



Professionalism and COVID-19

Committee on Professionalism Education

BASE Spring 2021 Meeting

April 19, 2021

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Legal Disclosure

The views expressed by the panelists are their own and may not necessarily reflect those of their respective employers.



December 2020 – Repeal of Statement of Principles

Code of Conduct: Precept 3

-requires adherence to “Actuarial
Standards of Practice” specifically

Rates are not excessive,
inadequate, or unfairly
discriminatory (by state statute)

Push back from NAIC

CAS Board continues to discuss &
receive feedback





Corona Virus Disruptions



Corona Virus Disruptions: Operations

- 01 What is the impact to the P&C Company ...?
- 02 What is the impact on cash flow...?
- 03 What about Social Security and Pensions...?
- 04 How will surplus assets be impacted, both short and long term ...?
- 05 How will policy audits be impacted...?
- 06 What about reinsurance contracts...?
- 07 What about the changing laws and regulatory environment...?

Corona Virus Proximate Impacts

HEALTH

WORKERS' COMPENSATION

LIABILITY

CYBER LIABILITY

AUTOMOBILE

PROPERTY

We now have (some) data!

NAIC

- Actuarial Opinion

Auditors

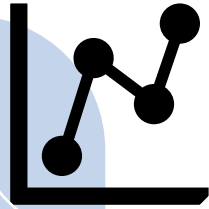
- Specific Questions

Ongoing

- More Data

COVID-19 Meets the ASOPs

Professionalism
Documents
provide
guidance



Claims, Cash Flow,
Court Hearings



Changing
Operations



Immediate and
Long Term Impacts



ASOP 1

Introductory Standard of Practice



ASOP 1 -Introductory Standard of Practice

- Section 3. Purpose and Format of Actuarial Standards of Practice
 - 3.1 The Purpose of ASOPs—ASOPs identify what should be considered, done, documented, and disclosed when rendering actuarial services.



ASOP 23

Data Quality





“Trouble Ahead. Trouble Behind.”

- ASOP 23 (Data Quality) addresses issues caused by changes in data caused by changing conditions.
- Nobody has definitively determined the impact of the pandemic on insurance company data.
- Is past data useless for projecting current losses?
- Is current data useless to protect future losses?



ASOP 23 and COVID-19

- Section 2 defines - “Review” - “An examination of the obvious characteristics of data to determine if such data appear reasonable and consistent for purposes of the assignment”.
- Section 3.3- Review of Data
 - If the actuary performs a review, the actuary should do the following:
 - b. make a reasonable effort to identify data values that are questionable or **relationships that are significantly inconsistent**. If the actuary believes questionable or inconsistent data values could have a significant effect on the analysis, the actuary should consider taking further steps, when practical, to **improve the quality of the data**.



ASOP 23 and COVID-19

- 4.1 Communication and Disclosure

- Such communication should contain the following disclosures when relevant and material:

- 4.1 e. in summary form, discussions of any significant steps the actuary has taken to improve
- the data due to identifying questionable data values or relationships, as discussed in
- section 3.3(b);
- 4.1 f. in summary form, significant judgmental adjustments or assumptions that the actuary
- applied to the data or to the results, or are known by the actuary to have been applied
- to the data, to allow the actuary to perform the analysis, as discussed in section 3.4(c);



ASOP 23 and COVID-19

- Sec 3.4 Use of Data—Because appropriate data that are accurate and complete may not be available, the actuary should make a professional judgment about which of the following are applicable:
 - If the actuary judges that the use of the data, even with adjustments and assumptions applied, may cause the results to be highly uncertain or contain a significant bias, the actuary may choose to complete the assignment but should disclose the potential existence of the uncertainty or bias, and, if reasonably determinable, the nature and potential magnitude of such uncertainty or bias, in accordance with section 4.1(g).
 - Alternatively, the actuary may compensate for the data deficiencies by adjusting the results, such as by increasing the range of reasonable estimates, and disclose the adjustments, in accordance with section 4.1(f);



ASOP 41

Actuarial Communications



ASOP 41 and COVID-19

- 3.4.1 Uncertainty or Risk—The actuary should consider what cautions regarding possible uncertainty or risk in any results should be included in the actuarial report.
 - For example, If they believe that there has been a “slow down” in claims reporting and payment, the actuary may well assume that there will be a period of “catch up” (lasting perhaps several years). The current accident period(s) will likely be under-projected using historical data.
 - What is the actuary to do?



ASOP 41 and COVID-19

- 3.4.6 Subsequent Events—The actuary should disclose any relevant event that meets the following conditions:
 - a. it becomes known to the actuary after the latest information date described in section 3.4.5;
 - b. it becomes known to the actuary before the report is issued;
 - c. it may have a material effect on the actuarial findings if it were reflected in the actuarial findings; and
 - d. it is impractical to revise the report before it is issued.



ASOP 41 and COVID-19

- If the actuary learns of changes to data or other information (on or before the information date) after some findings have been communicated, but before the report is completed, the actuary should communicate those changes, and their implications, to any intended user to whom the actuary has communicated findings.
 - Is the “catch up” period a “subsequent event” per 3.4.6 c.?
 - Do you already know the NEXT year’s review will reveal this “subsequent event”?



ASOP 41 and COVID-19

- **3.5 Explanation of Material Differences**—If a later actuarial communication produced by the same actuary, which opines on the same issue, includes materially different results or expresses a different opinion from the former communication, then the later communication should make it clear that the earlier results or opinion are no longer valid and explain why they have changed. If the later communication is oral, the actuary should follow-up with a document that clarifies the reason(s) for the changes.
- **If you already know that ultimates will change significantly next year, do you need to disclose the probability of “material differences” BEFORE they happen?**



ASOP 41 and COVID-19

- **3.7 Responsibility to Other Users**—An actuarial document may be used in a way that may influence persons who are not intended users. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse of such a document and should take reasonable steps to ensure that the actuarial document is clear and presented fairly. To help prevent misuse, the actuary may include language in the actuarial document that limits its distribution to other users (for example, by stating that it may only be provided to such parties in its entirety or only with the actuary’s consent).
- **Shareholders/investors rely on the findings in the report?**



ASOP 43

Property/Casualty Unpaid
Claim Estimates



ASOP 43 and COVID-19

- **3.5 Nature of Unpaid Claims**—The actuary should have an understanding of the nature of the unpaid claims being estimated... The actuary need not be familiar with every aspect of potential unpaid claims.
 - Examples of aspects of the unpaid claims (including any material trends and issues associated with such elements) that may require an understanding include the following:
 - **b. conditions or circumstances that make a claim more or less likely or the cost more or less severe;**
 - **c. the underlying claim adjustment process;**



ASOP 43 and COVID-19

- 3.6 Unpaid Claim Estimate Analysis—The actuary should consider factors associated with the unpaid claim estimate analysis that, in the actuary’s professional judgment, are material and are reasonably foreseeable to the actuary at the time of estimation. The actuary is not expected to become an expert in every aspect of potential unpaid claims.



ASOP 43 and COVID-19

- 3.6.1 Methods and Models—The actuary should consider methods or models for estimating unpaid claims that, in the actuary’s professional judgment, are appropriate. The actuary should select specific methods or models, modify such methods or models, or develop new methods or models based on relevant factors including, but not limited to, the following:
 - d. the applicability of various methods or models to the available data; and
 - e. the reasonableness of the assumptions underlying each method or model.
- **The actuary should consider whether, in the actuary’s professional judgment, different methods or models should be used for different components of the unpaid claim estimate.**



ASOP 43 and COVID-19

- **3.6.7 Changing Conditions**—The actuary should consider whether there have been significant changes in conditions, particularly with regard to claims, losses, or exposures, that are likely to be insufficiently reflected in the experience data or in the assumptions used to estimate the unpaid claims... When determining whether there have been known, significant changes in conditions, the actuary should consider obtaining supporting information from the principal or the principal’s duly authorized representative and may rely upon their representations unless, in the actuary’s professional judgment, they appear to be unreasonable.



ASOP 43 and COVID-19

- 3.6.8 Uncertainty—The actuary should consider the uncertainty associated with the unpaid claim estimate analysis. This standard does not require or prohibit the actuary from measuring this uncertainty. The actuary should consider the purpose and use of the unpaid claim estimate in deciding whether or not to measure this uncertainty. When the actuary is measuring uncertainty, the actuary should consider the types and sources of uncertainty being measured and choose the methods, models, and assumptions that are appropriate for the measurement of such uncertainty.



Corona Virus Resources

CAS Research Brief: COVID-19: The Property-Casualty Perspective, Brian A. Fannin, ACAS, CSPA, MAAA
[https://www.casact.org/research/COVID-19 The PC Perspective 3-27-2020.pdf](https://www.casact.org/research/COVID-19%20The%20PC%20Perspective%203-27-2020.pdf)

NCCI COVID-19 Resource Center <https://www.ncci.com/Articles/Pages/COVID-19.aspx>

P&C Financial Reporting Considerations With Respect to COVID-19, FAQ prepared by Committee on Property/Liability Financial Reporting (COPLFR) of the American Academy of Actuaries [https://www.actuary.org/sites/default/files/2020-06/Covid19 FAQs PC Financial Reporting 0.pdf](https://www.actuary.org/sites/default/files/2020-06/Covid19%20FAQs%20PC%20Financial%20Reporting%200.pdf)

American Academy of Actuaries COVID-19 Resource Center <https://www.actuary.org/coronavirus>

Sites for Tracking:

<https://www.worldometers.info/coronavirus/country/us/>

<https://covid.cdc.gov/covid-data-tracker/#datatracker-home>

<https://coronavirus.jhu.edu/>

Time to test your ASOP knowledge...

Instructions:

- On your phone or tablet, go to

kahoot.it

- Enter the game pin
- Enter your nickname (creativity encouraged)



Prizes for First, Second and Third Place

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