

P/C POST-NAIC UPDATE— SPRING 2017



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Today's Agenda & Speakers

- Rade Musulin, MAAA, ACAS—Vice-President, Casualty Practice Council
 - Flood Insurance
- Lisa Slotznick, MAAA, FCAS—Chairperson, COPLFR
 - CASTF, RBC
- Kris DeFrain, MAAA, FCAS, CPCU—Director, Research and Actuarial Department, NAIC
 - Auto Insurance, Terrorism Risk Insurance, Big Data



The Academy

- The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.



CASUALTY ACTUARIAL STATISTICAL TASK FORCE & RISK-BASED CAPITAL



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Casualty Actuarial & Statistical (C) Task Force

- Continues to address regulatory issues in both ratemaking, and financial reporting and evaluation contexts; and to issue annual statistical studies
- Increased attention to evaluation of more sophisticated ratemaking models (GLM/Predictive Modeling), including regulator training
- http://www.naic.org/cmte_c_catf.htm



CASTF: Financial Reporting

- Considering a proposal to require appointed actuary to submit qualifications for signing the opinion to the board of directors
 - http://www.naic.org/documents/cmte_c_act_opin_wg_actuary_qual_proposal_170210.pdf
 - Proposal includes provision to use the Academy's attestation form as a means of fulfilling documentation of qualifications.
 - <http://attest.actuary.org/#/>
- Approved proposal for updated SAO and AOS instructions



CASTF: Ratemaking

- CASTF comments on ASOP Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding
 - ▣ http://www.naic.org/meetings1704/cmte_c_catf_2017_spring_nm_materials.pdf?1492533870276
- CPC is also providing comments on this ASOP



CASTF: Ratemaking

- Regulator survey on review of generalized linear models (GLMs) in rate filings
 - Preliminary results of survey
http://www.naic.org/meetings1704/cmte_c_catf_2017_spring_nm_materials.pdf?1492533870276
- Regulatory training for predictive modeling
 - Academy sessions at NAIC's Insurance Summit in May
http://www.naic.org/insurance_summit/index.htm



CASTF and the American Academy of Actuaries

- Statements of Actuarial Opinion (SAO) for Property/Casualty and Title Blanks
 - In response to continuing concerns of regulators seeking well-written SAOs and practitioners wanting to learn how to write good SAOs
 - Opinion writers seminar December 7 & 8, 2017
 - <http://www.actuary.org/content/2016-seminar-effective-pc-loss-reserve-opinions>
 - SAO practice note (including the regulatory guidance note)
 - http://www.actuary.org/files/publications/COPLFR_2016_Loss_Reserve_Practice_Note.pdf
 - P/C Loss Reserve Law Manual
 - <http://www.actuary.org/category/publications/pc-loss-reserve-law-manual>
 - The Academy provides specific comments to regulators on language in instructions

Relevant NAIC Committees

- Property and Casualty Risk-Based Capital (E) WG
http://www.naic.org/cmte_e_prbc.htm
- Catastrophe Risk (E) Subgroup
http://www.naic.org/cmte_e_cat_risk_sg.htm
- Investment Risk-Based Capital (E) Working Group
http://www.naic.org/cmte_e_investment_rbc_wg.htm
- Operational Risk (E) Subgroup
http://www.naic.org/cmte_e_op_risk_sg.htm



Property and Casualty Risk-Based Capital (E) WG

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- Academy previously submitted report to recommend updated P/C Underwriting Risk Factors
http://www.actuary.org/files/publications/PC_RBC_UWFactors_10282016.pdf
- Recommendation involves a new calibration methodology, based on research done by Academy and CAS work groups
- The proposed methodology refines certain features of the current methodology, and adds other features to promote stability and remove bias from the resulting factors



Property and Casualty Risk-Based Capital (E) WG

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- Accepted the Academy recommended approach
- Exposed for comment specific Underwriting Risk factors related to premiums and reserves based upon the Academy approach (comments due May 8)
 - http://www.actuary.org/files/publications/PC_RBC_UWFactors_10282016.pdf



Operational Risk Subgroup

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- Oct. 17, 2016 exposure draft proposed add-on of 3% of RBC
- Academy (P/C and Health) response letter Dec. 19, 2016
 - Supported exposure draft
 - Discussed the overlap between operational risk charge and risk charges already included
 - http://www.actuary.org/files/publications/NAIC_OR_Comments_121916.pdf
- Academy's Life Operational Risk Work Group provided a separate response letter on Dec. 19
- Additional exposure draft for actual implementation of the proposal of a similar factor exposed with comments due May 4
 - http://www.naic.org/documents/cmte_e_op_risk_sg_exposure_op_risk_factor.pdf
- Subgroup will be looking into growth operational risk in 2017



Other Relevant RBC Issues

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- Catastrophe Risk Factors – exposed plan to implement the catastrophe risk charge with comments due May 7
 - http://www.naic.org/documents/cmte_e_cat_risk_sg_exposure_1704cr.pdf
- Investment Risk Factors –
 - exposed plan to increase bond categories from 6 to 20 with comments due May 26
 - http://www.naic.org/documents/cmte_e_cat_risk_sg_exposure_1704cr.pdf
 - increasing consistency across statement types



AUTO INSURANCE, TERRORISM RISK INSURANCE & BIG DATA



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Auto Insurance Working Group

- ▣ Potential to Collect Data
 - NAIC Study
 - Statistical Agents and/or NAIC data collection
 - Aim of Study – Affordability and/or Rate Justification
 - Uniformity of Data Calls



Terrorism Insurance Working Group

- Data Call
 - Availability and Affordability
 - Assessing insurers' financial exposure to terrorism risk
- In 2017, the NAIC will collect data from insurers for 2014 & 2015



Data Calls

- Industry Concerns with Data Calls
 - Need Coordination
 - Need (Voluntary) Standards – Purpose of Data Calls
- Consumer Concerns with Data Calls
 - Regulators need Regular, Granular, Transactional Data
 - Would reduce the number of individual data calls



Big Data Working Group

- Three Main Activities:
 - Review the Regulatory Framework around marketing, rating, underwriting, data vendor, regulatory reporting, and consumer disclosure
 - Share state resources in technical reviews (modeling)
 - Assess data needs/tools for regulators to do their jobs
- Work Plan was presented at the Fall National Meeting



FLOOD INSURANCE



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Flood Insurance - Congress

- Authorization for the National Flood Insurance Program expires on September 30; it must be renewed before then or program will lapse
- The U.S. House Committee on Financial Services has begun a series of hearings
- Legislative action expected this summer/fall



Flood Insurance - NAIC

- ❑ The NAIC has adopted a resolution calling for timely renewal of the NFIP's authority
- ❑ The NAIC supports legislation facilitating a larger role for private sector insurers in the flood market
- ❑ Catastrophe Insurance (C) Working Group – NFIP data



Flood Insurance - Academy

- The Academy's Flood Insurance Work Group has issued a new monograph on the NFIP
 - <http://www.actuary.org/files/publications/FloodMonograph.04192017.pdf>
- The monograph identifies and discusses a number of issues, including
 - Financing options for losses from mega-storms
 - Private sector flood coverage
 - Impact of rising sea levels



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Q&A



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