

AMERICAN ACADEMY OF ACTUARIES

*Academy
Year in
Review*

2013 RECORD

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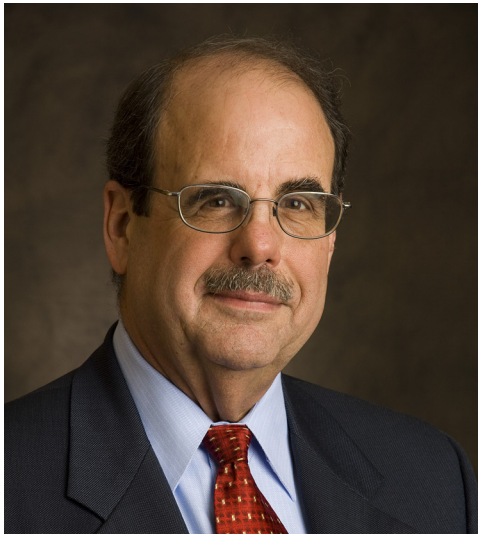
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AMERICAN ACADEMY *of* ACTUARIES

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President's Letter



Cecil Bykerk, President, 2012-2013

Dear Academy Colleague,

Through our mission-critical work in 2013, the Academy has addressed challenges facing the American public that can benefit from actuarial input and expertise. In the following pages, you can read about our efforts to meet those challenges, ones that cut across all areas of actuarial practice, mirroring the diversity and comprehensive reach of the Academy's membership itself. The work has included direct interaction with the policymakers making critical legislative and regulatory decisions, and cutting-edge information for our members to access for use in your everyday work. The Academy has offered a broad array of services to help you stay current and qualified in your practice.

In 2013, the Academy offered more than a dozen webinars focused on fast-moving topics arising out of the Affordable Care Act (ACA). We have initiated a new webinar series—the [Academy Capitol Forum](#)—that cuts across all practice areas and provides members access to a variety of public policy issues from experts in the field. Featured upcoming topics will involve pensions and retirement income, risk management, financial reporting, health care, property/casualty, and life insurance.

As the Academy's president in 2013, seeing the topics that are being addressed by our many volunteers, I've been keenly aware that the U.S. actuarial profession and the nation are facing challenges that require an ever more concerted public interest perspective. At the center of many of the most pressing fiscal issues are actuarial issues or public policy issues that would benefit from actuarial solutions. From implementation of the ACA to mitigation of risks to the solvency of our Social Security and Medicare programs, the Academy's mission and its work are more essential than ever.

I want to highlight for you some of work that our committed volunteers have produced, just in case you missed it in your inbox earlier this year:

AFFORDABLE CARE ACT (ACA)—The Academy's Health Practice Council has worked tirelessly to remain objective and unbiased on the ACA's implementation. Without taking a position for or against the law, we have provided necessary actuarial input to federal agencies issuing rules and state regulators and legislators struggling to implement them; published timely policy reports, practice notes, and produced webinars; and even testified to Congress about the changes stemming from the ACA, and also the consequences for now delaying implementation. These combined efforts are to inform and educate our fellow actuaries, provide the critical actuarial input needed by policymakers, and break down the information for the general public to gain a greater understanding of ACA issues, including how costs and premiums will be affected.

RETIREMENT SECURITY—To address challenges facing the American public, we launched the Academy's Lifetime Income Initiative to alert policymakers and the public to the risk that many Americans will lack sufficient savings to make it through their retirement years. The Academy's [discussion paper](#), *Risky Business: Living Longer Without Income for Life*, was published in June to highlight policy options to address this retirement security issue, as well as raise the understanding of policymakers and the public of the unique challenge of longevity risk. It was particularly gratifying for me to hear Josh Gotbaum, the director of the Pension Benefit Guaranty Corp. (PBGC), call the paper "marvelous" during a meeting

with the Academy's board of directors last month. He said that the paper brought retirement policy issues to light and hoped we planned an update. There have been many other Academy issue briefs and comments on retirement issues this year, addressing many facets of retirement policy including Social Security and private and public pension plans, and the viability of the PBGC.

PRINCIPLE-BASED RESERVING (PBR) AND OTHER COUNCIL ACTIVITIES—In what I could describe as an actuarial “Manhattan Project,” [PBR for life insurance products](#), a top priority of the Academy's Life Practice Council, passed a major milestone late last year and has entered a new and challenging phase: state legislative adoption and regulatory implementation on which the LPC is re-devoting its volunteers. The Casualty Practice Council, in a display of its dexterity on catastrophic risk issues, quickly moved from the legislative phase of the National Flood Insurance Reform Program to its implementation and has pivoted to make preparations for next year's congressional debate over terrorism risk insurance. The Risk Management and Financial Reporting Council similarly has been juggling the simultaneous challenges of developing enterprise risk management practice notes, implementation of the forthcoming Own-Risk Solvency Assessment requirement, and addressing standards efforts at the Financial Accounting Standards Board and the International Accounting Standards Board.

THOUGHT LEADERSHIP—Academy leaders expanded our interactions this year with public officials at the federal and state levels, including the U.S. Comptroller General, the PBGC Director, members of Congress, and former U.S. Senator Ben Nelson, the new chief executive officer of the National Association of Insurance Commissioners (NAIC).

ACTUARIAL PROFESSIONALISM—Professionalism, along with public policy, is at the heart of the Academy's mission. The Academy has intensified its communications and outreach with the NAIC to address the needs and concerns of state insurance regulators and actuaries. The Academy continues its representation of the U.S. actuarial profession at the NAIC by creating unique forums with regulators to provide more opportunities to better understand regulator concerns and explain the foundations of actuarial professionalism, including the responsibilities

of the Academy-housed Committee on Qualifications, Actuarial Standards Board, and Actuarial Board for Counseling and Discipline. We are dedicated to working collaboratively with regulators to find meaningful solutions to their concerns and desires to improve actuarial work. The Academy continued to emphasize professionalism education for the actuarial community through its popular quarterly professionalism webinars. More than 20,000 participants have taken advantage of these quality live low-cost webinars. The range of topics included everything from Actuarial Standards of Practice (ASOPs), including [ASOP No. 1, Introductory Actuarial Standard of Practice](#), [ASOP No. 41, Actuarial Communications](#), [ASOP No. 46, Risk Evaluation in Enterprise Risk Management](#), and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*, Precepts of the [Code of Professional Conduct](#), and tips on improving daily actuarial practice.

The Academy continued to emphasize professionalism education for the actuarial community through our popular quarterly professionalism webinars, reaching more than 20,000 participants who have accessed quality live webinars at low cost. The range of topics included everything from ASOPs (such as ASOP Nos. 1, 41, 46 and 47), Precepts of the Code of Professional Conduct, and tips on improving daily actuarial practice.

I do hope you take a few moments to look through this *Record* to appreciate the robust body of work that our members are engaged in and producing in our efforts to serve the public and the U.S. actuarial profession.

I am proud to have served as your Academy president this year and am especially proud of all the tremendous effort of our volunteers, and I want to thank each and every one of you for your efforts. I am confident that we can meet upcoming challenges if we stay engaged with and dedicated to the Academy's mission to make a difference for all in society.

Sincerely,

Cecil Bykerk
2013 President
American Academy of Actuaries

Council on Professionalism Highlights

The Council on Professionalism engaged in the following activities in 2013:

■ The Committee on Qualifications (COQ) continued to serve as a resource to the actuarial profession, answering numerous questions about the U.S. Qualification Standards (USQS). Also this year, the committee sought suggestions from actuaries and the public, including regulators, on potential changes to the USQS. The committee is reviewing all the comments it received to determine whether it is appropriate to recommend opening up the USQS and revising the standards in accordance with Appendix 3 of the USQS. The COQ also produced a new [infographic](#) to help actuaries better understand the USQS continuing education (CE) requirements and their application.

■ The Academy's Life and Health Qualifications Seminar Committee and faculty will hold their annual [seminar](#) Nov. 11–14 in Arlington, Va. In part because the faculty integrated aspects of the new Affordable Care Act and the anticipated principle-based reserve regulations into the materials that affect both health and life actuaries filing NAIC annual statement opinions, registration for the seminar exceeded expectations.

■ To improve communications with regulators, representatives from the COQ, the Actuarial Standards Board, the Actuarial Board for Counseling and Discipline (ABCD), and the council attended the National Association of Insurance Commissioners (NAIC) spring, summer, and fall meetings. The council hosted breakfast forums to facilitate frank, open, and informative discussions between regulators and professionalism representatives. Discussions covered regulators' reluctance to report actuaries to the ABCD, the nonprescriptive nature of certain actuarial standards of practice, enhancing the qualifications



*Karen Terry
Vice President,
Professionalism*

of actuaries and their work products, and potential areas in which additional "specific qualifications" may be useful. The council also held a free professionalism webinar solely for regulators unable to attend the breakfasts. The Academy continues to strive to create forums of dialogue for and among regulators and the U.S. actuarial profession.

■ Professionalism representatives also spoke at the meetings of the NAIC's Casualty Actuarial Statistical Task Force, the Life Actuarial Task Force, and the Health Actuarial Task Force to update regulators and the public on the many efforts undertaken to enhance sound actuarial qualifications, conduct, and practice on behalf of the U.S. actuarial profession. The NAIC Joint Qualified Actuary subgroup this year issued a discussion draft on its charges bearing on the definition of "qualified actuary" and topics related to actuary discipline. The Academy [responded](#) to the draft on Sept. 27.

■ The Council on Professionalism again hosted quarterly webinars on professionalism topics. The March 28 webinar, "Risk Evaluation & Risk Treatment in Enterprise Risk Management: ASOP Nos. 46 and 47," attracted an estimated 750 registrants and more than 3,000 participants. The June 17 webinar, "Revised ASOP No. 1 and Other Key Information for Actuaries," drew an estimated 950 registrants and more than 5,700 participants. The Oct. 31 webinar, "Where the Rubber Hits the Road: Understanding and Applying ASOPs, the Code of Professional Conduct, and the U.S. Qualification Standards," attracted an estimated 983 registrants and approximately 5,000 participants. The final webinar, "The Best of Up to Code," is scheduled for Dec. 3. These low-cost, high-quality professionalism webinars enable actuaries to fulfill their CE requirements under the USQS and the Joint Board for the Enrollment of Actuaries.

■ The Council on Professionalism continued through 2013 to serve as the primary authoritative resource for placement of professionalism speakers throughout the United States at actuarial clubs, actuarial organizations, and other forums as requested by the profession and the public.

ABCD Highlights

The Academy and other U.S.-based actuarial organizations undertake to strengthen members' adherence to the actuarial standards of practice (ASOPs), Qualification Standards, and professional conduct through the Actuarial Board for Counseling and Discipline (ABCD). The ABCD is an autonomous board housed within the Academy to provide guidance to practitioners, offer an avenue to report grievances regarding professional activities, counsel actuaries with situational issues, and recommend disciplinary alternatives to member organizations for violation of professional standards. One of the ABCD's most important roles is to help prevent violations by responding to actuaries' voluntary requests for individual counseling.

As of Sept. 30, 2013, the ABCD had 15 inquiries in progress and had completed 15 inquiries in 2013. Of those 15 inquiries, six were dismissed, one was dismissed with guidance, four resulted in ABCD counseling, and two resulted in a recommendation for discipline. The ABCD also responded to 63 requests for guidance.

The ABCD continued its educational outreach throughout the year. ABCD representatives responded to speaker requests and continued to write the "Up to Code" column in each issue of *Contingencies* magazine. "Up to Code" is a vehicle to inform the profession about current issues that the ABCD has seen in its counseling and discipline work. Topics in 2013 for "Up to Code" included:



Bob Rietz
Chairperson, ABCD

■ January/February 2013—["New Year's Resolution"](#): The beginning of the year is a great time to think about your professional development.

■ March/April 2013—["Moral Turpitude"](#): Is the current wording of Precept 1 sufficient to handle the variety of disreputable conduct complaints that come before our professional disciplinary bodies?

■ May/June 2013—["There's an App for That"](#): The Code of Professional Conduct is a few clicks away to remind us of our professional responsibility and ethical standards.

■ July/August 2013—["How to Evade the Code"](#): Actuaries shouldn't try to evade the Code of Professional Conduct, but rather seek shelter in it.

■ September/October 2013—["Phone a Friend"](#): Facing difficult or challenging situations relating to the Code of Professional Conduct, the Qualification Standards, or the actuarial standards of practice? Call the ABCD.

Additionally, Robert Rietz, chairperson of the ABCD, wrote an article, "Pension Actuaries and the Discipline Process," in the September *Actuarial Update*.

ASB Highlights

The Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice. These actuarial standards of practice (ASOPs) identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for actuaries working in the United States.



Robert Meilander
Chairperson, ASB

When creating or revising an ASOP, the ASB:

- Reviews and evaluates current and emerging practices;
- Determines appropriate guidance;
- Publishes an exposure draft to obtain input from actuaries and other interested parties;
- Considers all comments received; and
- Publishes a final standard or another exposure draft.

From October 2012 to October 2013, the ASB:

- Approved a second exposure draft of a proposed revision of ASOP No. 4, *Measuring Pension Obligations*: http://www.actuarialstandardsboard.org/pdf/exposure/life_settlements_mortality_exposure_draft_may_2013.pdf
- Approved a revision of the Introduction to Actuarial Standards of Practice and numbered it as ASOP No. 1: http://www.actuarialstandardsboard.org/pdf/asops/asop001_170.pdf
- Approved a second exposure draft of a proposed revision of ASOP No. 6, *Measuring Retiree Group Benefits Obligations*: http://www.actuarialstandardsboard.org/pdf/exposure/asop6_second_exposure_draft_march_2013.pdf
- Approved an exposure draft of a proposed ASOP covering principle-based reserves for life products: http://www.actuarialstandardsboard.org/pdf/exposure/life_settlements_mortality_exposure_draft_may_2013.pdf

- Approved an exposure draft of a proposed ASOP covering life settlements mortality: http://www.actuarialstandardsboard.org/pdf/exposure/life_settlements_mortality_exposure_draft_may_2013.pdf

- Approved an exposure draft of a proposed ASOP covering general modeling: http://www.actuarialstandardsboard.org/pdf/exposure/Modeling_exposure_draft_June%202013.pdf

- Approved a second exposure draft of a proposed revision of ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*: http://www.actuarialstandardsboard.org/pdf/exposure/asop25_2nd_revision_exposure_draft_june2013.pdf

- Approved an exposure draft of a proposed revision of ASOP No. 8, *Regulatory Filings for Health Plan Entities*: http://www.actuarialstandardsboard.org/pdf/exposure/asop8_RateFilings_exposure_draft_June2013.pdf

- Approved an exposure draft of a revision of ASOP No. 38, *Using Models Outside The Actuary's Area of Expertise (Property and Casualty)*: http://www.actuarialstandardsboard.org/pdf/asops/asop38_%20revision_exposure%20draft_september_2013.pdf

- Approved an exposure draft of a revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*: http://www.actuarialstandardsboard.org/pdf/asops/asop35_september_2013.pdf

- Adopted a revision of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*: http://www.actuarialstandardsboard.org/pdf/asops/asop027_172.pdf

Public Policy Highlights

Summer Summit and Public Interest Committee

Spearheaded by the Public Interest Committee, the July 15 Summer Summit focused on how the Academy can more effectively provide its actuarial expertise to policymakers and the public to address federal mandatory spending programs and their long-term sustainability.

The summit, “Sustainable Entitlements and the Federal Budget,” focused on mandatory spending programs and the Academy’s potential role in facilitating solutions to make these programs—Medicare, Medicaid, the National Flood Insurance Program, and Social Security among them—sustainable. In setting the stage for the summit’s speakers, President-elect Tom Terry addressed participants and said that the summit would focus less on “fixing” entitlements and more on communicating the challenges and options for reforms to help policymakers make sound decisions.

Three speakers helped frame and inform the conversations during the summit and paved the way for the breakout sessions that followed. Former Sen. Kent Conrad (D-N.D.), who is former chairman of the Sen-

ate Budget Committee and member of the National Commission on Fiscal Responsibility and Reform, provided an overview of the country’s budgetary problems. Joyce Manchester, chief of the Long-Term Analysis Unit in the Congressional Budget Office, discussed how her agency prepares projections of federal spending for Social Security and major health care programs. Rep. Jim Cooper (D-Tenn.) concentrated on budget deadlocks, public priorities, and future solutions. Cooper outlined a variety of solutions to keep entitlement programs solvent and sustainable.

Although Academy leaders in attendance recommended caution in the use of “advocacy,” a consensus was expressed for the Academy to become more involved than ever before in the debate over the sustainability of entitlement programs—and to commence these efforts now.

The Public Interest Committee continues to move forward with input from the Strategic Planning Committee to review and develop appropriate approaches for the Academy to adopt relating to sustainable public programs.



Academy volunteers convene at one of the 2013 Summer Summit’s many breakout sessions.

Casualty Practice Council Highlights

The Casualty Practice Council:

- Submitted comments to the Federal Insurance Office on the [long-term availability and affordability of insurance for terrorism risk](#) and on the [state of the market for natural catastrophe insurance](#).
- Conducted the Academy's eighth annual [seminar](#) on loss reserve opinions. Seminar topics included applicable actuarial standards of practice and U.S. Qualification Standards, documentation and disclosures, and risk of material adverse deviation. In addition, by holding a webinar on loss reserving, the council offered those in a broader audience an opportunity to enhance their skills.
- Presented to the National Association of Insurance Commissioners' (NAIC) Center for Insurance Policy and Research (CIPR) on [insurance for acts of terrorism, property/casualty insurance issues](#), and the [effects of current liability reporting](#).
- Joined other practice councils in providing [comments](#) to the NAIC's Joint Qualified Actuary (A/B/C) Subgroup on its charges relating to the definition of a "qualified actuary" and recommending steps to address "unprofessional" actuarial work. The council also gave the NAIC's Casualty Actuarial & Statistical Task Force a [summary](#) of the council's application process for those who are not members of the Casualty Actuarial Society to sign NAIC P/C Opinions.
- [Reported](#) to the NAIC's P/C Risk-Based Capital (RBC) Working Group on the reinsurance credit risk charge in P/C RBC and provided [comments](#) to the NAIC on the Reinsurance Association of America's discussion draft on reinsurance credit risk.
- Presented to state legislators at the National Conference of Insurance Legislators Summer Meeting on



*Mike Angelina
Vice President, Casualty*

the [future of the National Flood Insurance Program](#) and participated in a panel discussion, hosted by the Government Accountability Office, on the federal Biggert-Waters Flood Insurance Reform Act of 2012.

Health Practice Council Highlights

The Health Practice Council:

- Developed an [issue brief](#) on premium changes as a result of the Affordable Care Act (ACA), the goal of which was to help policymakers understand the provisions in the ACA that could affect premium changes. In conjunction with the release of that issue brief, the Health Practice Council held a [Capitol Hill briefing](#) on this topic, and days later, Academy Health Fellow Cori Uccello [testified](#) before the U.S. House Energy and Commerce Subcommittee on Oversight and Investigations on the issue.
- Conducted Capitol Hill visits in April, meeting with staff from 39 congressional offices and with government agency staff to discuss current health-related issues, including ACA implementation and improving the solvency of Medicare. Also held briefings to educate bipartisan leaders regarding premium changes as a result of ACA.
- Submitted comment letters to the Centers for Medicare and Medicaid Services on medical loss ratio requirements and the implementation of the rate review and disclosure provisions in the ACA.
- Continued to work with the NAIC on projects related to the Medicare supplement refund formula, a valuation table for individual disability insurance, a monograph on credibility as it relates to long-term care insurance, and a survey of carriers that write Medicare Part D business. Completed work on a [valuation table](#) for group long-term disability



*David Shea
Vice President, Health*

insurance. Assisted the NAIC with developing factors for a new exhibit for health care receivables and held a webinar to teach members how to utilize the new exhibit. Council members collaborated with the Society of Actuaries on projects related to evaluating, updating, and adjusting the 1985 NAIC cancer claims cost tables; made recommendations for the valuation morbidity tables for long-term care insurance; continued work on a stochastic model for principle-based reserving for long-term care insurance; and worked on gathering data for long-term care terminations.

- Released an [issue brief](#) on the 2013 Medicare Trustees report that describes Medicare's current financial state as well as changes needed to improve Medicare's long-term solvency and sustainability. In addition, [written testimony](#) was provided for the House Ways and Means Subcommittee on Health hearing on the 2013 trustees' report. Academy Health Fellow Cori Uccello also supplied [written testimony](#) for a separate hearing by the same House Subcommittee on Medicare's traditional fee-for-service (FFS) benefit plan design, which highlighted the current design's drawbacks as well as ways to redesign and restructure the FFS.

- Hosted six webinars for members on ACA implementation activities, including question-and-answer sessions with government representatives on final and proposed regulations on market reforms, essential health benefits, cost-sharing reductions, the three risk-sharing mechanisms, the ACA rate review template, and the minimum value and actuarial value calculators.

- Published a [white paper](#) on how the ACA will affect financial reporting requirements, and held a webinar for members in conjunction with the white paper's release.

- Developed a number of new and updated practice notes for members, including an [exposure draft](#) on actuarial and minimum value determinations under the ACA and an [addendum](#) to the practice note on the new rate review filing and reporting requirements. The council also released a final [update](#) of the large group medical business practice note that provides information for determining reserve levels as well as other actuarial assets and liabilities for large group medical business. Webinars were

held in conjunction with the release of each of the practice notes.

- Continued publication of the Health Check monthly newsletter, which keeps members up to date on Academy health-related publications, Academy mentions, and recently released regulations related to the ACA.

Life Practice Council Highlights

The Life Practice Council:

- Released, in conjunction with the Pension Practice Council, the discussion paper [Risky Business: Living Longer Without Income for Life](#), which focuses on how improved life expectancy affects planning for retirement; the challenges to ensuring lifetime income; and potential solutions to the risk of outliving one's income, including emphasizing financial literacy and education, refocusing retirement plan design, and developing policies that support lifetime income needs.

- Developed a "[Legislation-in-Brief](#)" document supporting the adoption of the National Association of Insurance Commissioners (NAIC) model Standard Valuation Law and Principle-based Reserves (PBR) Manual for use by state legislators when considering adoption of PBR. The brief notes that PBR introduces a new framework for calculating life insurance policy reserves, which are in the best interests of consumers, the insurance industry, and regulators.

- [Commented](#) on the NAIC legislative and educational briefs supporting PBR by providing analysis—later included in the briefs—of potential PBR impact on reserves in the life insurance industry. Also provided [comments](#) on the NAIC's PBR implementation plan, focusing on procedures and resources needed to evaluate the overall effectiveness of the PBR methodology.



Cande Olsen
Vice President, Life

- Hosted a joint seminar with the Society of Actuaries, [Life PBR—The New Valuation World](#). The interactive seminar combined instructor-led training with small-group discussions on the practical application of the principle-based reserving mechanics outlined in VM-20.
- Proposed to the NAIC Life Actuarial Task Force a PBR methodology [framework](#) for nonvariable annuities that may eventually be the basis for VM-22 in the Valuation Manual that accompanies the NAIC model Standard Valuation Law.
- Contributed several comment letters to the NAIC regarding potential revisions to the investment risk component of the life risk-based capital formula. Comments pertained to [definitions for NAIC designations](#), [bond factor development](#), [common stock](#), and [representative portfolios](#).
- Provided [comments](#) to the NAIC to assist in developing a definition and reserving and risk-based capital standards for contingent deferred annuities.
- Hosted webinars following the NAIC [spring, summer](#), and fall national meetings to update Academy members on the proceedings at the meetings and progress made on PBR.
- Submitted [comments](#) to the NAIC C-3 Phase II/AG 43 (E/A) Subgroup regarding a recent amendment modifying the current total return gross wealth ratios for Actuarial Guideline 43.
- Updated the [practice note](#) for Actuarial Standard of Practice No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*.

Pension Practice Council Highlights

The Pension Practice Council:

- Released, in conjunction with the Life Practice Council, the discussion paper [Risky Business: Living Longer Without Income for Life](#), which focuses on how improved life expectancy affects planning for retirement; the challenges to ensuring lifetime income; and potential solutions to the risk of outliving one's income, including emphasizing financial literacy and education, refocusing retirement plan design, and developing policies that support lifetime income needs. The release of the Lifetime Income Risk Joint Task Force paper coincided with an Academy Capitol Hill [briefing](#) on the issues addressed in the paper.
- Launched, along with the Life Practice Council, the Lifetime Income web page, which promotes the importance of assuring lifetime income in retirement. The web page provides a central location for policymakers and the public to view the Academy's ongoing work on this important topic.
- Published an [issue brief](#) that examines the Pension Benefit Guaranty Corp's single-employer program deficit. The issue brief concludes that the agency's methods and assumptions have produced a reasonable representation of the program's current obligation and deficit.
- Provided an actuarial [perspective](#) on the 2013 Social Security Trustees Report. The issue brief outlines the trust fund's current financial status, long-range estimates of the program's solvency, and the need to reform Social Security to ensure sustainable solvency.
- [Testified](#) to Congress on the need to raise Social Security's retirement age. Senior Pension Fellow Donald Fuerst appeared at a House Ways and Means Subcommittee on Social Security hearing that examined bipartisan proposals to adjust Social Security benefits. Fuerst spoke about increased life



John Moore
Vice President, Pension

expectancies and why Congress should include increasing the retirement age as part of a package of reforms to keep the program sustainably solvent. Fuerst [responded](#) in a subsequent letter to additional questions for the record asked by the chairman of the subcommittee.

- Published an [issue brief](#) that recommends allowing private-sector defined benefit plans to voluntarily raise their normal retirement age above 65 to better align with Social Security.

- Submitted comments to the Pension Benefit Guaranty Corp., the Department of Labor, the Internal Revenue Service, and the Financial Accounting Standards Board on topics including [lifetime income](#) benefit statements, [reportable events](#) under ERISA Section 4043, [financial economics](#) for pension accounting, and [material event](#) disclosures on the annual funding notice.

- Updated the *Social Security Reform Options* monograph. It provides an introduction to the Social Security system and describes proposed reforms, such as increases in taxation and reductions in benefits.

risk management practices within the insurance industry, including concepts such as risk culture, risk organization, and risk governance.

- Submitted [comments](#) to the Financial Stability Board on its paper discussing the application of key attributes of an effective resolution regime to non-bank financial institutions.

- Sent [comments](#) to the Financial Stability Board on its proposal to create an effective risk appetite framework.

- Provided an objective [analysis](#) to the National Association of Insurance Commissioners (NAIC) in support of its preparation of the NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual and provided the NAIC with information on actuaries who practice enterprise risk management.

- Offered actuarial [information](#) and analysis to help in formulating the NAIC draft white paper, *The U.S. National State-Based System of Insurance Financial Regulation and the Solvency Modernization Initiative*.

Risk Management/Financial Reporting Council Highlights

The Risk Management/Financial Reporting Council:

- Submitted responses to the International Accounting Standards Board ([IASB](#)) and the Financial Accounting Standards Board ([FASB](#)) on their respective exposure drafts on insurance contracts, and met with delegates from FASB and IASB to discuss their views.



*Maryellen Coggins
Vice President, Risk
Management and
Financial Reporting*

- Submitted [papers](#) with actuarial analysis to FASB on issues related to the insurance contracts project discussed at a November 2012 meeting with FASB staff.

- Released a [practice note](#) educating Academy members and the public on current enterprise

Academy Elections

The Academy Board of Directors elected the slate of 2014 officers:

- Mary D. Miller, president-elect
- Art Panighetti, treasurer
- John Moore, secretary
- Mary Bahna-Nolan, vice president, life
- Eli Greenblum, vice president, pension
- William Hines, vice president, risk management/financial reporting

In the third year of online voting, Academy members elected Al Beer, Audrey Halvorson, and Annie Voldman to fill three regular director positions on the

Academy's Board of Directors. Tom Campbell was elected to complete one year of an existing term. Together the elected candidates bring more than 126 years of experience and have served in leadership positions for more than 65 different Academy groups, as well as several leadership roles in other organizations.

The Academy received a record number of votes this year with 21.4 percent participation, for a total of 3,844 voting members. The new regular directors began their terms following the Academy's Annual Meeting and Awards Luncheon on Nov. 4 in Minneapolis.

Academy Awards

Seven dedicated Academy volunteers received awards during the Academy's Annual Meeting and Awards Luncheon in Minneapolis on Nov. 4.

The Academy awarded the 2013 Jarvis Farley Service Award to **Ethan Kra**, founder of Ethan E. Kra Actuarial Services, in recognition of his volunteer contributions to the actuarial profession throughout his career. Kra's volunteer service to the Academy began when he joined the Pension Practice Council in 1993, where he served as vice chairperson and as chairperson. He served on the Pension Committee from 1994 to 2010, and on many other task forces and committees. He became known for effectively presenting Academy analysis and recommendations to policymakers in Washington, making a significant positive impact on pension regulation through his profound knowledge of pension policy. His leadership has included positions as a general committee member of the Actuarial Standards Board and on the Academy Board of Directors. His service to the Academy culminated in executive committee responsibilities as vice president for pension issues from 2009 to 2011.

The Farley Award was established in 1991 in honor of Jarvis Farley, a charter member of the Academy.



Outgoing President Cecil Bykerk speaks at the Academy Annual Meeting.

The Academy presents the award to individuals who continue Farley's spirit of volunteer service to the actuarial profession.

The Academy also honored **Stephen Goss**, chief actuary of the Social Security Administration, with the 2013 Robert J. Myers Public Service Award. The award recognizes Goss' extraordinary contributions to the public good through his more than 40 years of public service. His colleagues have praised his work with the Social Security Administration and recognized his tireless efforts to provide impartial, nonpartisan



Outgoing President Cecil Bykerk presents Ethan Kra with the Jarvis Farley Award.

advice to its commissioners, boards of trustees, other executive branch officials, and Congress.

The Academy's Committee on Actuarial Public Service established the Myers Award in 1994 to honor Myers' lifelong commitment to public service. Myers was chief actuary for the Social Security Administration from 1947 to 1970, and he helped to structure and fund the largest social insurance program in our nation's history. He was president of the Academy in 1971. Goss accepted the award through a video message.

In recognition of their contributions to the Academy and their efforts to advance its mission, the Academy presented Awards for Outstanding Volunteerism to five of its volunteers: **Anne Button, Audrey Halvorson, Geoffrey Hancock, David Ingram, and Joeff Williams.**

■ Anne Button is a senior actuary for the U.S. Department of Energy. She was recognized for her groundbreaking work as chairperson of the Pension Practice Council's Forward Thinking Task Force. Under her leadership, the task force developed consensus on principles to ensure sound retirement systems, the cornerstone of the soon-to-be-launched "Retirement for the Ages" initiative.

■ Audrey Halvorson is the chief actuary and vice president of Actuarial Services and Healthcare Economics for Blue Cross Blue Shield of Arizona. She was recognized for her exceptional leadership on the Rate Review Practice Note Work Group. As chairperson, she organized a large team of volunteers, coordinated calls with the U.S. Department of Health and Human Services, and reviewed and revised the

existing practice note to conform to final federal regulations—all under very short time constraints.

■ Geoffrey Hancock is a partner at Oliver Wyman in Toronto. He was recognized for his recent work with the AG 43/C3 Phase II Work Group. Hancock helped to evaluate the need for updating the parameters of the economic scenario generator and associated calibration criteria. His contributions were central to the group's work and regulators' efforts to modify the reserve and capital requirements for variable annuities.

■ David Ingram is a member of Willis Re's Analytics team based in New York. He was recognized for his distinguished leadership as chairman of the Actuarial Standards Board's (ASB) Enterprise Risk Management Task Force. He organized the task force's work effectively—developing, exposing, and ultimately marshaling to final adoption the Actuarial Standard of Practice (ASOP) No. 46, *Risk Evaluation in Enterprise Risk Management*, and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*. Under his stewardship, the ERM Task Force of the ASB became its standing Committee on ERM.

■ Joeff Williams is a consulting actuary with Actuarial Management Resources in Winston-Salem, N.C. He was recognized for his outstanding work organizing, producing, and presenting the Academy's annual Life and Health Qualifications Seminar, which has been in place since 2000 and has reached new levels of attendance. In selecting him for this award, his colleagues recognized how his many years of participation in the seminar—serving as health faculty, as an exemplary volunteer, and twice as chairperson—in the last year culminated in a singular effort that went above and beyond typical volunteer engagement.

The Academy established the Award for Outstanding Volunteerism to honor Academy volunteers who have made a single, noteworthy volunteerism contribution in the previous year that is above and beyond what is reasonably expected of an Academy volunteer.

Presidential Communications

In each issue of *Contingencies*, the Academy's bimonthly magazine, the president of the Academy offers perspectives on issues relevant to the profession and the public policy work of the Academy. He also published other letters to members on pertinent topics.

Academy President Cecil Bykerk:

- [Updated](#) members on the election process. (Aug. 8, 2013)
- Discussed tools available for actuaries as they prepare to implement components of the Affordable Care Act. (*Contingencies*, [July/August 2013](#))
- Gave an update on the Affordable Care Act and how the Academy is involved. (*Contingencies*, [May/June 2013](#))
- [Announced](#) a slate of candidates for the upcoming regular director election by members, which was held online from Aug. 26 through Sept. 16. The candidates were Thomas Campbell, Albert Beer, Audrey Halvorson, and Annie Voldman. (July 3, 2013)
- [Announced](#) 2013 membership dues would not increase, noting the strong financial position of the Academy. (Nov. 6, 2012)
- [Invited members](#) to take the 2013 Academy Volunteer Survey and explained the many benefits of volunteering. (April 24, 2013)
- Outlined what needed to be done to minimize adverse selection in the health insurance market. (*Contingencies*, [March/April 2013](#))
- Discussed the impacts of the Affordable Care Act and called on actuaries to work together to serve the citizens of the United States. (*Contingencies*, [January/February 2013](#))
- Described the Summer Summit's focus on health care costs and how the Academy wants to pursue getting actuarial input into the national discussion. (*Contingencies*, [November/December 2012](#))

Academy Communications

Word about Academy activities found its way into many prominent outlets. The table below includes highlights of Academy mentions around the country.

<u>"The Shocking Truth: Understanding ACA-Related Premium Changes Is ... Complicated!"</u>	<u>"Actuaries: 30 Years Later, It's Time Again to Raise the Age for Full Social Security Retirement Benefits"</u>
<p>Consumer Outlets Chicago Tribune & Orlando Sentinel (May 17) United Press International (May 22) The News Tribune (Tacoma, Wash.) (June 25) Chicago Tribune (Reuters) (Aug. 4) USA Today (Aug. 29)</p> <p>Policy Outlets Health Affairs blog (May 8) Bloomberg BNA (May 22)</p> <p>Trade Outlets LifeHealthPro (May 10) Modern Healthcare (May 20) Health Plan Week (May 20) Modern Healthcare (May 25) LifeHealthPro (Aug. 7)</p>	<p>Consumer Outlets "MoneyLife" (podcast) (May 30) Bankrate.com retirement blog (June 2) Wall Street Cheat Sheet (June 6) "Senior Living," NewsTalk 1470 AM, Tampa Bay, Fla. (June 7) National Forex (June 10) Press & Guide (Southgate, Mich.) (Aug. 4) Bankrate.com retirement blog (Aug. 12) Wall Street Cheat Sheet (Aug. 30)</p> <p>Policy Outlet Ways & Means Committee Fact Sheet (July 29)</p> <p>Trade Outlets HealthNewsDigest.com (May 24) Life & Health Advisor (July 19)</p>
<u>"Actuaries: Living Longer + Lack of Lifetime Income = Risky Business"</u>	<u>PBGC Deficit Estimate Stands on Firm Actuarial Ground</u>
<p>Consumer Outlets Marketwatch (June 24) Bankrate.com retirement blog (July 15) CBS Moneywatch (July 23) CBS Moneywatch (July 24) Star Global Tribune (July 30) Evanston Patch (Ill.) (Aug. 8) Kiplinger (Aug. 29)</p> <p>Policy Outlet Bloomberg BNA (June 8)</p> <p>Trade Outlets Life & Health Advisor (June 19) LifeHealthPro (June 24) Construction Executive (July 8) Insurance News Net (July 17) Employee Benefit Advisor (July 29)</p>	<p>Policy Outlet Bloomberg BNA (Aug. 26)</p> <p>Trade Outlets Business Insurance (Aug. 23) BenefitsLink Retirement Plans Newsletter (Aug. 23) Pensions & Investments (Aug. 26) BenefitsPro (Aug. 26) Treasury & Risk (Aug. 7)</p>

North American Actuarial Council Highlights

The North American Actuarial Council (NAAC) brings together the nine national actuarial organizations on the North American continent:

- American Academy of Actuaries (Academy) (U.S. based)
- ASPPA College of Pension Actuaries (ACOPA) (U.S. based)
- Asociación Mexicana de Actuarios (AMA)
- Asociación Mexicana de Actuarios Consultores (AMAC)
- Canadian Institute of Actuaries (CIA)
- Casualty Actuarial Society (CAS) (U.S. based)
- Colegio Nacional de Actuarios (CONAC)
- Conference of Consulting Actuaries (CCA) (U.S. based)
- Society of Actuaries (SOA) (U.S. based)

The primary purpose of NAAC is to build solid and lasting bridges between the professional actuarial organizations of North America. It provides a forum to promote coordination, cooperation, and trust among the leadership of the participating organizations, which represent actuaries in Canada, Mexico, and the United States. In this spirit, NAAC members exchange and share information on significant current activities, discuss professionwide issues (not necessarily involving all participating organizations), and, wherever possible, develop an action plan to address those issues.

The North American Actuarial Council (NAAC) has been involved in several activities:

- NAAC's Collaborative Research Group (CRG) held quarterly conference calls. It is sponsoring a project to study the regulatory risk that insurance companies and their actuaries face in North America along with mitigation strategies and communications. The CRG has also issued a request for proposals for a study relating to the effect of changing health expectancy (the number of years a person can expect to live in good health) on insurance organizations and governmental programs in North America in

terms of products, risks, and stakeholders. The group also has shared information on its ongoing projects, which include the Actuaries' Climate Volatility Index.

- NAAC has reinitiated discussion on a possible cross-border discipline agreement, to include Mexico.
- NAAC members were briefed on the Academy's intensive work concerning the development and implementation of the Affordable Care Act (ACA), including the challenge to its constitutionality, and ongoing attempts to repeal or replace portions of the ACA. They discussed the individual mandate and its effect on insurance companies' premiums, as well as the Medicaid expansion provisions in the ACA, and other provisions related to subsidies for the poor, medical loss ratio reporting requirements, the new annual rate review and disclosure process, the temporary high-risk pools that will be phased out by Jan. 1, 2014, tax credits for small businesses, the various plans' metal tiers, risk-sharing mechanisms, and how insurance marketplaces are expected to function.
- The Canadian Institute of Actuaries gave a presentation to NAAC members explaining the three-tier structure of the Canadian retirement system, which includes the Old Age Security (OAS) pension, the Canada Pension Plan or, in Quebec, the Quebec Pension Plan (QPP), and private pension plans—a good portion of them defined benefit plans—and plans for public-sector employees. NAAC members noted the increased improvement in mortality in Canada in relation to existing mortality tables.

International Activities

The American Academy of Actuaries serves as the voice of the U.S. actuarial profession internationally, coordinating activities among the five U.S.-based actuarial organizations to identify emerging international issues affecting U.S. actuaries and, where possible, to seek consensus on positions under consideration by international organizations.

■ The IAA formally adopted a new International Standard of Practice (ISAP 2), *Financial Analysis of Social Security Programs*, at its meeting in October. At the same meeting, the Actuarial Standards Committee (ASC) approved an exposure draft for a proposed ISAP 3, *Actuarial Practice under IAS 19 Employee Benefits*. A final, approved standard is not expected until 2015 to ensure due process in consideration and incorporation of comments received during the exposure period. The ASC has created a task force to develop a draft statement of intent for an ISAP dealing with International Financial Reporting Standard (IFRS) 4 on insurance contracts. Representatives of the Academy participated on task forces charged with developing these model standards.

■ On a related note, to ensure due process for the development of ISAPs, the IAA published [Guidelines to Develop the Strategic Action Plan for International Standards of Practice](#) as well as the actual [Strategic Action Plan for International Standards of Practice](#).

■ The IAA released several papers this year developed by committees incorporating Academy representation, including a [paper](#) on stochastic projections for Social Security programs; a [paper](#) on systemic risk regulation; a [paper](#) on stress testing and scenario analysis; and an educational monograph, *Discount Rates in Financial Reporting: A Practical Guide*.

■ The IAA also published two new papers that focus on the profession as a whole: The first is a [value proposition](#) for the actuarial profession, and the second is an exploration of what actuaries do in [The Role of the Actuary](#).

■ The Academy's International Accounting Standards Task Force submitted comments in October to both the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) for their respective exposure drafts on insurance contracts. Members of the task force met with IASB and FASB staff to discuss ways to ensure more clarity in the presentation of financial results, thereby providing more productive information for the users of financial statements.

■ The IAA has finalized memorandums of understanding with the IASB, the International Social Security Association, the International Organisation of Pension Supervisors, and the Organisation for Economic Co-operation and Development.