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**Session Number, Excuse Me, But Do you Speak Actuary?**

June 8, 2020



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

# Presentation Disclaimer

*Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.*

# Agenda

- Overview
- Introduce panel
- Communications
- Data
- Actuarial Services
- Non-traditional Actuarial Roles
- Questions

# Communications



## ASOP 41 Poll #1

You are asked a question about the changes in assumptions for last quarter's economic reserves via your company's internal Instant Messaging service. Is this an actuarial communication?

- A. Yes
- B. No
- C. Depends. Who is asking?

## ASOP 41 Poll #2

You are a consulting actuary and it is February 2020. You have been asked by a client how much you would charge the client to price a rider that provides rich Intensive Care Unit benefits with no limits on the number of days. The client only requested a best estimate for your expected charge, but you have heard rumblings of a new virus that may require a considerable amount of research and the standard data sources may not be sufficient. Should you:

- A. Disclose the uncertainty in your best estimate cost for the project because ASOP 41 told you to.
- B. Develop a range around your best estimate because ASOP 41 told you to.
- C. Provide your best estimate, because it's the best, and you are the best.
- D. Develop a range around your best estimate because you want to inform your client of the uncertainty of the scope of work, but ASOP 41 doesn't apply.

## ASOP 41 Poll #3

In your opinion, what information required by ASOP 41 is most relevant to an Actuarial Report impacted by COVID-19?

- A. Information Date of Report
- B. Subsequent Events
- C. Responsibility to Other Users
- D. Responsibility for Assumptions and Methods
- E. Other: Specify in chat box

# ASOP 41 – Actuarial Communications Key Takeaways

- Applicability
  - When are you providing an actuarial service?
  - Actuarial communication can be oral or written and is not necessarily “once and done”.
- Protecting against misuse or misinterpretation
  - Hard to control your work product
  - New players that may not be as familiar with terms – need for clarity
- Disclosures
  - Uncertainty and risks?
  - Reliances?
  - Responsibility?

# ASOP 41: Communications Study #1

Your company has been partnering with a vendor that provides an automated underwriting system for a recently developed product. The vendor provides a monthly report that you have been using to benchmark internal assumptions. Senior management would like to leverage your analytics to assess competitiveness. The vendor provided some documentation of the system.

- Is an actuarial report needed?
- Is the vendor documentation adequate for an actuarial report?
- Could it potentially be misused or misunderstood?
- What separate actuarial communication should you provide?

## ASOP 41: Communications Study #2

Your new manager is a big proponent of the Agile philosophy and encourages cross departmental collaboration in the development of assumptions. She suggests using wiki and discussion functionality on your company's collaboration platform in lieu of your normal pricing memo.

- Actuarial reports can be multiple documents. Is this the most appropriate format? Need to be clear which documents comprise the report.
- Would the “final” assumptions be clear such that another actuary be able to reasonably follow? Are the dates clear?
- How would you protect against misuse?
- Would it be clear who the responsible actuary(-ies) are?

# Data



## ASOP 23 Poll #1

As an actuary, what is the source of the data with which you have the most concerns?

- A. Internal systems (claims, admin, etc.)
- B. Third-party vendors (distribution partners, consultants, etc.)
- C. Industry studies
- D. Other

# ASOP 23 – Data Quality Key Considerations

Actual ASOP is only 7 pages

Important aspects of data use include documentation and disclosure of:

- the sources of data;
- review of data;
- limitations, biases, and implications;
- adjustments or corrections made to the data;
- the extent of reliance on data supplied by others.

Typically, actuaries do not audit data.

## ASOP 23: Data Case Study #1

Your company's leadership team has decided to partner with a young start up to replace its claims system. The actuaries were excluded from the early phases of the implementation. You, the valuation actuary, have now been included and you quickly identified concerns about the availability of data needed to calculate reserves.

- What next steps should this actuary take?
- Is stating reliance enough?
- Can we supplement the data?
- Is there another approach to the reserve calculation?

## ASOP 23: Data Case Study #2

You partnered with a company to provide a risk scoring metric to augment your pricing. In the rate filing process you receive pushback on the justification for the rate adjustments. Your analysis shows that the rate assumptions are a stretch, but anything less would lead to a negative ROI on the scoring metric. These conversations were had internally prior to signing the agreement but other leaders insisted that they should move forward. You are in a tough spot with the regulator.

- New data sources present a particular challenge
- What should/can be done with respect to this filing?
- To what extent can the third-party be included?
- What could the actuary have done (maybe they did) in the process of setting the rates?

# Actuarial Services



## Actuarial Services Poll #1

You are a Fellow of the SOA and a Member of the AAA. Your employer is a new life insurance carrier. Based on your knowledge of mortality rates, you present a formal proposal to senior management to enter a new market segment. Is your presentation and associated report subject to actuarial standards of practice?

- A. Yes, in all cases
- B. Yes, if your presentation or report includes actuarial assumptions
- C. No

## ASOP 1: “Actuarial Services”

Professional services provided to a “principal” by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based on actuarial considerations.

*A “principal” is a client or employer of the actuary*

## Actuarial Services Poll #2

A friend of yours owns a marketing firm. You agree to introduce your friend to your new employer, an insurance carrier. Your friend makes a statement that rate comparisons produced by the marketing firm is actuarial work. Is this person and/or their statements subject to Actuarial Standards of Practice?

- A. Yes
- B. No

# Actuarial Services Case Study

You are a credentialed actuary that has served as CFO of a small life insurance company for the last 12 months. The company was recently put up for sale and you are participating in a phone conference to discuss the purchase price. The buyer is aware of your actuarial background and asks that you opine on a specific mortality assumption.

- Consideration #1: Who created the mortality assumption and what is your experience level with the work performed?
- Consideration #2: In what format will you provide a response, if any?
- Consideration #3: Who is your audience?
- Consideration #4: What should you consider from a business perspective?

# Non-traditional Actuarial Roles



## Non-traditional Actuarial Roles Poll

Do you work in a non-traditional actuarial role, including within new companies (e.g., InsurTech, technology companies, etc.) or existing carriers (market analytics, data science, etc.)?

- A. Yes
- B. No, but I frequently work with other actuaries that are in non-traditional roles
- C. No, and I typically do not work with other actuaries in non-traditional roles

## Non-traditional Actuarial Roles

- Predictive Analytics
- Competitive Intelligence
- Finance, Accounting, Marketing, Sales, etc.
- Software Development / Programming
- Most Importantly –
  - What does your own personal journey look like?

# Questions?



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