

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

June 4, 2018

2. Department

California Department of Insurance

3. Organizational Placement (Division/Branch/Office Name)

Financial Surveillance Branch - Property & Casualty Actuarial Office

4. CEA Position Title

Chief Actuary, CEA B

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

The California Department of Insurance (CDI) is requesting the reclassification of the current Comma Career Executive Assignment (CEA) position to a CEA, Level B, position as part of the Civil Service Improvement Classification Consolidation effort.

6. Reports to: (Class Title/Level)

Deputy Commissioner, CEA C

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Under general direction of the Deputy Commissioner of the Financial Surveillance Branch (FSB), the CEA will formulate actuarial policy for the FSB, perform highly skilled actuarial analysis, and manage the work of the property and casualty actuarial staff. The CEA will implement Department administrative policies and administer compliance with labor contracts.

The incumbent will direct and monitor the work of the program, particularly with respect to the review of actuarial opinions, actuarial reserves, and reinsurance contracts and analysis of risk transfer. The CEA will monitor solvency for the worker's compensation line, monitor catastrophic perils unique to California including oversight of the California Earthquake Authority, and review long-tailed lines such as medical malpractice and professional liability.

The incumbent will review reports of Actuaries participating in field examinations on behalf of the Department and respond to questions that are raised in connection with field examinations and/or in-house financial reviews. He/she will act as a special witness for the Department on actuarial matters including those involving worker's compensation, catastrophic risks, and actuarial reserves. The incumbent will provide actuarial consultation within the Department and on occasion to other agencies on property and casualty insurance solvency actuarial matters.

The CEA will provide policy and technical direction to support staff, particularly in the areas of actuarial reserves, catastrophic risks, long-tailed property and casualty lines, worker's compensation, and reinsurance; participate and represent the Insurance Commissioner on committees, subcommittee task forces, and working groups of the National Association of Insurance Commissioners (NAIC); and issue periodic memorandum or notices to insurance companies regarding actuarial matters.

The CEA will identify problem insurers and participate in the analysis of the financial stability of such companies. In addition, he/she will review proposed legislation and provide feedback on the benefits and/or adverse impact on the insurance consumer and insurance industry.

The CEA will perform administrative duties related to hiring, training, and evaluating staff, and work on special actuarial technical and policy related projects.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The FSB is responsible for conducting risk-focused surveillance over insurance companies licensed in California. This surveillance is crucial to protecting California insurance consumers and the insurance industry which is directly related to CDI's mission and goals.

With insurance companies increasingly turning to more complex programs and systems to run their business operations, including complex catastrophe modeling, the analysis and review of their business processes and practices has become more complex and the need for highly experienced personnel has increased.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

As part of the Civil Service Improvement Classification Consolidation effort, CDI has committed to abolishing departmental specific actuarial CEA classifications (Class Code 5406) and converting them to traditional policy setting CEA positions (Class Code 7500).

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

Provide policy and technical direction on a statewide basis in the areas of:

1) Actuarial reserve review

Guide actuarial staff in the review of historical data to determine the ultimate cost of complex liabilities and forecast loss emergence. Interpret how changing conditions will affect past patterns to make them relevant for the future. Lead staff in Schedule P reviews for hundreds of companies. Identify and conduct additional analysis on those companies with anomalies or concerning initial reviews.

2) Reinsurance

Conduct risk transfer analysis to determine if there is adequate risk transfer and thus the reinsurance should qualify for credit for reinsurance. The presence or absence of reinsurance greatly affects any reserve analysis, so it is critical to review the appropriateness of these agreements.

3) Worker's Compensation

The worker's compensation line is unique, and within that line the California worker's compensation line is itself truly unique. This line takes additional scrutiny and monitoring of emerging issues, especially in the California market. This is necessary to avoid insolvencies and to remain alert to future potential insolvencies. The position will monitor and oversee the State Compensation Insurance Fund and assist national companies in understanding the uniqueness of the California worker's compensation system. Worker's Compensation Insurance Review Board pure premium rate filings must also be reviewed.

4) Catastrophe Risks

Oversight of the California Earthquake Authority. California has unique catastrophe risk exposure, including earthquake, fire following earthquake, and wildfire. Due to California's size and catastrophe exposure, the position plays a key role in NAIC catastrophe-related subgroups. California has chaired the catastrophe risk subgroup for last 12 years and was pivotal in getting catastrophe risk recognized in the Risk-Based Capital formula. This type of NAIC leadership is critical.

5) Long-Tailed Casualty Lines

California has several domestics in long-tailed casualty lines, including medical malpractice and professional liability. These lines require complex analysis due to the prolonged development of liabilities.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CEA will formulate actuarial policy for the FSB and implement administrative policies and compliance with labor contracts.

The CEA will direct and monitor the work of the program focusing on the review of actuarial opinions and actuarial reserves, reinsurance contracts and analysis of risk transfer, solvency for the worker's compensation line, and monitoring of catastrophic perils unique to California including oversight of the California Earthquake Authority, and the review of long-tailed lines such as medical malpractice and professional liability.

The CEA will provide policy and technical direction related to the areas of actuarial reserves, catastrophic risks, long-tailed property and casualty lines, worker's compensation, and reinsurance. He/she will participate in leadership roles and represent the Insurance Commissioner on committees, subcommittee task forces, and working groups of the NAIC.

The CEA will be responsible for participating in the analysis of the financial stability of insurance companies as well as for reviewing and providing feedback on proposed legislation to determine if the impact to the insurance consumer and insurance industry is beneficial or adverse.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

Yes. As the field of actuarial science continues to evolve and the insurance industry continues to develop diverse new programs and processes for doing business that are increasingly complex and sophisticated, the CEA position will need to monitor, adjust as needed, and implement changes to existing policy to continue to provide protection to the consumers of California. The CEA will need to continually monitor industry and actuarial trends and advances, provide guidance to the FSB property and casualty actuarial staff and executive level staff in adjusting current policy, and develop and implement new policy.