

Core Skills SAM Goals

Desired Future State

1. Reserving

- a) CAS members are recognized as the appropriate experts to opine on the reasonableness of a risk bearing entity's carried property casualty loss and loss adjustment expense reserves, including all related disclosures of risk of adverse deviation, reinsurance risk transfer and collectability.
- b) CAS members are recognized as the appropriate experts to opine on reasonable reserve ranges for property/casualty exposures, to evaluate the inherent variability of those ranges and the resultant risk to the financial soundness of the company.
- c) CAS members will be recognized as the appropriate experts to provide appropriate monitoring diagnostics and review processes to assess reserve variability, the corresponding risk, and the potential financial consequences of the resultant uncertainties for the benefit of our publics, including, but not limited to, risk-bearing entities, rating agencies, regulatory bodies, policyholders and investors.
- d) The CAS will be a leading supplier internationally of educational materials relating to general insurance reserving techniques.

2. Pricing and Product Development

- a) CAS members are recognized as the appropriate experts for determining insurance premiums (rates) and rating plans based on generally accepted and evolving ratemaking principles and considerations on behalf of insurance companies or rating bureaus.
- b) CAS members provide the expertise and recommended diagnostics, steps, and procedures to assess pricing variability/risk for the benefit of its stakeholders and outside interests, including, but not limited to, risk-bearing entities, rating agencies, regulatory bodies, policyholders, and investors.
- c) CAS members are recognized as the pricing experts for property/casualty insurance products in the broad sense, and not just as experts at estimating costs. Considerations include profitability, availability, affordability, and the marketability of rates in a strategic business planning environment.
- d) The CAS will be a leading supplier internationally of educational materials relating to general insurance ratemaking techniques.

3. Overall Risk and Return Modeling

- a) CAS members are integral members of the capital management team with respect to developing and managing risk and return models, including but not limited to economic capital models, catastrophe (large event) models, rating agency compliance models, and regulatory compliance models.
- b) CAS members are recognized as the experts in the property/casualty insurance industry pertaining to the modeling, quantifying, and assessment of risk and

return strategies pertaining to, but not limited to, the pricing of insurance products, risk securitization, reinsurance products and risk-transfer quantification.

- c) CAS members are recognized as the experts in the assessment of risk, measuring the effects of correlation and diversification across the risk elements, and in implementing risk transfer, mitigation, and risk retention strategies in the interest of optimizing risk and return tradeoffs for the benefit of adding value to the stakeholders of risk bearing entities.

4. **Strategic Planning**

- a) CAS members are integral members of the strategic planning team as opposed to playing insulated supporting roles (e.g. ratemaking department, reserving department). In this capacity, CAS members are integral to providing state of the art tools and providing realistic context and forecasts including but not limited to determining optimum strategies, balancing the cost of capital and the cost of reinsurance, evaluating the amount of capital required for various scenarios, and evaluating purchase versus spin-off options.
- b) CAS members are the key designers of the organization's core planning models, specifically designed to allow testing of key groups of related assumptions that result in the creation of ranges of likely outcomes to evaluate.
- c) CAS members are the key designers for ad-hoc models that are created to evaluate non-recurring business threats or opportunities (e.g. acquisition, divestiture, organic market expansion/contraction) and their impact on the overall organization's risk profile and results. Models/templates explicitly include evaluations of capital requirements and reinsurance options based on relative risk assessments and appetite.

SAM (Significant, Attainable, Measurable) Strategies

1. **Reserving**

- a) The CAS will partner with other actuarial organizations worldwide, and strengthen its ties with university actuarial and insurance programs, in furthering and promoting the advancement of the science of insurance reserving, with the CAS serving as the thought leader in developing areas of research and as a major resource and leading supplier in constructing general insurance curricula.
- b) The CAS will continue funding of research working parties relating to developing tools needed to measure and assess the reasonableness, variability, and uncertainty of reserves.
 - i. The CAS will compile a record of progress of its members in loss reserving by annually surveying its members to determine progress of increased usage of such tools over time.
 - ii. *Variance* should be recognized as a leading journal worldwide for the pursuit of advancements in reserving theory, as evidenced by the number of important papers published there, especially by authors who are not CAS members.

- c) The CAS will support the advocacy of the AAA and the NAIC for greater disclosure in statements of actuarial opinion: especially of reserve ranges, the inherent uncertainty of those ranges, and the resultant risk to the financial soundness of the company.
- d) In conjunction with other actuarial organizations, the CAS will lead in the creation, promotion, and publication of white papers in industry forums to educate the public regarding actuarial reserving best practices.

2. Pricing and Product Development

- a) The CAS will partner with other actuarial organizations worldwide, and strengthen its ties with university actuarial and insurance programs, in furthering and promoting the advancement of the science of insurance ratemaking, with the CAS serving as the thought leader in developing areas of research (e.g. GLM, capital allocations) and as a major resource and leading supplier in constructing general insurance curricula.
- b) The CAS will continue to fund research working parties, prize paper programs, etc. relating to contemporary and developing areas of applications, with results to be published in *Variance*, as Monographs, in the ASTIN Bulletin, and in the Journal of Risk and Insurance, among others. *Variance* should be recognized as a leading journal worldwide for the pursuit of advancements in ratemaking theory, as evidenced by the number of important papers published there, especially by authors who are not CAS members.
- c) The CAS will support efforts by the AAA to promote understanding and acceptance by lawmakers, regulators and the public of advanced actuarial ratemaking techniques such as alternative classification plans. This will include publishing interviews, articles and white papers in industry forums and the general press to educate the public in ratemaking best practices.
- d) The CAS will actively promote, through public relations efforts and other means, the widespread and ongoing utilization by insurance companies, consulting firms and others of current and prospective CAS members for general insurance ratemaking -- particularly in leadership roles -- as the profession best qualified for this type of work.

3. Overall Risk and Return Modeling

- a) The CAS will continue funding of research working parties relating to risk transfer, hedging, and risk retention strategies to determine state-of-the-art techniques and tools in balancing risk and return in risk bearing entities.
- b) The CAS will support the AAA in lobbying efforts to accountants, regulators, and rating agencies in steering away from "black-box" techniques and rules-of-thumb (e.g. 10/10 rule) approaches, but rather implementing the use of state-of-the-art tools developed by the actuarial profession in assessing risk, determining capital charges, risk transfer testing procedures, and risk mitigation strategies.

- c) In conjunction with the AAA, the CAS will complete an annual communication plan that promotes increased transparency in the loss reserving/ratemaking process and public awareness through the involvement of current and prospective CAS members

4. Strategic Planning and Leadership

- a) The CAS will develop workshops, webinars, seminars, and CDs to prepare for the organizational role of strategic planning within their respective companies.