



Antitrust Notice

- The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.
- Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding – expressed or implied – that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition.
- It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.



Background on Session

- Actuarial Judgment is prevalent in our work
- When do we know if a line has been crossed between good judgment and the desire to produce a preferred result?
- To what extent should we consider a Principal's feedback as regards assumptions and judgments?

Background on Session

- A real danger in our business is being co-opted (i.e., going along to get along)
- How does one assess whether they are in the midst of professional “gray area”?
- How does one deal with situation if fearful they have inadvertently crossed the line?

SPW1

Speakers

- Joe Herbers
 - Managing Principal with Pinnacle Actuarial Resources (34 years)
 - Past Chair of COPLFR
- Scott Weinstein
 - Principal, National Property & Casualty Actuarial Services Lead, KPMG LLP
 - Past Chair of CLRS and Professionalism Seminar
 - Prior Recipient of Reserving Paper Prize
- Debbie Rosenberg
 - Consulting Actuary, Risk & Regulatory Consulting
 - Vice Chair, ABCD
 - Past CAS Board Member
 - Served 30 years at NY State Ins. Dept.



Case Studies – Ground Rules

- Several case studies will be presented on a variety of topics
- The facts of each case study will be presented, along with a series of considerations
- Panelists will weigh in on their perspectives for each situation, blending in real world experiences
- Encourage Q&A from audience to make the session interactive

Case Study #1 – Loss Reserving

Strengthening of Case Reserves

President & VP of Claims assert an exhaustive review of each and every open claim was conducted in past 6 months

Case reserves strengthened by x%

Accordingly they assert IBNR should be \$0 or even negative

As the Appointed Actuary, how do you approach and/or evaluate this situation and what impact will it have?

Case Study #2 – Ratemaking/Reserving

Large or Unusual Claims

Company management asserts a specific claim or group of claims in the past year are unusual and “will never happen again”

“Procedures put in place or cause of such claim has been eliminated”

Accordingly they assert such claims should be removed from the data or not considered in your analysis

How do you as the actuary assess and respond to this type of situation?

Case Study #3 – Reserving

Operational Changes

Multiple operational changes have occurred at the company in the past 2 years

- Hiring of more claims staff
- Faster claims settlements
- Strengthened case reserves
- Faster pace of closing claims w/o payment
- Rate increases
- Switch from outside counsel to in-house counsel

Impact of certain forces may offset or contribute to the impact of others. How do you consider bottom line impact of all changes?

Can you even form an Opinion on reasonableness of held accrual for unpaid loss and loss adjustment expenses?

Case Study #4 – Audit Support

Review of Another Actuary's Work Product

As part of a regulatory financial examination, you are reviewing the work product of a company actuary

Documentation of assumptions, methods and conclusions by the company actuary is lacking; you cannot form an opinion on reasonableness of conclusions without more work

You have spoken to the actuary but are unsatisfied the analysis meets the professional rigor you view as essential to the situation at hand.

What is your next course of action?

Case Study #5 – Expert Witness Testimony

Rate Hearing

You are a Company actuary in a rate hearing to support a filed request for rate adjustments

Analysis of recommended changes reflect company's view of recently enacted reforms

Regulator view of reforms is much more aggressive than you think reasonable

You are instructed to re-file with assumptions "required" by the regulator

How do you respond?

Case Study #6 -

Skill Set Fungibility

You are a property and casualty actuary with experience in predictive analytics for auto and homeowner rating plans.

You have been asked to develop predictive models for a series of life insurance pricing variables.

While not experienced with life products, you are presented with what appears to be sufficient data to construct the requested models.

What challenges exist to providing the requested service?

Case Study #7 -

Whose assumptions are they?

You are a P&C actuary and have been working with a particular client for several years.

You know what to expect in terms of losses and you realize that the company could be considered thinly capitalized

The client has just instituted a new class plan. Management insists that as a result the experience will improve dramatically. They tell you to use the predicted loss ratio in your next reserve study. How do you handle this since you do not believe that even if the experience improves it will take more than one year to emerge and that the overall expected improvement is out of line with what you know about the client and the industry in general.

