NOV 2012

Actuarial UPDATE

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

A Talk With Cecil Bykerk

Helping Move Health Care Reform Forward

NOW THAT THE PRESIDENTIAL ELECTION is behind us and President Obama has been re-elected, it seems clear that the Affordable Care Act (ACA) is here to stay. But that doesn't mean there won't be tweaks made to the legislation, Academy President Cecil Bykerk said in a recent interview. As it has throughout health care reform, the Academy will continue to help state and federal regulators in the coming year as they work to implement the new law.

Bykerk, who took the helm at the Academy on Oct. 15, brings the long view to that process, having served in various life and health actuarial positions throughout his distinguished actuarial career, including 25 years at Mutual of Omaha. Bykerk began his professional career at Metropolitan Life in 1970. From 1975 to 1979 he was director of the actuarial science program at the University of Nebraska. In 1979, he became a life actuary at United of Omaha. He moved to the health side when United of Omaha's life actuarial area combined with Mutual of Omaha's health actuarial area, and was promoted to chief actuary in 1991. Bykerk was executive vice president and chief actuary at Mutual of Omaha when he retired in 2004 to start his own company. Today he is the executive director of three state high-risk pools and consults on other actuarial projects.

SEE **BYKERK**, PAGE 5

Cecil Bykerk

NCOIL Symposium Looks at Medicaid Expansion

ACADEMY SENIOR HEALTH FELLOW CORI UCCELLO presented an overview on how states' decisions to expand Medicaid eligibility would affect private coverage at a Nov. 16 National Conference of Insurance Legislators (NCOIL) symposium on health care costs.

The Affordable Care Act (ACA) includes a provision to expand Medicaid eligibility to 133 percent of the federal poverty level. This would effectively expand Medicaid eligibility to 138 percent of the federal poverty level, Uccello explained, because Medicaid eligibility determinations would disregard 5 percent of income.

While the Supreme Court decision in June upheld most of the ACA, the court ruled that the ACA Medicaid expansion exceeded Congress' authority. As a result, states can choose whether and when to implement the Medicaid expansion, and the federal government cannot withdraw existing Medicaid funding from states that opt out of the expansion.

"Whether and to what extent states choose to expand Medicaid can have implications for private coverage," Uccello told symposium attendees. She outlined several issues state and federal policymakers and regulators should consider when making Medicaid expansion decisions:

- Individual market premiums could increase in states that opt out of the Medicaid expansion. Individuals with incomes between 100 and 138 percent of the federal poverty level who would have been eligible for Medicaid will be eligible for subsidies in the state health insurance exchanges. This population is expected to have higher health care costs than higher-income exchange enrollees. The Congressional Budget Office estimates that due to these higher costs, average individual market premiums will be 2 percent higher than they would be if all states were to implement Medicaid expansions. Premium increases would be even higher among those states that do not expand Medicaid.

SEE **MEDICAID EXPANSION**, PAGE 6

NOVEMBER

1 Risk Management and Financial Reporting webinar: IFRS Update (Academy)

7–8 Seminar on Effective Loss Reserve Opinions, Baltimore (Academy)

11–14 CAS annual meeting, Lake Buena Vista, Fla.

12–15 Life and Health Qualifications Seminar, Arlington, Va. (Academy, SOA)

14–18 IAA meeting, Nassau, Bahamas

15–18 NCOIL annual meeting, Clear Point, Ala.

27 Pension webinar: Social Security—Assumptions and Projections (Academy)

29–Dec. 2 NAIC fall meeting, Washington

DECEMBER

3 Executive Committee meeting, Washington

12 Professionalism webinar: Improving Your Practice Through Peer Review (Academy, ASPPA, CAS, CCA, SOA)

13 Post-NAIC Update/PBA Webinar (Academy)

JANUARY

14 CUSP meeting, Washington

14–15 Board of Directors meeting, Washington

MARCH

11–13 Seminar: Ratemaking & Product Management, Huntington Beach, Calif.

APRIL

7–10 Enrolled Actuaries Meeting, Washington

30 Executive Committee meeting, Washington

MAY

8 CUSP meeting, Washington

8–9 Board of Directors meeting, Washington

19–22 CAS spring meeting, Vancouver, BC

31–June 1 NAAC meeting, Chicago

JUNE

6–7 Seminar on Reinsurance, Southampton, Bermuda

To continue receiving the *Update* and other Academy publications on time, remember to make sure the Academy has your correct contact information. Academy members can update their member profile at the member log-in page on the Academy website.

Academy NEWS Briefs

Upcoming Webinar on Peer Review

THE LAST PROFESSIONALISM WEBINAR OF THE YEAR—which will be held Dec. 12 from 2:00 p.m. to 3:30 p.m. EST—will examine how to use peer review to improve actuarial services and actuarial communications.

"Ongoing debates on pension and health care reform in recent years have focused more attention on actuaries and their work," said Godfrey Perrott, a webinar presenter and member of the Academy Board of Directors and the Council on Professionalism. "Between our rapidly changing economic environment and increasingly complex regulations, the actuarial profession is coming under increased scrutiny. Peer review is one way we can enhance our professionalism both collectively and as individuals."

During the live webinar, Perrott, co-presenter Robert Rietz, vice chairperson of the Actuarial Board for Counseling and Discipline (ABCD), and moderator Sheila Kalkunte, the Academy's assistant general counsel, will discuss some of the common practices actuaries can use to determine whether voluntary peer review of their actuarial services and actuarial communications may be beneficial. They will provide examples of peer review and talk about when to use it, how to identify suitable peer reviewers, and things to consider when setting up a peer review program.

Click here for more information or to register for the webinar, which is being presented by the Academy's Council on Professionalism and co-sponsored by the American Society of Pension Professionals and Actuaries, the ASPPA College of Pension Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

Dues Reminder

CURRENT ACADEMY MEMBERS should have received information about renewing their Academy membership for 2013. The deadline for 2013 dues is Jan. 1. You can pay online by logging in to the members-only page of the Academy website and following the instructions there. If you have questions about your account or the website, or to how to make multiple payments in a single transaction, contact Mary McCracken, the Academy's membership database administrator, at (202) 223-8196 or membership@actuary.org.

The Year in Review

FOR A DETAILED REVIEW of the Academy's many accomplishments this year, check out the *2012 Record*. The *Record* provides a detailed review of the Academy's many activities on behalf of the profession and the public. You'll find pages devoted to each of the Academy's six councils, with links to many of the work products the Academy has generated this year.

Academy Seminars Draw Crowds

THE NOV. 12–15 ANNUAL *Life and Health Qualifications Seminar* reached near-capacity attendance this year with 95 registrants. The Academy offers the seminar with the assistance of the Society of Actuaries (SOA) to conduct state- and country-specific basic education that may not have been provided as part of the SOA examination process or acquired through subsequent testing or alternative education. On the final day of the seminar, 58 attendees sat for the exam.

More than 60 actuaries attended the Academy's Nov. 7–8 *P/C Effective Loss Reserve Opinion Seminar—Tools for the Appointed Actuary* to learn about the regulations and standards that apply when drafting loss reserve opinions as an appointed actuary. New this year were breakout sessions on intercompany pooling, premium reserves, reinsurance, and extended reporting contracts. The seminar also featured workshops on sample opinions and report documentation.

IN THE NEWS

- The Academy's Medicaid decision brief was cited by the Center on Budget and Policy Priorities in an Oct. 29 *Daily Journal* article, "Study: Not expanding Medicaid could impact private costs." January Angeles, a senior policy analyst for the Center on Budget and Policy Priorities, also referred to the Academy brief in her Nov. 21 testimony before the New Jersey Senate Health, Human Services, and Senior Citizens Committee.
- The Pension Committee's Aug. 20 letter to the IRS addressing recent rule changes related to defined benefit plans was mentioned on Nov. 8 in *Bloomberg BNA*'s, "Retirement Plans: IRS Issues Rule With Anti-Cutback Exception; Regulation May Save Airline's Pension Plan."

DISCIPLINARY NOTICE

(Effective Nov.15, 2012)

The Disciplinary Committee of the American Academy of Actuaries (Academy), acting in accordance with the Academy's bylaws and with findings from the Actuarial Board for Counseling and Discipline (ABCD), hereby publicly reprimands James W. Jacobson for materially failing to comply with Precepts 1 and 3 of the *Code of Professional Conduct*.

Mr. Jacobson materially violated Precept 1 by signing two actuarial valuation reports in 2003 regarding various retirement systems, despite knowing that the reports contained coding errors, such that the liabilities were materially understated. Mr. Jacobson materially violated Precept 3 by failing to disclose, in accordance with Actuarial Standard of Practice No. 23, his reliance on data supplied by others, despite that data reflecting material actuarial analysis performed by a third party.

Based on the foregoing, Mr. Jacobson has been hereby publicly reprimanded.

DISCIPLINARY NOTICE

(Effective Nov.15, 2012)

The Disciplinary Committee of the American Academy of Actuaries (Academy), acting in accordance with the Academy's bylaws and with findings from the Actuarial Board for Counseling and Discipline (ABCD), hereby suspends Brian R. McGee from membership for a period of three years for materially failing to comply with Precepts 1 and 3 of the *Code of Professional Conduct*.

Mr. McGee materially violated Precept 1 by signing two actuarial valuation reports in 2003 regarding various retirement systems, despite knowing that the reports contained coding errors, such that the liabilities were materially understated. Mr. McGee materially violated Precept 3 by failing to disclose, in accordance with Actuarial Standard of Practice No. 23, his reliance on data supplied by others, despite that data reflecting material actuarial analysis performed by a third party.

Based on the foregoing, Mr. McGee's membership with the Academy has been suspended for the next three years.

DISCIPLINARY NOTICE

(Effective Nov.15, 2012)

The Disciplinary Committee of the American Academy of Actuaries (Academy), acting in accordance with the Academy's bylaws and with findings from the Actuarial Board for Counseling and Discipline (ABCD), hereby suspends Robert M. Reynolds from membership for a period of three years for materially failing to comply with Precepts 1 and 3 of the *Code of Professional Conduct*.

Mr. Reynolds materially violated Precept 1 by signing two actuarial valuation reports in 2004 regarding various retirement systems, despite knowing that the reports contained coding errors, such that the liabilities were materially understated. Mr. Reynolds materially violated Precept 3 by failing to disclose, in accordance with Actuarial Standard of Practice No. 23, his reliance on data supplied by others, despite that data reflecting material actuarial analysis performed by a third party.

Mr. Reynolds also materially violated Precept 3 by using a single age band for pre-65 and a single age band for post-65 beneficiaries in estimating probable claim rates in preparing the reports. Probable claim rates for participants between ages 65 and 69 vary significantly from probable claim rates for participants between ages 85 and 90. Mr. Reynolds' use of a single probable claim rate for participants over 64 could lead to significant misstatements of liabilities. Such use violated Actuarial Standard of Practice No. 6.

Based on the foregoing, Mr. Reynolds' membership with the Academy has been suspended for the next three years. At the end of those three years, if Mr. Reynolds wishes to resume membership in the Academy, he must first complete a professionalism course relevant to his area of actuarial practice and undergo professionalism counseling with the ABCD resulting in a recommendation from the ABCD for reinstatement.

LIFE BRIEFS

- **Steve Fredlund**, an actuary with Allianz Life Insurance Co. of North America in Minneapolis, has joined the Life Financial Reporting Committee.
- **Kevin Reopel**, an actuary in Feeding Hills, Mass., has been named chairperson of the Life Practice Council's Government Mandates Subgroup.
- **Elizabeth Keith**, director of annuity product development for Aviva USA in West Des Moines, Iowa, has joined the Annuity Illustration Work Group.
- **Dave Wiland**, a managing actuary for ING US Financial Services in West Chester, Pa., has joined the AG 43/C3 Phase II Work Group.
- **Mary Pat Campbell**, vice president of insurance research for Conning Research and Consulting Inc. in Hartford, Conn., has joined the Modeling Efficiency Work Group.
- **Chad Padgett**, senior vice president and actuary for Forethought Financial Group in Houston, has joined the ARWG VM-22 Subgroup.
- **Kenneth Vande Vrede**, corporate actuarial director for Genworth Financial in Richmond, Va., has joined the Annuity Reserves Work Group.
- **David Tovson**, a consulting actuary for Tovson LLC in Coppell, Texas, has joined the Tax Work Group.
- **Norman Hill**, an actuary with NoraLyn Ltd. in Gilbert, Ariz., has joined the Life Principle-Based Approach Practice Note Work Group.

PROFESSIONALISM BRIEFS

- Joining the Academy's Committee on Professional Responsibility are **Kim Nicholl**, senior vice president and actuary for The Segal Co. in Chicago; **Melissa Algayer**, consulting actuary for Gabriel Roeder Smith and Co. in Fort Lauderdale, Fla.; **Frank Grossman**, senior actuary for Transamerica Life Insurance Co. in Cedar Rapids, Iowa; **Ryan Hartman**, associate actuary for GPW and Associates Inc. in Phoenix; **Charles Letourneau**, consulting actuary for American Actuarial Consulting Group LLC in Manhattan Beach, Calif.; and **Joeff Williams**, consultant for Actuarial Management Resources Inc. in Winston-Salem, N.C.
- **Lloyd Spencer**, vice president and research actuary for Hannover Life Reassurance Co. of America in Charlotte, N.C., has joined the Council on Professionalism, as the new chairperson of the Committee on Professional Responsibility.

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- **Tim Gaule**, a director for CUNA Mutual Group in Madison, Wis., has joined the Financial Reporting Committee.
- **Ralph Blanchard**, vice president and actuary for Travelers Insurance in Hartford, Conn., has joined the Financial Regulatory Reform Task Force.
- **Lesley Bosniack**, senior vice president and director of capital management and analytics at Maiden Re in Mount Laurel, N.J., has joined the Own Risk and Solvency Assessment Subgroup.

HEALTH BRIEFS

- Joining the Academy's Actuarial Value Subgroup are **Bill O'Brien**, a consulting actuary for Milliman in Houston; **Heather Waldron**, an actuary with Aetna in Hartford, Conn.; **Anne Malone**, an actuary with CIGNA Healthcare in Hartford, Conn.; **Tammy Tomczyk**, a principal and consulting actuary for Oliver Wyman Actuarial Consulting in Milwaukee; and **Michele Archer**, a director and actuary for WellPoint in Richmond, Va.
- **Dave Bond**, managing partner at CCRC Actuaries LLC in Reisterstown, Md., has joined the Long-Term Care Committee.
- **Christine Bach**, a senior consulting actuary for Wakely Consulting Group in Clearwater, Fla., has joined the Medicaid Work Group.
- **Vanessa Olson**, an actuary with Humana Inc. in Louisville, Ky., has joined the Medical Loss Ratio Subgroup.
- **Thomas Corcoran**, director of consulting services for Towers Watson in Weatogue, Conn., has joined the Academy/SOA Long-Term Disability Work Group.
- **Catherine Knuth**, a principal at Milliman Inc. in Brookfield, Wis., has joined the Health Practice Council Communications Committee.
- **Nathan Baehr**, an actuary with Coventry Health Care Inc. in Bethesda, Md., has joined the Risk Sharing Work Group.

CASUALTY BRIEFS

- **Kyle Freeman**, a senior actuarial analyst for USAA in San Antonio, has joined the Property and Casualty Risk-Based Capital Committee.
- **Thomas DeFalco**, a vice president and chief actuary for New Jersey Manufacturers Insurance Group in West Trenton, N.J., has joined the Committee on Property and Liability Financial Reporting.

2012 Wynn Kent Public Communication Award

The Actuarial Foundation recognized Jim Toole for his efforts to raise the actuarial profession's profile in the public domain. Click here to learn more about the award or to nominate a colleague.

Post-NAIC Update/PBA Webinar

Dec. 13, Noon–1:30 p.m. EDT

Join the Academy's Life Practice Council to find out what happened at the NAIC fall 2012 national meeting. Presenters also will provide an overview of the newly adopted 2012 Individual Annuity Reserving Table which becomes effective January 2014, and give updates on:

- Principle-based reserves
- Payout annuity mortality
- NAIC's Life Actuarial Task Force activities

Click here for more information and to register.

Cecil and Loree Bykerk at the Academy's 2012 annual meeting

Rising health care costs long have been a problem, Bykerk said, and there have been many attempts to reform health care on both the state and federal levels over the years. Most reform efforts, however, have focused on increasing access or availability, not on how these changes would affect costs, he said.

"The ACA is a last effort to make health care coverage available to as many people as possible using the private sector," he said. Although there are a number of provisions in the health care law aimed at controlling costs, Bykerk added, much more needs to be done because "if you can't keep health care costs down, people won't have access."

Bykerk believes the Academy is well positioned to help Congress address health care costs because actuaries understand the relationship between cost and premiums and can determine the cost drivers in the system. He also thinks that Congress needs to strengthen the individual mandate because guaranteed issue with no pre-existing exclusions won't work.

"As written, the penalties for not getting coverage aren't strong enough and there are a number of loopholes," he explained. For example, people who don't pay taxes can't be penalized.

While the ACA keeps health care in the private sector, Bykerk said that the government subsidies for Medicaid and Medicare included in the legislation are a huge piece of the pie. Just how the Supreme Court ruling that the ACA Medicaid expansion exceeded Congress' authority will affect states' decisions to expand the program is not yet clear, he added.

The Academy plays an important advisory role, offering the profession's expertise to federal and state regulators as they work through these and other issues, Bykerk said.

"People look to the Academy to provide unbiased information. We have to be very cautious when taking a stand on issues," Bykerk said. But, he added, "when we can make factual statements—like we did when we filed the amicus brief—we should do so."

Cecil Bykerk

- Has lived most of his life in the Cornhusker State. He was born in Lexington, Neb., grew up in Columbus, Neb., and now lives in Omaha.
- Has been married for 43 years to Loree, a professor at the University of Nebraska. They have two daughters—Andrea, an actuary at Optum in Minneapolis, and Jeanie, a research analyst at the University of Nebraska—and two grandsons, a 1-year-old, and a 6-month-old.
- Received a full-tuition scholarship to the University of Denver. After graduating in 1966 with bachelor's degree in mathematics and a minor in economics, he entered a math Ph.D. program at the University of Nebraska. He received a master's degree in math in 1968. Draft deferments for students were ending, so he decided to look for work.
- Got his draft notice four weeks after accepting a position with New York Life. A high score on a math aptitude test during basic training at Fort Lewis in Washington led to an assignment in a science and engineering job position. Instead of going to Vietnam, he spent his two years in the Army in Utah putting the base accounting system into an IBM System 360. He came out of the Army in 1970 knowing a lot about computers and programming.
- Enjoys vegetable and flower gardening on his acreage near his home and playing with his two dogs, a cavalier King Charles spaniel and a rescue dog.
- Is an avid reader. John Gresham and Robert Ludlum are among his favorite authors.

Bykerk decided to become an actuary when he was a junior in high school after seeing a two-page New York Life ad about the actuarial profession while flipping through *Life* magazine. (New York Life used to run ads profiling different careers in each issue of *Life*.) He enjoyed math and thought being an actuary sounded like the ideal job, but didn't start taking the exams until he was in graduate school.

Over the course of his career Bykerk has served the profession in multiple capacities. He was on the Academy Board of Directors as a regular director from 2000 to 2002 and as a special director from 2008 to 2009. He also served as president of the International Actuarial Association in 2011, as president of the Society of Actuaries in 2009, and as chairperson of the Actuarial Standards Board in 2006 and 2007.

Actuarial Update

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Preorder Your 2012 P/C Loss Reserve Law Manual

The Property/Casualty Loss Reserve Law Manual is designed to help appointed actuaries comply with the NAIC annual statement requirements for statements of actuarial opinion (SAO). It is updated annually.

The manual includes a summary of:

- SAO requirements and the laws and regulations establishing those requirements for every state in the United States (as well as the District of Columbia and Puerto Rico);
- Annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.

Available formats:

- Single-User CD-ROM $750
- Single-User Web Access $750
- Multiple-User Web Access $3,000
- Per-Jurisdiction Web Access $100

Preorder options:

- Online (Members: You must log in to receive your discount.)
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Questions

- For additional information, please contact the Academy at casualty@actuary.org or (202) 223-8196.

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Medicaid expansion, continued from Page 1

- Exchange premiums could increase because of lower per-enrollee reinsurance subsidies. The ACA temporary reinsurance program for years 2014–2016, designed to stabilize premiums for coverage in the individual market, provides payments to individual market plans for their high-cost enrollees. Because the funding for the reinsurance program is fixed, an influx of additional individual market enrollees would mean that a lower payment would be available on a per-enrollee basis.
- The ACA gives states the option of using federal subsidies toward a state Basic Health Program (BHP) for individuals at 133 to 200 percent of the federal poverty level who are not eligible for Medicaid and don't have employer-sponsored coverage that meets minimum value and affordability requirements. Such a program could reduce the number of individuals who need to transition between Medicaid coverage and subsidized coverage in the exchange. If the BHP is not expanded to include individuals with incomes 100 to 133 percent of poverty, there could be a discontinuity in coverage eligibility in states that do not expand Medicaid.
- Employers may be at greater risk of penalties in states that don't expand Medicaid. Employers with 50 or more workers are subject to financial penalties if any full-time employees receive a premium subsidy for coverage in the exchange. Employees are eligible for premium subsidies only if they don't have access to Medicaid and their employer doesn't offer coverage that meets minimum value and affordability requirements. In states that opt out of the Medicaid expansion, low-income workers who otherwise might have enrolled in Medicaid might access premium subsidies, thereby putting the employer at risk of penalties.

To learn more about these issues, see the Health Practice Council's decision brief *Implications of Medicaid Expansion Decisions on Private Coverage*, published earlier this fall.

Foundation Awards 50 Scholarships

The Actuarial Foundation awarded scholarships to 50 students for the 2012–2013 academic year. To learn more about the foundation's scholarships and to meet this year's winners, visit the Actuarial Foundation website.

THE ACTUARIAL FOUNDATION®