



CROSS-PRACTICE ISSUES

Alert No. 2017-CP-14

August 11, 2017

Academy Presents on Public Policy and Professionalism at NAIC Summer National Meeting

The Academy presented on both public policy and professionalism matters at the National Association of Insurance Commissioners (NAIC) 2017 Summer National Meeting Aug. 6-9 in Philadelphia, PA. A wide range of public policy topics across the Academy's practice areas were covered at the meeting, including: health insurer cost-sharing reduction (CSR) reimbursements, principle-based reserving for life insurance and other products, Long-Term Care Insurance (LTCI), the availability and affordability of automobile insurance, and reauthorization of the National Flood Insurance Program.

Academy representatives also made several professionalism presentations at the meeting. Past President Mary D. Miller, Actuarial Board for Counseling and Discipline (ABCD) member Janet Carstens, and Actuarial Standards Board (ASB) Chairperson Maryellen Coggins presented professionalism updates to the NAIC life, health, and casualty actuarial task forces. The presenters, joined by Committee on Qualifications (COQ) member Tom Campbell, also updated regulators on recent developments in professionalism at a well-attended regulator-only professionalism breakfast sponsored by the Academy on August 6. ASB Chairperson Maryellen Coggins announced that the ASB is forming a task force on Big Data to review current standards, and Mary D. Miller updated the regulators on the Attestation Form released by the Academy in early 2016, which over 1,800 unique users have accessed and used since its inception.

Presentations and reports made by Academy volunteers at the meeting included:

Casualty

- Lisa Slotznick, chairperson of the Committee on Property and Liability Financial Reporting (COPLFR), provided the Casualty Actuarial and Statistical (C) Task Force (CASTF) with an update on recent committee activity. Included in her presentation were reports on COPLFR projects, such as the P/C Loss Reserve Law Manual and annual practice note, and an impending retained risk practice note exposure draft. She also provided an update on the Academy's Schedule P survey, which has been sent to 95 potential respondents.

- Jim MacGinnitie, Academy senior property casualty fellow, updated CASTF with a Casualty Practice Council (CPC) report, including the Academy's predictive modeling session at the NAIC's [Insurance Summit](#) in May, and a report on the CPC's planned projects, such as a travel insurance monograph and a catastrophe modeling white paper.
- Lauren Cavanaugh, chairperson of the Academy's P/C Risk-Based Capital Committee, spoke to the NAIC's Investment Risk-Based Capital (E) Working Group on the [joint letter](#) from the Academy's P/C RBC Committee and the Health Solvency Subcommittee.

Health

- Shari Westerfield, vice president for Health, gave an update to the Health Actuarial (B) Task Force on the Academy's recent public policy work at the federal, state, and international levels.
- Laurel Kastrup, chairperson of the Academy's Health Financial Reporting and Solvency Committee, provided an update on the Academy's recent Long-Term Care (LTC) activities to the Long-Term Care Actuarial (B) Working Group, including continuing work on LTC issue briefs and updates on work group activities surrounding LTC Valuations and LTC Combo Valuations.

Life

- Mary Bahna-Nolan, chairperson of the Academy's Life Experience Committee and SOA Preferred Mortality Oversight Group, presented on the [Guaranteed Issue Report and Amendment Proposal](#), as well as [the PBR Valuation Considerations and Recommendations](#) related to accelerated underwriting to the NAIC's Life Actuarial (A) Task Force (LATF). She also gave a presentation on the [2017 simplified issue composite mortality tables](#) to LATF.
- Tricia Matson, chairperson of the Longevity Risk Task Force, [presented an update](#) on the group's most recent work to the NAIC's Life Risk-Based Capital (E) Working Group.
- John R. Miller and Chris Conrad, co-chairpersons of the Annuity Reserves Work Group [presented](#) on its work pertaining to non-variable annuities to LATF.
- Wayne Stuenkel, chairperson of the Academy's C2 Life Mortality RBC Work Group, [presented an update](#) to the Risk-Based Capital (E) Working Group on the C2 Work Group's ongoing work reviewing the current NAIC C-2 risk-based requirement for life insurance.

Other highlights from the NAIC meeting:

Casualty

- The Cybersecurity (EX) Working Group [approved a proposed data security model law](#) that would require insurers with more than ten employees to implement an information security program that would be based on a licensee's risk assessment and would be commensurate with the company's size and complexity.
- The Auto Insurance (C/D) Working Group voted to move forward with a [data collection call](#) that was proposed in order to determine if average auto insurance premiums vary between ZIP codes. [Comments received and discussed](#) by the group revealed disagreement among insurers and consumer groups over how and whether to collect such data.

- The Surplus Lines (C) Task Force adopted its [2018 proposed charges](#).
- The Property and Casualty Risk-Based Capital (E) Working Group:
 - adopted [agenda item 2016-10-P](#) (2018 Revised R3 Implementation).
 - adopted the [2017 property/casualty \(P/C\) RBC newsletter](#).

Cross-Practice

- The Executive (EX) Committee and Plenary adopted [technical edits](#) to the *Investments of Insurers Model Act (Defined Limits Version)* (#280).
- The Financial Regulation Standards and Accreditation (F) Committee:
 - adopted the 2014 revisions to the [Annual Financial Reporting Model Regulation \(#205\)](#) as an update to the Part A: CPA Audits accreditation standard, effective Jan. 1, 2020.
 - exposed [proposed revisions](#) to the Review Team Guidelines that provide guidance related to Own Risk and Solvency Assessment filings, with a comment deadline of Sept. 5
 - exposed [proposed revisions](#) to the Review Team Guidelines and the Self-Evaluation Guide/Interim Annual Review Form to incorporate the new risk-focused analysis process that becomes effective Jan. 1, 2018, with a comment deadline of Sept. 5.
- The Group Capital Calculation (E) Working Group exposed an [NAIC staff memorandum](#) on the treatment of captives in the group capital calculation, with a comment deadline of Sept. 5
- The Financial Stability (EX) Task Force appointed a [new Liquidity Assessment \(EX\) Subgroup](#) with the following charges: “The Liquidity Assessment (EX) Subgroup will: Review existing public and regulator only data related to liquidity risk, identify any gaps based upon regulatory needs, and propose the universe of companies to which any recommendations may apply. Construct a liquidity stress testing framework proposal for consideration by the Financial Condition (E) Committee, including the proposed universe of companies to which the framework will apply, (e.g., large life insurers).”
- The Statutory Accounting Principles (E) Working Group [exposed](#) *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, and *SSAP No. 62R—Property and Casualty Reinsurance and Appendix A-791 – Life and Health Reinsurance*, with a comment deadline of Sept. 22.
- The Investment Risk-Based Capital (E) Working Group discussed [comment letters](#) received related to the Academy’s [June 8 report](#) with updated bond factors and portfolio adjustment factors.

Health

- The Executive (EX) Committee and Plenary adopted [New Actuarial Guideline—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves](#).
- The Health Actuarial (B) Task Force:
 - adopted [its proposed 2018 charges](#).
 - discussed [uncertainty surrounding cost-sharing reduction \(CSR\) payments](#) from the federal government, with states expressing alarm at impending deadlines for final decisions on 2018 plans.

- The Health Risk-Based Capital (E) Working Group adopted the [2017 Health Risk-Based Capital newsletter](#) with an editorial modification.
- The NAIC/Consumer Liaison Committee heard [updates from states](#) on market stabilization efforts, including measures such as [HB 2342](#) in Oregon that would allow for emergency market stabilization rules that do not comply with the state insurance code in the event of any federal legislation or decisions that state officials determine to be a threat to insurance market stability or the health of state residents.
- The Statutory Accounting Principles (E) Working Group exposed [SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act](#), with a comment deadline of Sept. 22.

Life

- The Executive (EX) Committee and Plenary adopted:
 - [Amendments](#) to *Actuarial Guideline XXXVIII—The Application of the Valuation of Life Insurance Policies Model Regulation* (AG 38).
 - [Amendments](#) to *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation* (Model #830) (AG48).
 - [Amendments](#) to the *Valuation Manual*.
 - [Amendments](#) to the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805).
 - the [2009 Revisions](#) to the *Standard Valuation Law* (#820) as an Addition to the Part A Accreditation Standards.
- The Life Risk-Based Capital (E) Working Group adopted:
 - the [2017 life and fraternal risk-based capital \(RBC\) newsletters](#).
 - its [2017 working agenda](#).
- LATF:
 - adopted the [VM-20 default cost tables](#) updated using data through December 2016.
 - adopted [amendment 2017-6](#) to revise the VM to point to VM-22 for the minimum requirements for fixed annuity contract valuation interest rates.
 - adopted [amendment 2017-42](#) to provide a guidance note to clarify what is intended by “expected claims” in VM-20 Section 9.C.2.d.
 - exposed the Academy’s Life Experience Committee and Society of Actuaries (SOA) Preferred Mortality Oversight Group’s (Joint Committee) [recommendation for accelerated underwriting data elements](#) for expanding VM-51, Experience Reporting Formats, with a comment deadline of Nov. 7.
 - exposed the Academy and SOA Joint Committee [2017 Guaranteed Issue Mortality Tables Report](#), the guaranteed issue mortality tables and an accompanying amendment proposal for incorporating the mortality tables into the VM, with a comment deadline of Sept. 21.
 - exposed the Academy and SOA Joint Committee [2017 Simplified Issue Mortality Tables Report, the simplified issue mortality tables and an accompanying definition for simplified issue](#), with a comment deadline of Sept. 21.
 - exposed the [2018 Generally Recognized Expense Tables \(GRET\)](#), with a comment deadline of Sept. 7.

- exposed the [VM-20 investment spread tables](#) for the second quarter of 2017, with a comment deadline of Aug. 22.
- exposed amendment [2017-60](#) to move common definitions from various VM sections to VM-01, Definitions for Terms in Requirements, with a comment deadline of Aug. 29.
- exposed amendment [2017-61](#) to revise certain VM definitions, with a comment deadline of Sept. 7.
- exposed a revision to amendment [2017-14](#) to propose a clarification of the simplifications and approximations and add a guidance note, with a comment deadline of Aug. 29.
- exposed amendment [2017-45](#) to clarify how acceptable economic scenario subsets are generated, with a comment deadline of Aug. 29.
- exposed amendment [2017-62](#) to provide clarifying language regarding policies subject to PBR, with a comment deadline of Aug. 29.
- exposed amendment [2017-50](#) to address an inconsistency between definition of weighted average life in 9.F.2.c and its use in Table J, with a comment deadline of Aug. 29.
- exposed amendment [2017-55](#) to propose clarifying changes to VM-51 Section 2B2a, Appendix 2, Appendix 4, with a comment deadline of Aug. 29.
- exposed the VM Review Drafting Group [response to questions](#) submitted by state insurance regulators and industry, with a comment deadline of Oct. 17.

If you have any questions regarding this *Academy Alert*, please contact Bill Rapp, assistant director of public policy (rapp@actuary.org; 202-785-6929).

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