



AMERICAN ACADEMY of ACTUARIES

Casualty Practice Council Cycle Report
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October 2009

CASUALTY PRACTICE COUNCIL HIGHLIGHTS

- In May, the Property & All Other Lines and Auto Insurance Subcommittees provided the Property and Casualty Insurance and Market Regulation and Consumer Affairs Committees of the National Association of Insurance Commissioners (NAIC) with a [joint statement](#) to supplement their earlier comments on the issues discussed by the interested parties at an April hearing.
- Also in May, the Committee on Property & Liability Financial Reporting (COPLFR) provided [feedback](#) to the Casualty Actuarial and Statistical Task Force (CASTF) of the NAIC regarding the possibility of including a requirement in the 2010 Annual Statement Instructions for appointed actuaries to express an opinion in the Statement of Actuarial Opinion on premium deficiency reserves.
- In June, the CPC sent a letter to the Actuarial Standards Board (ASB) noting that the Casualty Actuarial Society had recently requested that the ASB consider creating an actuarial standard of practice (ASOP) on the property/casualty ratemaking. The CPC requested that it consider including a discussion of “actuarially sound” rates if the ASB chose to undertake such a project.
- In June, COPLFR also [commented](#) on the ASB’s exposure draft of revised Actuarial Standard of Practice No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*.
- In July, the Property & All Other Lines and Auto Insurance Subcommittees provided the Property/Casualty Committee of the National Conference of Insurance Legislators (NCOIL) with [comments](#) on the “extraordinary life circumstances” amendment being considered for inclusion in the committee’s insurance scoring model act.
- Also in July, the Natural Catastrophe Subcommittee of the Extreme Events Committee provided NCOIL’s Subcommittee on Natural Disaster Insurance Legislation with [comments](#) on its proposed system for public-private natural catastrophe financing.
- Mary Frances Miller, a member of the CPC, co-authored an [article](#) that appeared in the August issue of *Actuarial Review*. The article addressed issues raised by the Casualty Actuarial Society’s Board of Directors’ recent approval of changes to the Casualty Actuarial Society (CAS) Syllabus. The changes will go into effect in 2011. The article alerts CAS members and

candidates that the revised exam requirements for Associateship in the CAS require them to either pass the *Advanced Reserving, Reinsurance, and ERM Exam* or cover the reinsurance topic at the same level of mastery through alternative education.

In addition to the items set forth above, the CPC is actively pursuing the integration of the public policy initiatives outlined in the Academy's strategic plan.

OPERATIONAL PLAN HIGHLIGHTS:

2.3.1 Members as target audience (education and training program for our members, to facilitate their participation in the public policy debate)

Priority: 1

In June, COPLFR commented on the Actuarial Standards Board's exposure draft of revised Actuarial Standard of Practice No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*.

Mary Frances Miller, a member of the CPC, co-authored an article that appeared in the August issue of *Actuarial Review*. The article addressed issues raised by the CAS Board of Directors' recent approval of changes to the CAS Syllabus. The changes will go into effect in 2011. The article alerts CAS members and candidates that the revised exam requirements for Associateship in the CAS require them to either pass the *Advanced Reserving, Reinsurance, and ERM Exam* or cover the reinsurance topic at the same level of mastery through alternative education.

2.2.2 Identify key bodies with which the Academy should establish meaningful relationships and establish priorities. (Review and evaluation of the policy-making bodies we should target for an awareness campaign.)

Priority: 2

In May, the Property & All Other Lines and Auto Insurance Subcommittees provided the Property and Casualty Insurance and Market Regulation and Consumer Affairs Committees of the NAIC with a joint statement to supplement their earlier comments on the issues discussed by the interested parties at an April hearing.

Also in May, COPLFR provided comments to the CASTF of the NAIC regarding the possibility of including a requirement in the 2010 Annual Statement Instructions for appointed actuaries to express an opinion in the Statement of Actuarial Opinion on premium deficiency reserves.

In July, the Property & All Other Lines and Auto Insurance Subcommittees provided the Property/Casualty Committee of NCOIL with comments on the "extraordinary life circumstances" amendment being considered for inclusion in the committee's insurance scoring model act.

Also in July, the Natural Catastrophe Subcommittee of the Extreme Events Committee provided NCOIL's Subcommittee on Natural Disaster Insurance Legislation with comments on its proposed system for public-private natural catastrophe financing.

The Flood Insurance Subcommittee is finalizing its work on a monograph that will discuss the origins, structure, and purpose of the National Flood Insurance Program (NFIP). It will also address the ongoing viability of the NFIP and provide recommendations for its continued efficacy in light of the program’s looming expiration and need for overhaul.

The CPC is continuing to foster relationships with standard-setting bodies such as the Financial Accounting Standards Board and the NAIC, and to monitor the activities of the Governmental Accounting Standards Board, and the International Accounting Standards Board for possible opportunities for relationships.

The NAIC has asked the P/C Risk-Based Capital Committee to revisit its comments regarding a possible trend test for property/casualty risk-based capital. That project is ongoing.

5.2.2 Represent the profession to other national and international organizations with respect to areas in our mission.

Priority: 2

The Executive Committee recently declined a request by the CPC to develop a cross-practice area informational document on issues relating to “actuarially sound rates.” The CPC intends to work with VP Jim Rech and the rest of the Financial Reporting Council to explore the possibility of a cross-council project aimed at policymakers.

Additionally, the CAS has asked the ASB to create a standard of practice on casualty ratemaking. The CPC recently requested that the ASB consider including a definition of actuarially sound rates within such a standard of practice.

PUBLICATIONS

The following Casualty Practice Council publications have recently been issued:

<u>Publication</u>	<u>Audience</u>	<u>Publication Date</u>
Comment letter by COPLFR regarding the Actuarial Standards Board’s exposure draft of revised Actuarial Standard of Practice No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	ASB/interested parties	June 12, 2009
Article in August issue of <i>Actuarial Review</i> , co-authored by Mary Frances Miller, on the CAS Board of Directors’ recent approval of changes to CAS Syllabus	Casualty actuaries	August 2009