



SOCIETY OF
ACTUARIES®

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2024 SOA VALUATION
ACTUARY MEETING

August 25–28 | New York, NY

A for AA: Asset Focused Areas for the Appointed Actuary

Moderator:

Ken Griffin; MAAA, ASA, CFA

Presenters:

Dave Bulin; MAAA, FSA

Andrew Phillips; MAAA, FSA, CERA

Theresa Resnick; MAAA, FSA

SOA 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.

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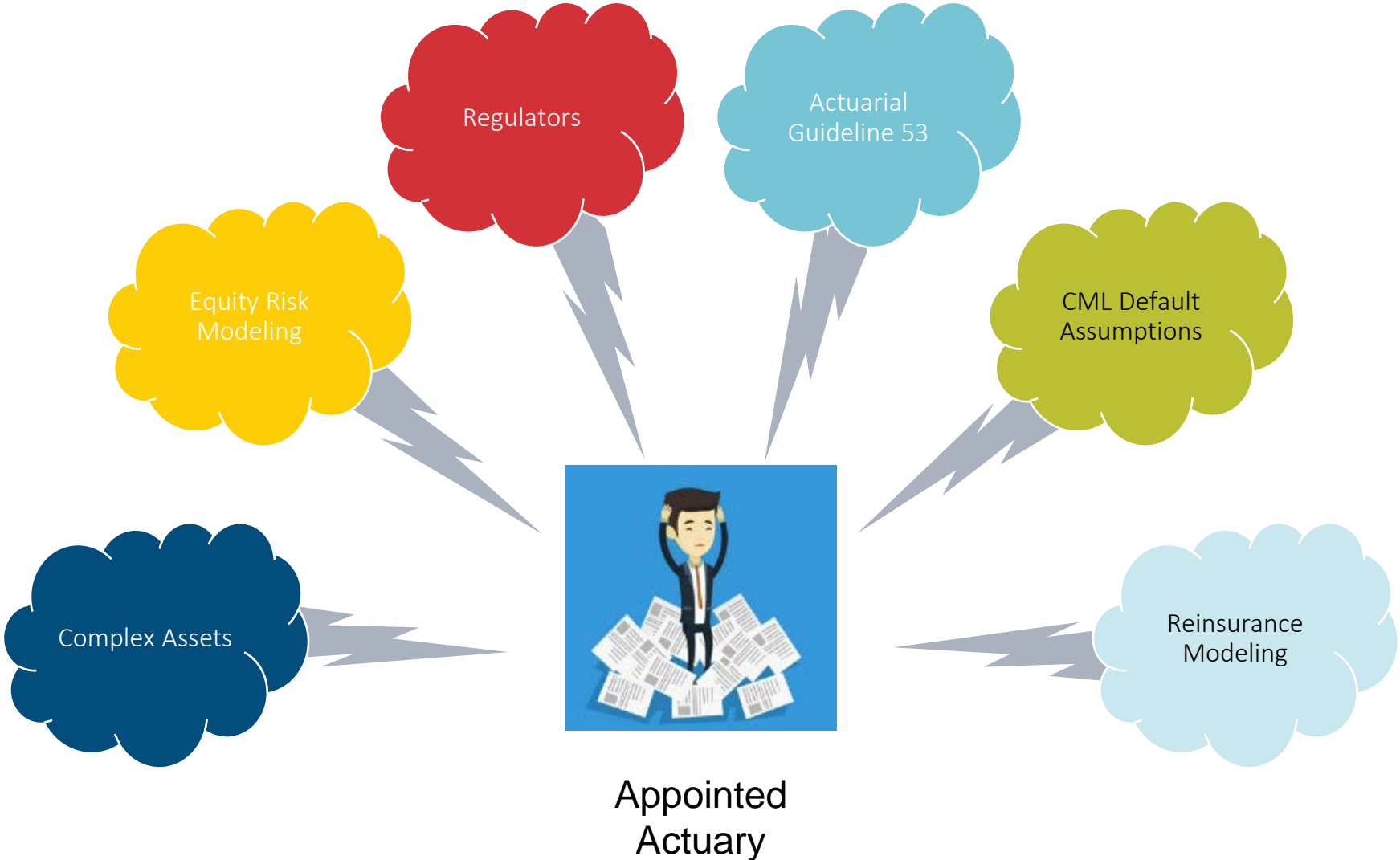


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Demands on Appointed Actuaries are Intensifying



NAIC Framework for Insurers Investments

- Core Principle #6
 - The **ultimate responsibility for prudent investment oversight is with the insurers themselves**, notwithstanding any of the work done to bolster regulatory resources and oversight over-reliance on credit rating providers (CRPs). This responsibility should not be “outsourced” to CRPs or the regulators.

AAT Practice Note Update

- Last updated in 2017, expected to be published late-2024, early 2025
- Section F covers asset modeling
- Much has changed with insurer investments over last seven years
- Current draft still in review – material subject to change

AAT Practice Note Update (cont'd)

- General Topics
 - Embedded options incorporated
- Projections
 - Software platforms, especially assets
 - Model risk management (ASOP No. 56)
 - How is asset strategy modeled / reflected?
 - Liquidity Extracontractual actions

AAT Practice Note Update (cont'd)

- Assumptions
 - Increased discussion of assumptions for complex assets
 - Reinvestment portfolio assumptions
- Asset-specific
 - Overview and risk discussion of specific asset classes
 - Includes CMLs, CMBS, RMBS, CLOs, ABS, equity-like assets, derivatives

“Living into it” Requires Judgement

- “Word Problems are fun and easy.” – Don Mattson
- “Deal with it.” – Charlie Martin
 - Integrate the direction and resources into the situation to achieve an appropriate outcome
- “Would you sign it?” – Theresa Resnick (and many others)
 - Intelligently Informed, Logically Sound and Internally Consistent

Real World Examples

- Can I aggregate assets or must they be projected seriatim?
 - Sophistication in Modeling
 - Does cost benefit apply? Am I getting better information?
 - Liability Lens
 - Example – Equity Modeling

Real World Examples

- How do I set a margin for credibility vs moderately adverse?



- Example – Leverage AG 53
 - Can “expected” be determined and projected? If not, guidance is to add margin
 - How sophisticated is the projection capabilities? If not, guidance is to add margin
 - What is the extent of the exposure to the risk? Does “moderately adverse” apply if little to no exposure?
 - How sensitive is the assumption to results? If critical to change in surplus, guidance is to add margin
 - What is the aggregate margin applied?
 - How does the adequacy scenario affect margin development?
 - When is the margin more than moderately adverse?

Real World Examples

- What if my judgement changes year over year?
 - Keep asking questions!
 - New Facts
 - Deeper Understanding
 - Reconciliations- year over year and actual to expected
 - Transparency
 - Example – Spread Assumption Development Consistent with Spread Modeling

Questions?

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- Add Evaluation link