hood and check it out.

Several groups of people take part in this initiative:

- **Article authors.** SOA members and nonmembers who volunteer to write articles.
- **Newsletter editors.** Volunteers who solicit and peer-review the articles and provide feedback to authors and SOA staff.
- **SOA section staff partner.** The liaison between the section, the volunteer newsletter editor and the newsletter staff. This person oversees reputation risk management and offers guidance as needed.
- **SOA staff editor.** An in-house editor who guides the newsletters from copyediting to publication. This person is the gatekeeper of the newsletter.
- **SOA graphic designer.** The person responsible for design and layout of the newsletters. The graphic designer also ensures the quality of graphics and tables.

In chronological order, the newsletter process looks like this:

1. Authors write articles. Generally, either the newsletter editor reaches out to potential authors with a request for an article on a specific topic, or an author reaches out to the newsletter editor and offers to write an article on a given topic. In some cases, authors are asked to republish an article that is already written.

2. Newsletter volunteer editors peer-review articles. They assess their fit within the newsletter regarding quality and topic and provide feedback on the content of each article.[1] For example, the topic of an article may be a better fit for a different section than originally intended. In that case, that article is forwarded to the other section's newsletter editor. After a few weeks of back-and-forth to firm up the content, the articles (along with author bios, head shots and figure and table source files) reach the staff partner. For a previously published article, the back-and-forth is replaced with a reach to the owner of the copyright for reprint permission.

3. The section staff partner reviews all the articles to assess whether there is any reputation risk regarding their content (e.g., self-advertising, lobbying or other pitfalls). This step sometimes takes place slightly later in the process.

4. The staff editor receives the finalized content and oversees copyediting for grammar and editorial style, as well as production of the newsletter. This is where the i's get dotted. The editor monitors the schedule, nudges volunteers as needed, and sends metadata[2] and copyright forms to the authors.

> Multiple pairs of eyes are key to the quality of the newsletter.

5. The staff editor and volunteer newsletter editor work together to address any challenges that go beyond punctuation. The newsletter editor answers the staff editor's questions directly or turns to the authors as needed. Common questions include, "Who should approach the coauthor to soften the tone of the conclusion, which is a bit too self-serving?" "Do we still have time for a last-minute announcement?" "Did anyone receive Jane Doe's article she promised us a while back?" "Should we keep that article for the next issue as it is not quite ready, and we have a lot of content already?" "Do we have head shots and authors' names correctly aligned?" This back-and-forth can take time, but multiple pairs of eyes are key to the quality of the newsletter.

6. The staff graphic designer makes the content look great. The newsletter editor and authors review the page proofs for any typos and readability of the graphs, while the staff editor proofreads the full newsletter one more time. This is where loose ends are tied.

7. The staff editor sends the newsletter to the printer and/or digital vendor after green lights from all. Printing and

shipping take place (as appropriate), the digital edition is created and, finally, the PDF version and links to the digital version are posted on the SOA website. This is the time to update the section's landing page with a link to the newsletter. For printed newsletters, readers at home receive their copies a few weeks later.

Toward step 5 of the current newsletter is when volunteer editors begin to gather articles for the next issue, whether it's the promise of an article or articles that are already in hand. Then the process begins all over again.

Want to join the fun? We are always looking for editors and authors to improve our content. ■

David Schraub, FSA, CERA, AQ, MAAA, is a staff actuary for the SOA. He can be contacted at *dschraub@soa.org*.

ENDNOTES

1 For some newsletters, the volunteer authors and volunteer editors are blended. For example, *Taxing Times* has a large group of newsletter editors who peer-review and cross-check every statement of every author (there are lawyers in the group).

2 Metadata includes topics, country of relevance, and keywords for each article. Topics and country of relevance are filters on the SOA website and help get readers to the content faster. Keywords are additional hints for search-engine optimization.

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Mark your calendars for the 2020 Living to 100 Symposium, Jan. 13–15, 2020, in Orlando, Florida. Expert presenters will explore the latest longevity trends, share research results and discuss implications of a growing senior population. This prestigious event brings together thought leaders from around the world to share ideas and knowledge on increasing life spans. Registration and conference details will be available in summer 2019.

Participating Organizations

The following organizations have agreed to participate in this research endeavor with the Society of Actuaries as of August 2018. To view the current list, visit *Livingto100.SOA.org*.

Actuarial Society of South Africa
Actuaries Institute Australia
American Academy of Actuaries
Canadian Institute of Actuaries
Conference of Consulting Actuaries
Employee Benefit Research Institute
International Longevity Centre–UK
Office of the Chief Actuary, Canada (within the Office of the Superintendent of Financial Institutions)
Pension Research Council and Boettner Center for Pensions and Retirement Research of the Wharton School
The Actuarial Society of Hong Kong
Investments and Wealth Institute
American Geriatric Society
International Actuarial Association
LOMA
LIMRA
Government Actuary's Department (UK)
The Institute of Actuaries of Japan
Women's Institute for a Secure Retirement (WISER)
Institute and Faculty of Actuaries

Visit ***LivingTo100.SOA.org*** for more information

Recent Developments in the Health Care Market

By Michael L. Frank

Editor's note: This article summarizes a presentation made by the author, Michael Frank, to the Government Finance Officer's Association (GFOA) in New York on Dec. 6, 2018. It originally appeared in Innovators & Entrepreneurs, *Issue 66.*

The ideas presented in this article reflect the author's opinion and not necessarily those of the Society of Actuaries.

The title of the presentation was "Recent Developments in the Healthcare Market." It was divided into the following sections:

1. An overview of the health insurance market;
2. recent trends with insurers and health care providers;
3. developments in the self-insurance market;
4. impact of technology on billing practices;
5. billing practices and fraud;
6. prescription drug discounts and rebates; and
7. required changes to health insurance laws.

> Almost 80 percent of the group indicated that they believed they were victims of fraud as defined in the False Claims Act.

One of the key topics in the presentation was the "False Claims Act" (the Act) and similar laws involving health care provider billing fraud. Approximately 100 people attended the meeting and a good number shared their experiences as it relates to this law. Almost 80 percent of the group responded to surveys in the meeting that illustrated that they believed they were victims of fraud as defined in the Act.

Sample criteria from the Act that would highlight fraudulent health care billing include:

- Services not rendered;
- services performed on non-existing or phantom patients;
- "upcoding" or "code creep" whereby procedures are billed at levels more expensive than those actually performed;
- unbundling of costs whereby health care providers are itemizing billing services that should be part of bundled payments; and
- non-medically necessary services being performed.

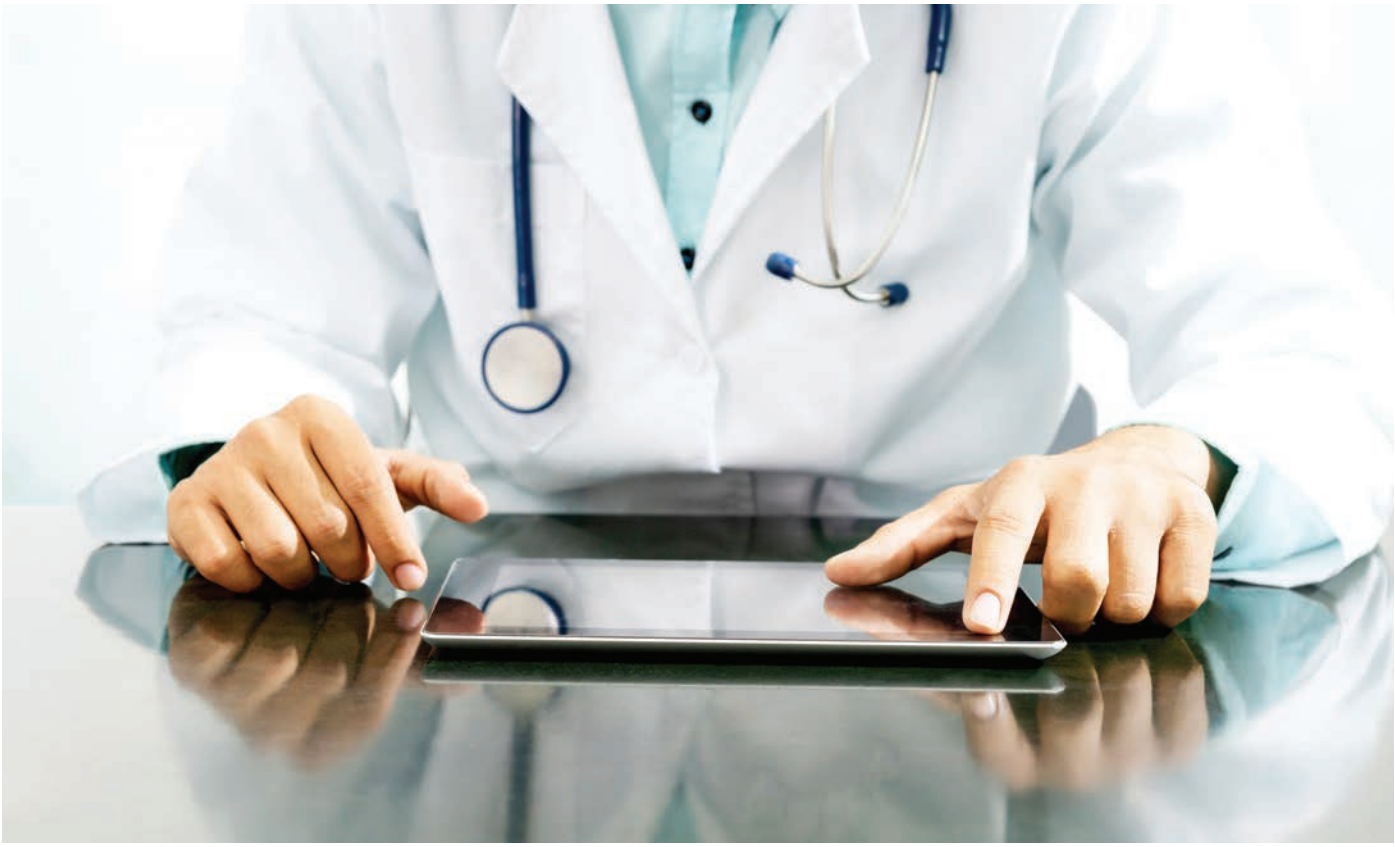
As related to the above, also discussed was the Association of Certified Fraud Examiners, which released information in 2013 on the 10 most common health care billing fraud schemes that are consistent with the criteria in the False Claims Act.

This high percentage is not surprising given the many cases in the public domain of violations of the Act. We discussed several of these cases in the session. It was noted that a couple of states have already passed laws regarding the False Claims Act and that all should consider doing the same. Many of the attendees at the GFOA conference were finance professionals working for municipalities, which interestingly enough, were partially insulated from some of the fraudulent billing practices, since they had low deductible and low copay costs.

In the context of billing fraud and need for further prevention, we discussed a variety of topics including areas necessary for change. Topics included the following:

1. **Member communication:** Plan documents and summary plan descriptions do not provide pertinent consumer information to know what to do when a member becomes a victim of excessive billing and potential fraud. They only focus on when a claim is denied, not on potential acts of billing fraud. Employers should consider providing their employees with resources to combat fraud such as assistance to understand provider bills and what a covered member should do if they believe the insurance policy appeals process does not address the fraud issue.

2. **Need for Explanation of Benefits (EOB) statements to include benchmark measures:** Currently, provider bills and EOB statements do not include reasonable benchmarks which allow an individual to understand what items truly cost or reasonably should cost. Without them, how can a consumer determine whether the average length of stay of his recent hospital admission and related billed charges are reasonable?



3. **Increased transparency:** Transparency was discussed numerous times in the presentation including steps to be taken prior to seeking care as well as steps that can be accomplished post-care. With post-care, members are not provided the ability to reverse engineer a medical bill so that they can understand the costs involved. Members would need to know how the members' charges compare to the insurance company contract agreed upon and the member would need to get access to the number of units (e.g., visits, PT/OT utilization, number of implantable devices, infusion drugs, etc.) so they know how they are applied and can see if any upcoding has taken place. Most EOBs do not include units for certain codes like implantable devices, infusion drugs, etc., so members are unable to reasonably review a bill.

4. **Savings and cost benchmarks should be based on a percentage of Medicare costs:** Frequently, savings are calculated as a percentage of billed charges. Billed charges are infrequently used with reimbursement of insurance contracts with PPO networks, so they become less relevant. Websites like Healthcare Blue Book and Fair Health can help to determine whether or not billed charges are reasonable, but since these websites rely on market data, which include fraudulent claims, their usefulness is arguably limited (but will become less limited as fraudulent claims continue to grow). Costs as a percentage of Medicare is probably the best cost benchmark available in the U.S. because it is not subject to this type of manipulation. To illustrate, I shared my own case, which was a one-day hospital stay for a two-hour hip procedure that generated $140,000 in billed charges and $80,000 in approved charges. According to the bill the discount was approximately 45 percent, but the reality is that the approved costs by the insurance company were close to 500 percent of Medicare.

5. **Pharmacy claims should have an EOB:** Currently, EOBs do not exist for pharmacy, and pharmacy claims are one of the biggest mysteries to consumers. It remains to be seen whether CVS/Aetna, ExpressScripts/CIGNA, Walmart/Humana and others decide to create transparent EOBs that include details on drug claims.

6. **Slow down claims payments:** For contractual reasons, insurers frequently reimburse providers too quickly. Usually the claim is paid even before the consumer sees the first bill. As a result, the insured has no opportunity to validate services and charges, provide feedback about his/her

experience with the providers (e.g., online questionnaire, phone app, etc.), and in general, be serviced in an environment of transparency. Furthermore, insurers may want to consider investing in claim prevention initiatives which, by their very nature, require processing time to be effectively slowed down.

7. **Enforce existing laws and expand the reach of others:** If each state and the federal government were to enforce the False Claims Act (dates back to the 1860s, so 150+ years ago), health care costs could be reduced by 30 percent to 50 percent. Additional savings would be realized if benchmarks were to be included in provider invoices and EOBs and if claims were to be checked for accuracy before being paid. Keep in mind that the use of technology is imperative to keep regulation effective.

8. **Many health care class action lawsuits are coming:** Due to administrative costs, every dollar of claims fraud results in $1.20 to $1.25 in premium to the consumer. A lot of money is at stake. Those who are unwilling to become victims of billing fraud will protect themselves and, if injured, will seek compensation. With a growth in high deductible plans, more individuals are feeling the effects financially from excessive billing practices. The government has encouraged private citizens to come forward as "whistleblowers" and could participate in a "Qui Tam" action, which involves individuals known as "relators" to assist the government in identifying these matters. These relators or whistleblowers may be entitled to financial remedy if the government is able to successfully convict or recover funds from potential violators of the False Claims Act.

As part of the discussion, we discussed various large claims and how those claims potentially could apply to the False Claims Act criteria of fraud. In Figure 1 (see page 11), we show how changes in billing patterns can inflate medical bills. In the session, we discussed how certain costs that were normally billed as sterile supplies have become billed as implantable devices by some hospitals (e.g., services moved from service code 272 to 278 and 279). Figure 1 was used to show how changes in billing practice will influence claims reimbursement.

Some key highlights to Figure 1 are:

- The hospital's true cost for items 1–11 combined were under $2,000, since these items included five sutures and cement (items traditionally part of code 272 and not reimbursed since part of a case rate). These items were all reclassified as implantable devices and reimbursed at $2,600 per device (note the billed charges for those items were $173.90).

- Items 10 and 11, which are the higher cost items, cost the hospital approximately $1,500 for the combined two items (per hospital and medical supply company).

- Billed charges for the 11 items were greater than 35 times the true cost to the hospital (the hospital billed more than $70k for them) while the insurance company approved reimbursement for 14 times the true cost (more than $28k) due to the impact of artificial intelligence and recoding (or in this case upcoding).

- The consumer (claimant) did not have any of the above information since units and detail were not provided. The EOB provided to the claimant showed billed charges over $70,000 and approved charges over $28,000, resulting in a 59.4% discount (savings) off of billed charges. A benchmark like Medicare would be beneficial to the consumer since it would show the approved claims were more than 10 times Medicare.

Figure 1
Illustration of Changes in Billing Practices and Their Effects

	1	2	3	4	5	6
	Description	Implantable Device Units (Not on EOB)	Hospital Undiscounted Claims Reported to HMO	Insurer Approved Cost as Implantable Device at $2,600 per Device Rate	Member Cost Share @ 10%	Insurer Cost
1	SUT FIBER WIRE BRD BLU W/NDL NO 2	1	$ 173.90	$ 2,600.00	$ 260.00	$ 2,340.00
2	SUT FIBER WIRE BRD BLU W/NDL NO 2	1	$ 173.90	$ 2,600.00	$ 260.00	$ 2,340.00
3	SUT FIBER WIRE BRD BLU W/NDL NO 2	1	$ 173.90	$ 2,600.00	$ 260.00	$ 2,340.00
4	SUT FIBER WIRE BRD BLU W/NDL NO 2	1	$ 173.90	$ 2,600.00	$ 260.00	$ 2,340.00
5	SUT FIBER WIRE BRD BLU W/NDL NO 2	1	$ 173.90	$ 2,600.00	$ 260.00	$ 2,340.00
6	MIXER CEMENT BONE EVAC III	1	$ 531.66	$ 2,600.00	$ 260.00	$ 2,340.00
7	DRILL BIT QC STER 3.2*145MM	1	$ 874.20	$ 2,600.00	$ 260.00	$ 2,340.00
8	CEMENT BONE SIMPLEX RADIOPAQUE	1	$ 957.30	$ 2,600.00	$ 260.00	$ 2,340.00
9	TISSEL FROZEN 10 ML	1	$ 4,290.82	$ 2,600.00	$ 260.00	$ 2,340.00
10	*IMPACTOR BHR 54MM	1	$ 28,697.45	$ 2,600.00	$ 260.00	$ 2,340.00
11	*HEAD BHR 48 MM	1	$ 34,235.55	$ 2,600.00	$ 260.00	$ 2,340.00
12	Subtotal: (1) + . . . + (11)	11	$ 70,456.48	$ 28,600.00	$ 2,860.00	$ 25,740.00
13	Prior Billing Practice per Hospital	2		$ 5,200.00	$ 520.00	$ 4,680.00
14	Impact of Hospital's Change in Billing Practice – Incremental Cost	9		**$ 23,400.00**	**$ 2,340.00**	**$ 21,060.00**
15	HMO Explanation of Benefits Calculated Discount 1 - [Column (4), Line (12)] / [Column (3), Line (12)]				**59.4%** off billed charges	

*Note: Per hospital staff and the manufacturer, lines 10 and 11 cost hospital less than $1,500 combined and hospital also received rebates for the device. Hospital billed charges to the consumer are $62,933.00 for lines 10 and 11 combined.

Some information not illustrated in Figure 1 was discussed in the conference. For example, we compared the amounts reimbursed per suture ($2,600) or five sutures at $13,000 approved charges, to the fees approved and reimbursed for the physicians in the two-hour surgery, i.e., $2,562.05 for the orthopedic surgeon and $2,145.00 for the anesthesiologist.

The example in Figure 1 is important to actuaries and insurance professionals since it highlights how medical billing practices continue to evolve, and how artificial intelligence is being used and potentially manipulated. At the GFOA conference, we discussed how changes in billing practices are occurring with some organizations as sterile supplies are becoming implantable devices (e.g., code 272 being billed as 278 and 279 as described above). The above example shows how $28,600 for 11 units is approved for payment as compared to the prior reimbursement of $5,200 (note that the $5,200 was at 2.6 times the true cost). Implantable supplies discussed include hips, knees, pacemakers, shoulders, stents, etc.

Similarly, other services were discussed including physical therapy and occupational therapy (e.g., codes 420–434), infusion drugs (e.g., code 636) and other professional services that have experienced similar changes. If you are interested in more details on any of the above, feel free to contact the author. ■

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2019 ANNUAL MEETING & EXHIBIT

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REGISTRATION OPENING JULY 1.

What Can Reinsurance Help You With? Probably More Than You Think

By Ben Keslowitz

Pretty much every insurance professional has heard of reinsurance. Many understand in general terms what it can be used for, or at least some of the primary applications of reinsurance. Very few, though, know just how helpful it can be for an insurance company, especially a small insurance company. What can reinsurance help you with? A better question might be "What *can't* reinsurance help you with?"

Reinsurance is generally known as a tool to limit risk. For instance, sellers of life insurance have limits on face amounts they're willing to issue, especially to one individual policyholder, but turning away large clients who are looking for larger policies, or limiting sales significantly by limiting distribution, can be a bad move in the long term. Once you turn off distribution, it's not always so easy to turn it back on. Further, I wouldn't advise turning away a large client looking for a large policy; you don't want a big spender going to the competition. In situations like this, insurers usually retain what they want and reinsure the rest. But this isn't the only effective way to use reinsurance.

What about capital? Did you know that reinsurers can help improve your capital position? Or perhaps you're looking for a ratings boost. Did you know that reinsurance can help you with that? Pricing and valuation support? Check. Additional data for more appropriate pricing decisions? Check. Asset management expertise? Check. A general profitability boost? We have you covered. Ultimately, there are a tremendous number of ways reinsurance can be of service to you.

Let's first talk about capital. Obviously, an insurance company needs capital to write business. Unfortunately, capital is finite, and balancing regulatory, rating agency and economic capital demands can pull your capital in many different directions. But reinsurance is here to assist you. Reinsurers can help with premium financing, lowering your initial capital requirements necessary to write new

business. Reinsurers can also provide you access to a different jurisdiction, which may have different regulatory capital requirements than the one you're in. In addition, you'll probably be able to find a reinsurer that will come for the ride with you, taking the risk you don't want (and potentially even paying you to do so), while allowing you to write new business without being limited by capital concerns. Not only will this help you with capital restrictions but it can also lead to a ratings boost from your rating agencies and a thumbs-up from your other stakeholders, including your regulators, policyholders and shareholders.

Numerous reinsurers offer the business and functional expertise, quality systems and data access that can fulfill your previously unmet needs.

No need for capital support, risk sharing or happier stakeholders? You're tough. Well, there's more. One thing that small insurance companies often struggle with is multifunctional expertise. As a small insurance company, having the best of the best for pricing, valuation, risk management, asset management and proper matching, along with all your other needs, is expensive and not always practical. And that's before taking into account the expense associated with having top-tier systems that can handle modern and best-in-class functional needs, and it does not even consider having access to enough data to support your pricing requirements. Where can you get support for all of these issues? I think you know where I'm going with this. Reinsurance can help here as well. Although it's important to speak with multiple reinsurers to ensure that you're getting the help you need, numerous reinsurers offer the business and functional expertise, quality systems and data access that can fulfill your previously unmet needs.

What's that? You have everything you need? More than adequate capital, expertise to the extreme, the best and newest systems on the planet? You're lucky. Don't need reinsurance? Well, let's not go that far. There's still one application of reinsurance we haven't spoken about yet: profits. Everyone wants to make a buck. And with reinsurance, now you can. Have an old block of liabilities that's making you a couple of bucks a year that you're willing to part with for a lump sum? Reinsurance. Have a barely breakeven block or one that is a challenge to manage due to its size or complexity? There's reinsurance for that too.

So where can you find this virtual panacea known as reinsurance? Well, that's easy. Reach out to your SOA section. Speak with your peers. Talk with the insurance consultants and reinsurance brokers. Or perhaps even better than all of these, shoot me a message on LinkedIn. But finding the right reinsurer is important. Make sure that before moving forward with any reinsurer, you understand the benefits of working with them over an alternative, and know the risks of entering into such a partnership. Provided that you run the proper diligence, chances are you'll be able to benefit in many different ways by leveraging the right reinsurance company. ■

Ben Keslowitz, FSA, MAAA, can be reached at *ben.keslowitz@gmail.com*.

SmallCo Resource Corner

By Michael Watanabe

The insurance industry and the actuarial profession are constantly evolving, and it takes a fair amount of time and effort to keep up with all the changes. At a smaller life insurance company, it's a challenge to efficiently use the limited resources available to stay abreast of what's going on in the industry and profession and apply our understanding of those changes to projects and work products.

To help you navigate the vast array of resources available to actuaries, the editors at *Small Talk* have created the SmallCo Resource Corner. In each issue of *Small Talk*, the Resource Corner will feature a new tool, document or source of information to increase awareness of the various resources an actuary can leverage. For the first Resource Corner, we are featuring the *Life & Health Valuation Law Manual* from the American Academy of Actuaries (*Valuation Law Manual*, or *LHVLM*).

The most important thing to remember about this manual is that it is *not* the *NAIC's Valuation Manual* (*NAIC VM*), which is a separate document and should be referred to when working on valuation work, such as principle-based reserving (PBR) or the current guidance for completing the Actuarial Opinion and Memorandum on reserves. The *LHVLM* contains more information than just comments on the *NAIC VM*. It also offers the current Actuarial Guidelines, information for filing the Actuarial Opinion and Memorandum in all 50 states, updates on changes in model laws and more.

> The *LHVLM* is valuable for actuaries at smaller insurance companies who are looking for a "one-stop shop" for statutory and regulatory information.

If you're familiar with the *LHVLM* and have purchased it through the American Academy of Actuaries for several years, you have likely noticed a bunch of changes from previous versions of the manual. One of the more noticeable changes to the 2019 edition is that the current manual does not drop in large documents that are hosted elsewhere, such as the *NAIC VM* in its entirety. The *LHVLM* instead adds comments on recent activity related to the *NAIC VM* and what proposed changes may or will be coming up in future versions of the *NAIC VM*. The current *LHVLM* also separates comments on recent activity and places them in the corresponding section by topic. (Previous versions of the *LHVLM* contained one moderately long narrative describing all the changes from the previous manual.)

Although the *LHVLM* is not a free or inexpensive resource, it is valuable for actuaries at smaller insurance companies who are looking for a "one-stop shop" for statutory and regulatory information. With this 1,900-page document, an actuary working on valuation topics toward the end of the year can:

- follow the link to the most recent *NAIC VM* to refer to VM-30 for the requirements for the Actuarial Opinion and Memorandum on reserves;
- read up on any recent or proposed changes to the *NAIC VM* that would affect a relevant block of business;
- review any or all actuarial guidelines that pertain to the blocks of business the actuary must opine on, along with comments related to any developments that have occurred in the past year related to those guidelines;
- quickly view any state variations in model laws or model law adoptions, along with the state reference where the model law can be found;
- find the contact information for any state in which a company needs to file the Regulatory Asset Adequacy Issues Summary;
- quickly review the applicability guidelines for Actuarial Standards of Practice for various topics; and
- review other online resources linked in the *LHVLM*.

Many issues in the actuarial profession and the insurance industry are evolving, and it's important for all actuaries to be cognizant of those developments by bringing attention to and making use of various resources at our disposal. The *Life & Health Valuation Law Manual* is one such tool, but there are many others out there. If you have a resource you'd like to see discussed and highlighted in the *Small Talk* newsletter, please let us know. Better yet, write about it and share it with us! ■

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