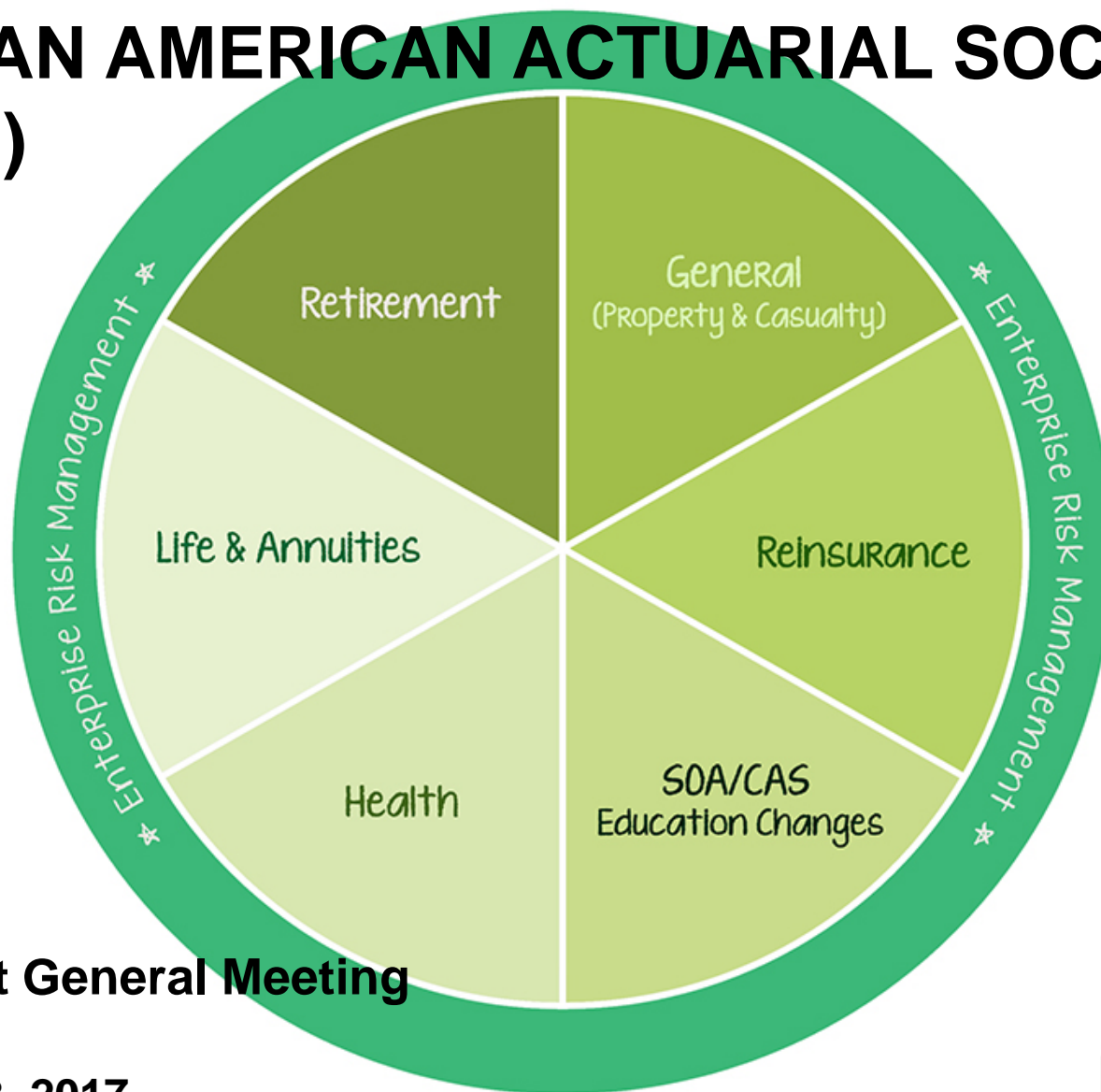


# KOREAN AMERICAN ACTUARIAL SOCIETY (KAAS)



**Northeast General Meeting**

**February 3, 2017**



# Today's Agenda

## Discussions (6:50 PM – 8:00 PM)

- Greetings & Introduction
- Trends & Hot Topics
- Questions and Answers

## Dinner and Mingle (8:15 PM – ...)

- Dong Chun Hong in K-town



# TRENDS & HOT TOPICS

# Life Insurance & Annuities

- Principle-Based Reserving (PBR)
  - ✓ Currently, formulas and assumptions used to determine reserves are prescribed by state rules and likely to produce reserves that are either too large or too small
    - Improved calculation is expected to right-size reserves
  - ✓ Threshold for nation-wide implementation – adoption by 42+ states representing 75+% total U.S. premiums – was met in June 2016
    - Adoption of PBR approach is required by 2020, and early adoption is permitted
  - ✓ Impact on captive, capital and other solvency measures

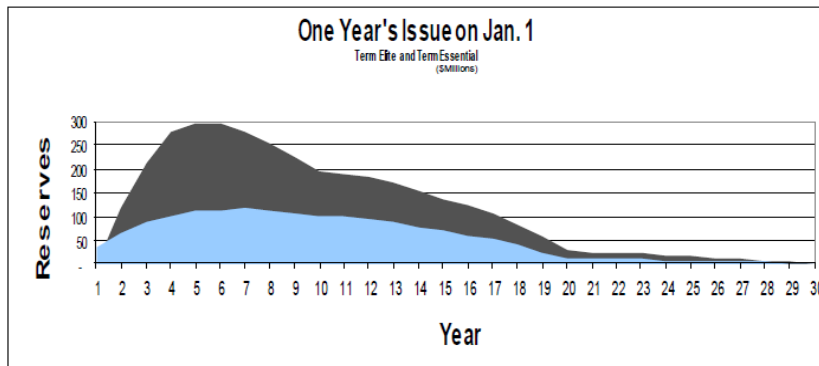


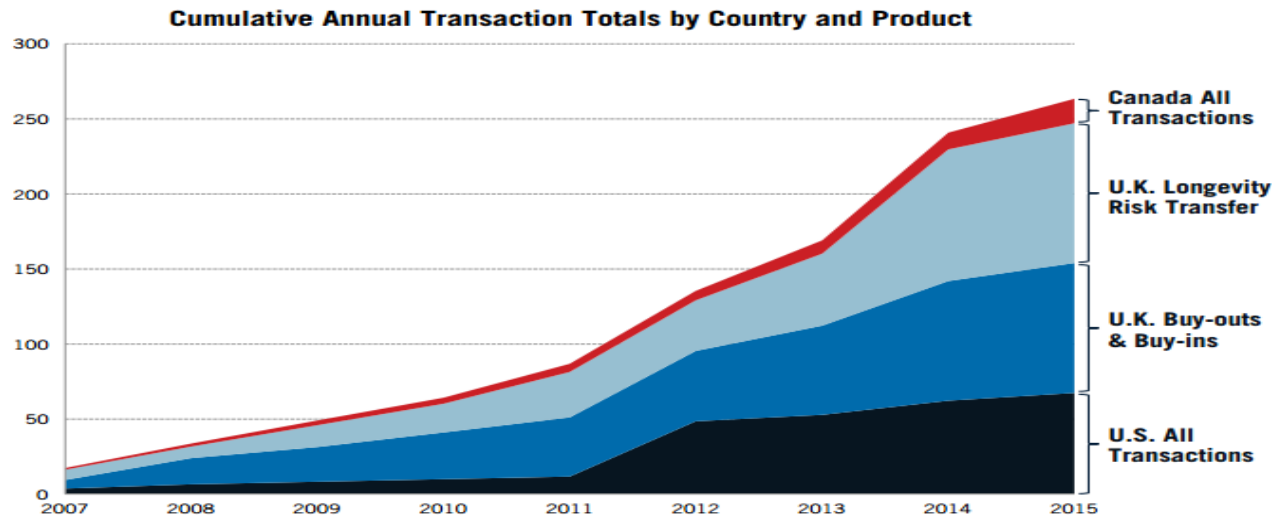
Illustration Purpose Only

- Predictive Underwriting

# Retirement / Pension

- Corporate DB Plans – End Game Strategies

- ✓ PRT transactions are mostly via lump sum payments (to participants) or buyout (to insurer), but other types are attracting attention
  - ❑ Longevity reinsurance eliminates longevity risk in the pension plan
- ✓ Continuing momentum on Buy Ins/Outs and Longevity Risk Transfer
  - ❑ U.K. has seen approximately \$180B in pension liabilities between 2007 and 2015. U.S. trails U.K. in pension de-risking with only \$67B in liabilities during the same period.



Source: LIMRA, Hymans  
Robertson and  
Prudential Analysis



# Property & Casualty

- Disruptive technology also disrupts insurance business
  - ✓ Transportation Network Companies (TNC) – Uber, Lyft
    - ❑ Switch to commercial insurance when app is on
  - ✓ Drones for personal (recreational) and commercial use (e.g., delivery, photography)
    - ❑ FAA requires registration of personal / commercial use drones with some exceptions
    - ❑ Drone related accidents causing bodily injury to people, property damage to public and/or personal property, and raising privacy concerns
  - ✓ Disruptive product distribution – Lemonade
    - ❑ “Lemonade” takes 20% of premiums on policies sold, and uses rest to buy reinsurance and pay claims. Any leftover money will be donated to causes policyholders care about
    - ❑ Pays claims fast because company has no financial interest in not paying them
    - ❑ Reinsurance makes up claims in excess of available premiums
- Recent auto claims data revealed higher-than-expected claims pattern
  - ✓ Improving economic condition identified as possible cause
    - ❑ Decline in unemployment → more people on road to work → increased frequency
    - ❑ People can afford and buy more expensive cars → increased severity





# Reinsurance

- Growth of Alternative Capital

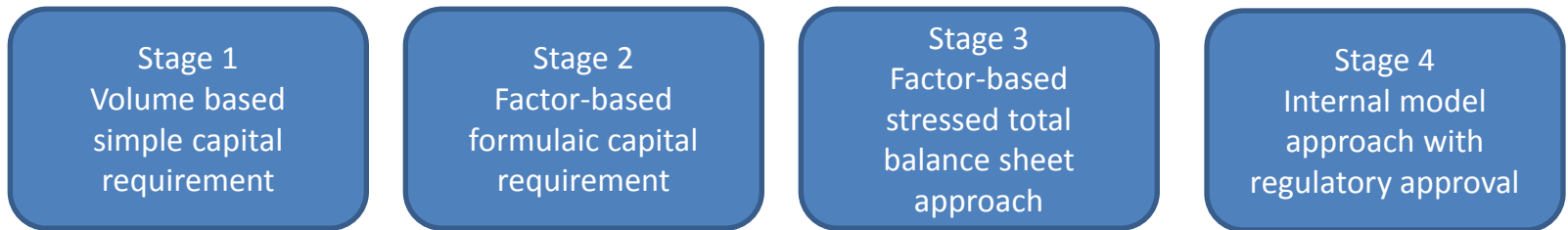
- ✓ Alternative capital represents 19% of global reinsurance capacity in 2015 vs. 15% in 2013, and could hit \$160B by 2020
  - ❑ Insurance-linked securities (ILS) provide investors with high uncorrelated returns (e.g., life settlements)
  - ❑ Facilitates investors' access to third party capital via catastrophe bonds, sidecars, collateralized reinsurance

- Regulatory Development

- ✓ Covered Agreement with the European Union – January 2017
  - ❑ Group supervision – US insurers operating in the EU will be regulated by the relevant US supervisors, and EU insurers operating in the US by EU supervisors.
  - ❑ Reinsurance – eliminate collateral and local presence requirements for US reinsurers operating in the EU, and vice versa.
  - ❑ Exchange of information between regulators – support exchange of information between US and EU regulators in a non-binding manner

# Risk Management – Insurance Context

- Evolving Global Regulatory Solvency and Capital Standards



Country

Brazil

U.S.

Europe

Framework

RBC

Solvency II

- Regulatory Changes

- ✓ Trump expected to repeal Dodd-Frank Act, enacted as a result of financial crisis and also brought forth too-big-to-fail SIFI concept
- ✓ Regulations on capital requirements expected to be loosened

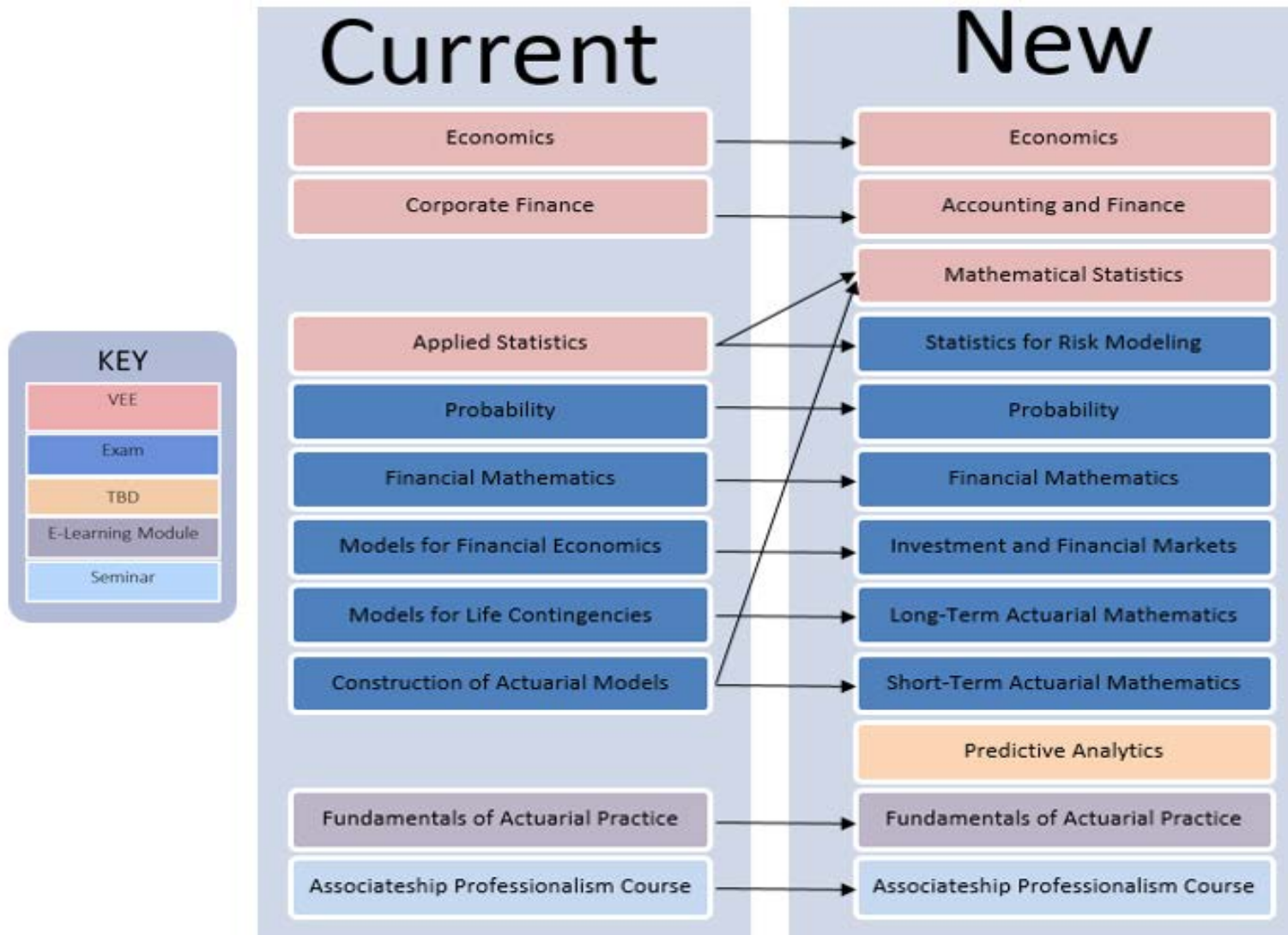


# SOA Curriculum Changes

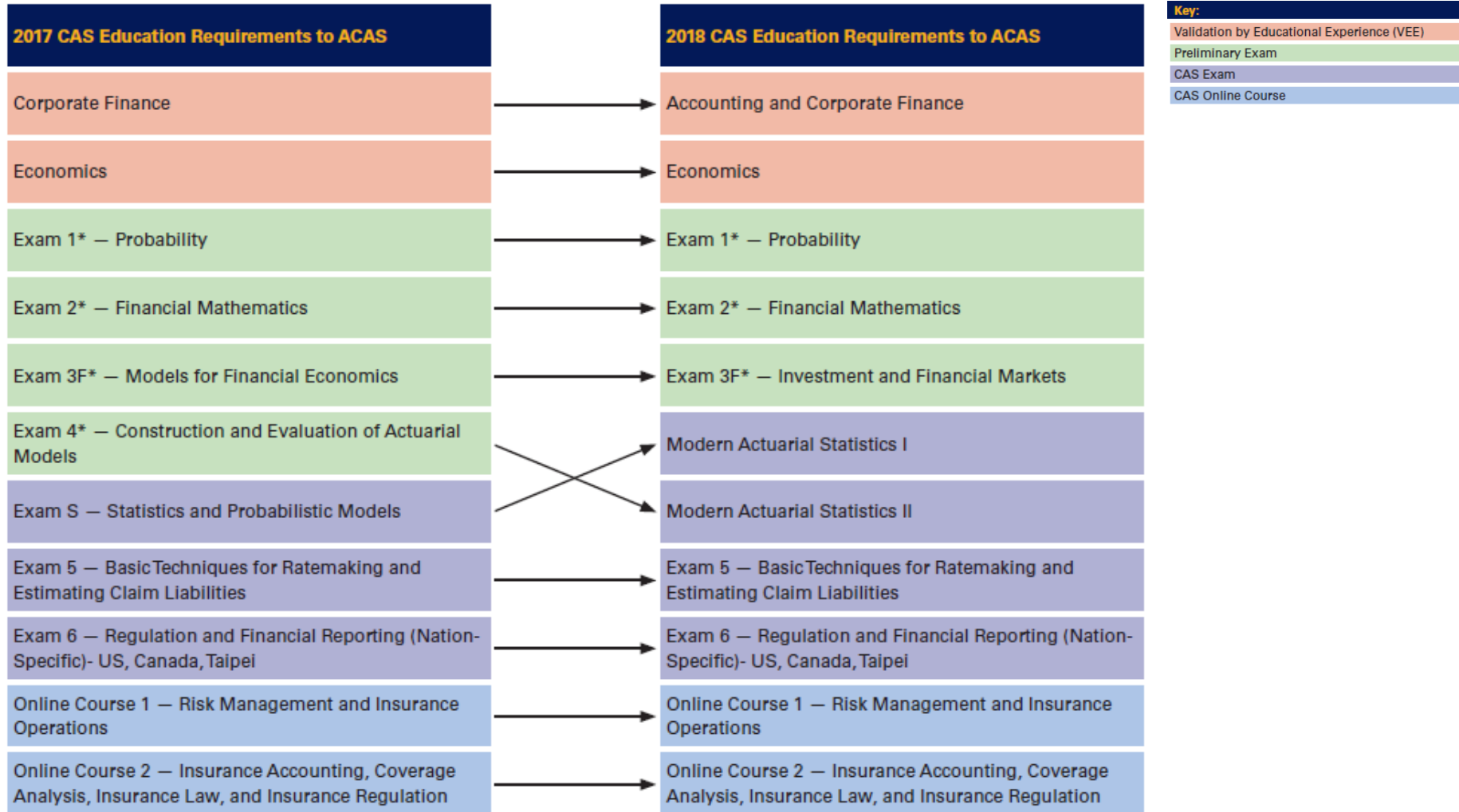
<b>Significant Change</b>	Stat. for Risk Modelling	New Exam
	Predictive Analytics	New Proctored Project
	Exam C to Short-Term Insurance	<ul style="list-style-type: none"> <li>• “Estimation” moved to Stat VEE</li> <li>• Life Table Estimation moved to Exam LTI</li> <li>• Introducing ST products (e.g., Health + P&amp;C)</li> </ul>
	Exam MLC to Long-Term Insurance	<ul style="list-style-type: none"> <li>• Focusing more on Life &amp; Annuity products</li> <li>• Some topics (e.g., Yield Curves) removed</li> </ul>
	VEE Corporate Finance	Becoming VEE Accounting & Finance
	VEE Applied Stat.	Topics being merged into Exam SRM and VEE Math Stats
<b>Moderate Change</b>	Exam FM	Moving “Derivatives” to MFE
	Exam MFE → Inv. & Financial Markets	Some advanced stochastic topics removed
<b>Little or No Change</b>	Exam P	Some Minor Change
	VEE Economics	No Change
	FAP	No Change
	APC	No Change

- Overall, the time to ASA will likely increase

# SOA Curriculum Changes – Conversion Map



# CAS Curriculum Changes – Conversion Map





# Q&A

- Questions?

# THANK YOU!

