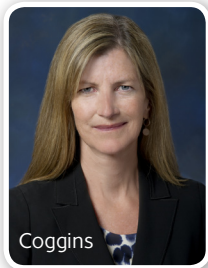


Actuarial Update

Incoming ASB Chairperson Maryellen Coggins Cites Key Issues Facing Board in 2016

MARYELLEN COGGINS is a busy woman. A Boston-based managing director at PricewaterhouseCoopers, her focus has been on enterprise risk management (ERM) for the past 15 years. She is also about to become chairperson of the Actuarial Standards Board (ASB), beginning in January. Coggins spoke with *Actuarial Update* from Portland, Ore., where she was on a business trip shortly before the holidays, on her Academy experience leading up to her becoming ASB chairperson.



Coggins

Coggins, who has been on the ASB for two years, is a casualty actuary by background and practiced in more traditional property and casualty actuarial roles before shifting her focus to ERM. She previously worked on the ASB's Enterprise Risk Management Committee as it worked to develop actuarial standards of practice (ASOPs) No. 46, *Risk Evaluation in Enterprise Management*, and No. 47, *Risk Treatment in Enterprise Management*.

She also joined, and still has a role on, a task force that is working on a proposed modeling ASOP, and served as vice president of the Academy's Risk Management and Financial Reporting Council for two years. Coggins, who participated in the ASB's public hearing on public pensions in Washington in July, noted that the pension area is one of growing interest to the public.

"The ASB and its Pension Committee have focused a lot of attention on the issues faced by pension actuaries in recent years," she said. "During the public hearing, actuaries and other pension experts shared their concerns on the funding of public plans, and how ASOPs should address public plan funding. These are difficult, challenging issues, and how ASOPs should respond is going to be a very significant area of focus for us in the upcoming years."

With its many volunteers, she noted the ASB—and its committees and task forces—looks across practice areas to see whether there are gaps in standards that need addressing, and whether the ASB should improve existing standards or develop new ones.

SEE ASB, PAGE 8

Academy Releases New and Improved Practice Note on SAOs on P/C Loss Reserves

THE COMMITTEE ON PROPERTY AND LIABILITY FINANCIAL REPORTING (COPLFR) recently released the substantially revised *Statements of Actuarial Opinion on P/C Loss Reserves practice note*.

The practice note's purpose is to provide information to actuaries on current or emerging practices in which their peers are engaged related to signing NAIC P/C statements of actuarial opinion (SAOs) and actuarial opinion summaries (AOSs).

It is intended to assist actuaries by describing practices that COPLFR believes are commonly employed in issuing SAOs and AOSs on loss and loss adjustment expense (LAE) reserves in compliance with the P/C Annual Statement Instructions for 2015 issued by the NAIC. Actuaries may also find this information useful in preparing SAOs for other audiences or regulators.

COPLFR has rewritten the annual practice note this year not only to update it, but also to make it easier for practicing actuaries to follow and use it. The rewrite timing was optimal because there were no substantive changes to the NAIC SAO or AOS Instructions for 2015.

The "look and feel" of this year's practice note is different. For instance, in prior years each section was structured such that the applicable paragraphs of the NAIC SAO instructions were presented first, followed by a description of practice related to the particular section of the Instructions, where COPLFR considered such a description to be appropriate. Next came illustrative wording, as applicable.

COPLFR decided that repeating each and every paragraph of the NAIC SAO Instructions was unnecessary, and noted that readers often had difficulty differentiating between the actual Instructions and descriptions of possible practice and/or illustrative wording. As a result, this year the Instructions are presented in a clearly titled appendix (Appendix I), and only relevant excerpts of the Instructions, in quotes for clear recognition, are included in the main body of the document. This is just one of the many innovations introduced in this year's practice note.

The Academy and the Casualty Actuarial Society are co-hosting a Jan. 14 [webinar](#) that will detail changes to this year's practice note. (See story, page 6.) Mark your calendars and plan to attend, and [download](#) the revised SAO P/C Loss Reserves practice note now. ▲

JANUARY

14 Webinar: [Keeping Current: Changes to the 2015 SAO P/C Loss Reserves Practice Note](#)

27 Webinar: [A Discussion on International Risk Adjustment](#)

APRIL

10-13 [Enrolled Actuaries Meeting](#), Washington, DC.

NOVEMBER

3-4 Annual Meeting and Public Policy Forum, Washington, DC.

Academy NEWS Briefs

Professionalism Webinar Explains How to Request ABCD Guidance

MORE THAN 1,200 ACTUARIES joined the Academy's Dec. 9 professionalism webinar, which highlighted the structure of guidance from the Actuarial Board for Counseling and Discipline (ABCD), and how it can provide valuable guidance to practicing actuaries in navigating difficult professionalism issues.

ABCD Chairperson Janet Fagan and ABCD member Kathy Riley presented valuable information about the request for guidance (RFG) process, which can help actuaries think through ethically charged situations. During the webinar, "Facing a Dilemma? The ABCD Can Help," they explained how actuaries can obtain valuable guidance from the ABCD whenever they have questions about the Code of Professional Conduct, practice standards, or qualification requirements.

Requests for guidance may be submitted either to the ABCD as a whole or to a particular member. The ABCD members aim to respond within a few days, all discussions and responses are confidential (unless the ABCD is compelled otherwise by legal proceedings), and a written summary is circulated to ABCD members. "Any guidance received represents the opinion of the individual ABCD member, not the board as a whole," Riley noted. She also noted that there is a process available to obtain a public opinion of the whole ABCD, and such a request was recently responded to regarding ASOP No. 6 and is [now published on the ABCD website](#).

Fagan and Riley discussed some of the common issues that have appeared in recent years. These include courtesy and cooperation (Precept 10), particularly cooperation with successor actuaries and regulators; qualifications (Precept 2), particularly new actuaries, new practice areas, or new assignments; violations related to standards of practice (Precept 3), particularly disclosures and deviations from standards; skill and care, including quality of work product and reputation of the profession (Precept 1); and reporting Code violations (Precept 13).

They then went through a few illustrative examples of RFGs, with one role-playing the requestor and the other the ABCD member. In each case the ABCD member talked the requestor through the issue, suggesting which



Precepts of the Code apply in each case and helping the requestor clarify his or her thinking and decide what steps to take next.

Example cases covered what to do when having difficulty getting a previous actuary to cooperate, discovering mistakes in your own work after you've already issued an opinion, obtaining qualifications to take on an assignment in a new area, discovering a senior colleague using credentials of an organization of which he is not a member, and finding an error in previous work done by your boss.

Many attendees' questions centered on confidentiality, proprietary information, and compensation.

"You certainly don't have to disclose proprietary information," Riley said. The actuary you request information from is entitled to compensation for work performed in getting that information to you, but if that actuary is working at another firm and has signed an agreement not to take compensation from another company, you may not be able to get the information, Fagan said. Actuaries are not expected to break an employment contract to satisfy a request for information, she noted.

In response to a question about whether an ABCD member ever feels compelled to report the requestor if he or she has violated an actuarial standard of practice (ASOP) or Precept, Fagan said no, and stressed again that individual RFGs are confidential. "We are here to help you. That's our primary responsibility—to help you stay out of trouble and do the right thing," she said.

The webinar slides and audio are available without charge to members on the [professionalism webinar page](#) after member login. ▲

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information.

Academy members can update their member profile at the member login page on the Academy [website](#).

Recently Released

THE DECEMBER ISSUE of [HealthCheck](#) recaps Academy work groups' health presentations at the NAIC Fall National Meeting; a new Premium Review Work Group practice note on Affordable Care Act (ACA) rate filings; and the Centers for Medicare & Medicaid Services' release of proposed notice of benefit and payment parameters for 2017 and draft 2017 actuarial value calculator and methodology.

The quarterly [ASB Boxscore](#) covers several recently updated actuarial standards of practice (ASOPs), adoption of ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*, and proposed revisions to ASOPs No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*, and No. 23, *Data Quality*.

The Winter 2015 [Retirement Account](#) recapped the Academy's Aging Securely forum in October as part of its Aging Securely initiative, last month's Annual Meeting and Public Policy Forum, the Nov. 10 webinar on pension cost recognition, release of the Academy's new Social Security Game, and other highlights of Academy efforts in the pension practice area.

In the Winter 2015 edition of [PBA Perspectives](#), the Academy's quarterly update on regulatory, legislative, and Academy activities surrounding the implementation of the principle-based approach (PBA) for life insurance, read about how the NAIC's threshold for insurers to begin using principle-based reserving (PBR) is nearly met, even as a handful of items still need to be completed before the antici-

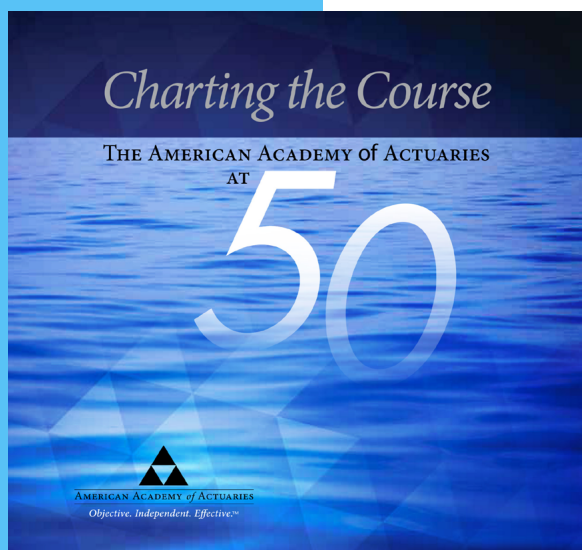
pated implementation date of Jan. 1, 2017, including a 2016 PBR pilot project; an NAIC Fall Meeting wrap-up, including the PBR Implementation (EX) Task Force and the LATF; the Academy's post-NAIC webinar; and an update on PBR progress among the states. ▲

HAPPY NEW YEAR From the Academy

If you missed it in your email, here is [Academy's annual year-end holiday card](#). The card included an offer of a complimentary pocket-sized version of the Code of Professional Conduct, which you can still request by following the link at the end of the card.



Read Our Story



In conjunction with our Golden Anniversary in 2015, the Academy released a book,

Charting the Course: The American Academy of Actuaries at 50.

Go to actuary.org/ChartingTheCourse to download a digital edition of the book or to order the hardcover version.

Post-NAIC Webinar Looks at Life Practice Issues

THE ACADEMY'S [post-NAIC webinar](#), held Dec. 7, recapped developments from last month's NAIC Fall National Meeting.

The webinar was moderated by Dave Neve, chairperson of the Life Reserves Work Group, and featured Philip Barlow, associate commissioner for insurance for the District of Columbia Department of Insurance, Securities and Banking, and chairperson of the NAIC's Life Risk-Based Capital Working Group; Michael Boerner, director of the Actuarial Office at the Texas Department of Insurance, and chairperson of the NAIC's Life Actuarial Task Force (LATF); and Tom Campbell, chairperson, Academy AG 43/C3 Phase II Work Group. The webinar drew more than 160 attendees from more than 100 registered sites.

Boerner covered seven proposed valuation manual (VM) amendments that have been exposed for comment by the LATF, with three amendments exposed for comment thru Jan. 8 submitted by the American Council of Life Insurers.

Key LATF initiatives include a simplified valuation of annuities with Guaranteed Lifetime Income Benefits and the development of sections for the new requirements that includes work of the Academy's Annuity Reserves Work Group and consideration of work from the Standard Valuation Law Interest Rate Modernization Work Group.

The meeting's activity included a third exposure—through Jan. 8—of the principle-based reserve (PBR) Blanks reporting and

the second exposure—also through Jan. 8—of PBR-related edits to the Financial Analysis Handbook. Regarding model review, NAIC staff reported on planned use of modeling software to support regulators. Also, the Academy has set up a PBR Model Governance Work Group to consider issues surrounding PBR modeling, model validation, model governance, and assumption setting.

LATF plans to make appropriate adjustments to Actuarial Guideline (AG) 48 in 2016 given a number of VM amendments adopted to date that include the 2017 Commissioners Standard Ordinary mortality amendments that affect the Net Premium Reserve.

Barlow said that Investment Risk-Based Capital (E) Working Group Meeting heard presentations from both the P&C and Health risk-based capital (RBC) working groups on the development of investment RBC factors for those formulas.

Both are working on factors, but are waiting for resolution of previously submitted life insurance bond factor issues developed by the Academy's LPC C1 Work Group before working on those, and the group discussed the benefits and costs of increasing the granularity of the bond base factors. The majority of working group members agreed that increasing the number of factors is warranted to appropriately reflect investment risk, and that changes should be implemented gradually.

Full LPC post-NAIC webinar slides and audio are available without charge to members on the [public policy webinar page](#). ▲

IN THE NEWS

Gallup's annual [report](#) on how Americans say their health insurance premiums are changing cited the Academy's work on 2016 premium rate drivers to explain factors contributing to the trend of higher premiums. The story ran in several outlets, including [Albany CEO](#), [Savannah CEO](#), and [Middle Georgia CEO](#).

The Academy's new [Social Security Game](#) was highlighted as part of the weekly "[Huffpost Hill](#)" roundup of the *Huffington Post* blog and in a [commentary piece](#) in the *Sanger Herald* (Calif.).

The Academy was mentioned in an [opinion piece](#) in *The Hill* on Medicaid rate-setting.

The Academy's [testimony](#) at NAIC's public hearing on "The Pricing of Automobile Insurance" was highlighted

in a summary, [NAIC Report: 2015 Fall National Meeting](#). The report also was published by [JD Supra](#) and [Martindale.com](#).

The Academy's [issue brief](#), *Means Testing for Social Security*, was cited in The Tax Foundation's [research paper](#), *Options for Broadening the U.S. Tax Base*.

Academy analysis of using a chained consumer price index model for Social Security cost of living adjustments was cited in a blog post, [Cures for What Ails Social Security](#).

A [subscriber-only piece](#) by *Inside Cybersecurity* reported on North Dakota Insurance Commissioner Adam Hamm's keynote address at the Annual Meeting and Public Policy Forum.

The U.K. outlet [Actuarial Post](#) cited findings from the

paper [The Challenge of Longevity Risk: Making Retirement Income Last a Lifetime](#) in its reporting of new government estimates that newborns in the United Kingdom are now expected to live into their 90s. The paper was a joint project of the Academy, the U.K. Institute and Faculty of Actuaries, and the Actuaries Institute of Australia that highlights risks associated with longevity and asset decumulation.

A graphic from the Academy Health Practice Council's [fact sheet](#) examining the Affordable Care Act's (ACA) three risk-sharing mechanisms was reproduced in a *Bangor Daily News* (Maine) editorial warning readers of the potential systemic risks of underfunding the ACA risk corridor program. The editorial also ran in [Insurance News Net](#).

The *Richmond Times-Dis-*

patch [cited](#) the Academy's issue brief, [Drivers of 2016 Health Insurance Premium Changes](#), in a story that fact-checks statements by a presidential primary candidate regarding expected 2016 rate increases.

A [story](#) in *IdahoWatchdog.org* referenced the Academy's [issue brief](#), *The 80% Pension Funding Standard Myth*, in examining the funding challenges facing Idaho's judicial pension fund, which has a funded ratio of 78 percent. The piece is one of many since the brief's July 2012 release to cite its call for pension plans to prioritize full funding.

Notes from the September 2015 [meeting](#) between the Academy Intersector Group and the U.S. Treasury Department and IRS were [posted](#) in *BenefitsLink Retirement Plans Newsletter*. ▲

Resolve to Keep the Code in Your Pocket

It's a good idea to review all the actuarial standards of practice that apply to your area of practice on a regular basis, just to refresh your memory. The same goes for the Code of Professional Conduct, the ultimate foundation of actuarial professionalism.

Adopted individually by the five U.S.-based actuarial organizations and effective Jan. 1, 2001, the Code requires actuaries who are members of any of those organizations to "adhere to the high standards of conduct, practice, and qualifications of the actuarial profession, thereby supporting the actuarial profession in fulfilling its responsibility to the public." All actuaries who are members of any of the five U.S.-based organizations must comply with the Code.

Actuaries likely first learn about the Code while earning their initial educational credential, and most future actuaries take professionalism courses covering the Code. But once they obtain their credentials, how many go back and reread the Code on a regular basis to refresh their knowledge?

And for those of you who do refer to the Code fairly often, do you ever wish for a handy edition of the Code of Professional Conduct that you can reference easily, without searching online or digging through piles of papers on your desk to find the last one you printed out?

The Academy has a solution: the Code in booklet form. The Academy has published the Code in this new pocket-sized format to make it easily portable and to encourage members to review the Code more often. About the size of a deck of playing cards, the booklet is small enough to keep on your desk or throw into your bag and take with you, but big enough to read easily. (And if you need

The Academy has published the Code in this new pocket-sized format to make it easily portable and to encourage members to review the Code more often.

another incentive, remember: Time spent studying and reviewing the Code of Professional Conduct may count as professionalism continuing education.)

As the year draws to a close, there's no better time to make a resolution to review the Code—not just this year, but every year. If you would like a copy of the Code in this new format, you may request one through a link at the end of the [Academy's holiday card](#). ▲

PROFESSIONALISM NEWS



ABCD Issues Formal Guidance on ASOP No. 6

THE ACTUARIAL BOARD FOR COUNSELING AND DISCIPLINE (ABCD) received a specific question pertaining to the use of unadjusted premiums (without regard to age) pertinent to the application and scope of [Section 3.7.7 \(c\)](#) of Actuarial Standard of Practice No. 6, [Measuring Retiree Group Benefit](#)

[Obligations](#) (adopted by the Actuarial Standards Board in May 2014). In an effort to provide timely guidance to actuaries practicing in this area and to mitigate the potential for future complaints associated with the relevant section, the ABCD issued a [formal opinion](#) on the matter. ▲

COQ Adds Information to Qualification Standards FAQs

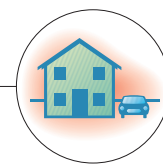
IN RESPONSE TO CONTINUING INQUIRIES, the Committee on Qualifications (COQ) recently added more information to one of the questions in the frequently asked questions (FAQs) on the U.S. Qualification Standards. The revision to question No. 31—"Is 'on the job' learning considered continuing education?"—[may be found online](#). ▲

ASOP Applicability Guidelines Updated

THE [Applicability Guidelines for Actuarial Standards of Practice](#) (ASOPs) have been updated to include [ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act](#). ▲

PROFESSIONALISM BRIEFS

➔ **Janet Carstens** has joined the Council on Professionalism.



P/C Opinion Seminar Addresses Key Loss Reserve Issues

ABOUT 65 PEOPLE attended the Academy's successful P/C Effective Loss Reserve Opinions Seminar Dec. 1-2 in Philadelphia, where they heard presentations on property and casualty loss reserve opinion issues and were able to gain greater understanding of regulatory perspectives and expectations while remaining up-to-date on the latest regulations and standards with valuable continuing education credit.

At the seminar—attended largely by actuaries who prepare or sign NAIC annual statement actuarial opinions on P/C loss reserves, or those who assist in preparing them—presenters reviewed actuarial qualification standards and took attendees through case studies.

Sue Gozzo Andrews, a member of the Committee on Property & Liability Financial Reporting (COPLFR), gave an overview on regulations, addressing key questions, such as who governs the content of the opinion, who is the regulator, and how the opinion is reviewed.

Her presentation noted that the top 20 opiners (4 percent of opiners) issued 705 opinions, or about 28 percent of all opinions, issuing between 18 and 63 opinions each. The top 39 opiners (9 percent of the total) issued 995 opinions, or about 40 percent of all opinions, signing 14 or more each; and 123 actuaries signed only one opinion (27 percent of opiners), all based on 2014 NAIC data.



Kathleen Odomirok, vice chairperson of COPLFR, gave a presentation on changes to the 2015 practice note, noting COPLFR's objectives of updating language and reorganizing the content to make it flow better and to make it easier to find specific topics.

Attendees also heard a presentation on reserve ranges, including what two types of ranges are commonly discussed (and their different meanings), and that a range of possible outcomes is not the same as a range of reasonable estimates. ▲

Webinar Will Examine Changes to the 2015 SAO P/C Loss Reserves Practice Note

THE ACADEMY has released a newly formatted practice note (see story, page 1) to assist actuaries who sign or assist with preparing NAIC P/C statements of actuarial opinions (SAOs).

Join the Academy and the Casualty Actuarial Society for a jointly sponsored webinar that will explore how this year's practice note has changed from previous versions.

The Jan. 14 [webinar](#), "Keeping Current: Changes to the 2015 SAO P/C Loss Reserves Practice Note," will be a guide to the revised [Statements of Actuarial Opinion on Property and Casualty Loss Reserves](#) practice note, and will highlight several areas of practice related to preparing SAOs.

This webinar is open to Academy members and non-members and may be of special interest to members who sign U.S. statutory opinions. Similar material was presented at the Academy's Dec. 1-2 Seminar on P/C Effective Loss Reserve Opinions (see story, above).

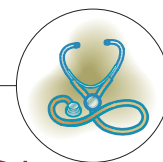
Presenters will be Alejandra Nolibos of the Academy's Committee on Property and Liability Financial Reporting, and Kathy Odomirok of the Academy's Opinion Seminar Subcommittee.

The cost of this webinar is reduced for those who register on or before Jan. 11, 2016.

- This webinar is \$50 for individual registration.
 - The webinar is \$250 for multiple registrations (multiple registrations must be using the same computer and telephone connection).
 - Government regulators are welcome to attend at no cost.
- [Click here](#) to register today. ▲

Reserve Your Copy of the P/C Loss Reserve Law Manual

THE 2015 PROPERTY/CASUALTY LOSS RESERVE LAW MANUAL is available to order. The manual, updated annually and available in numerous formats, is designed to help appointed actuaries comply with NAIC annual statement requirements for statements of actuarial opinion. [Click here](#) to order the manual. ▲



Practice Note on Rate Filings and Review Under the ACA

THE PREMIUM REVIEW WORK GROUP released a [practice note](#), *Actuarial Practices Relating to Preparing, Reviewing, and Commenting on Rate Filings Prepared in Accordance with the Affordable Care Act (ACA)*, which addresses ACA-compliant plans only.

The practice note provides an overview of general rate filing requirements, 2014 market reforms, effective rate review programs, and state requirements. In addition, it provides additional considerations related to the unified rate review template (URRT) and the actuarial memorandum.

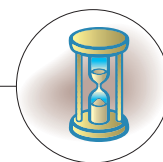
It does not replace the original [October 2012 practice note](#), which is still helpful when filing rate changes for transitional plans, which are non-grandfathered, non-ACA-compliant plans that have been allowed to renew through Oct. 1, 2016, in some states.

A table in the practice note summarizes when each part of the justification must be submitted to both the Department of Health and Human Services and the state (if applicable), and what plan data is included in each part, for an ACA-compliant filing.

States may have additional rate filing requirements, including state-specific templates or actuarial memorandum requirements, and actuaries are expected to become familiar with specific state laws and requirements related to rate development and filing.

The practice note also covers risk score and justification of risk adjustment transfer amount, and notes relevant actuarial standards of practice.

Read the [full practice note here](#).



Work Group Submits Comments on AG 49 Revision

THE LIFE ILLUSTRATIONS WORK GROUP [submitted comments](#) to the NAIC Life Actuarial Task Force IUL Illustration (A) Subgroup on the draft revision of Actuarial Guideline (AG 49).

The comments asked the subgroup to consider that the draft AG 49 revision requires each set of Index Accounts corresponding to each Benchmark Index Account (BIA) to independently pass self and lapse support testing. This is inconsistent with [ASOP No. 24, Compliance with NAIC Life Insurance Illustrations Model Regulation](#), which allows the policy form to pass in aggregate, while recognizing the distribution of business, the comments state.

The guidance in ASOP No. 24 has existed for current illustrations for 20 years, the comments said, and the work group believes that the guidance is appropriate in cases where there is more than

one BIA for the illustrated policy, because the additional BIA is simply another dimension of the distribution of business.

The comments also said that the guideline should explicitly define account charges, which could include but not be limited to the cost of insurance, percentage of premium, and per unit and asset based charges.

The comments noted that section 3.5 of ASOP No. 24 states that “In performing the self-support test for a policy form, the actuary may test underwriting and policyholder choice factors in aggregate if, in the actuary’s professional judgment, such combinations would be appropriate.”

Note: The Actuarial Standards Board is revising ASOP No. 24 to make its guidance consistent with that of AG 49. ▲

LIFE BRIEFS

- ➔ **Karen Rudolph** is now chairperson of the Life Practice Note Work Group and a member of the Life Valuation Committee.
- ➔ **Donna Claire** is now chairperson of the PBR Modern Governance Work Group.
- ➔ **Tim DeMars** is now chairperson of the Life Settlements Practice Note Work Group.
- ➔ **Arnold Dicke** is now chairperson of the Role of the Actuary Subgroup and a member of the PBR Model Governance Work Group.
- ➔ **Cande Olsen** has joined the Role of the Actuary Subgroup and the PBR Modern Governance Work Group as liaison to the PBR Strategy Subgroup.
- ➔ **Erik Anderson** has joined the PBR Practice Note Work Group and the Life Capital Adequacy Committee.
- ➔ **Nadeem Chowdhury** has joined the PBR Model Governance Work Group and the Life Principle-Based Approach Practice Note Work Group.
- ➔ **Linda Lankowski** has joined the PBR Model Governance Work Group and the Role of the Actuary Subgroup.
- ➔ **Mary Bahna-Nolan, Mike Boerner, Nadeem Chowdhury, Michael Failor, Brian Fomby, Steve Krupa, Perry Kupferman, Chanhoo Lee, Arthur Panighetti, Craig Roberts, Timothy Trimborn, Pete Weber, and Ali Zaker-Shahrak** have joined the PBR Model Governance Work Group.
- ➔ **Pamela Hutchins, Carrie Kelley, Stephen Krupa, and Amanda Young** have joined the Life Principle-Based Approach Practice Note Work Group.
- ➔ **Pete Bondy, Vince Granieri, Scott Morrow, and Larry Rubin** have joined the Life Settlements Practice Note Work Group.
- ➔ **Amy Eby** and **Grace Senat** have joined the Life Reserves Work Group.
- ➔ **Jennifer Zwach** has joined the Annuity Reserves Work Group.
- ➔ **Marc-Andre Brunet** has joined the PBA Practice Note Work Group.
- ➔ **Peter Lasalle** has joined the Role of the Actuary Subgroup.

More recently, the board has worked on standards addressing cross-practice areas, and “the ASB has a few others in the works,” Coggins said. “Not that we’re going to keep this up—we’ll only introduce cross-practice standards if it’s appropriate—but there are some potential opportunities for having more generalized standards that provide support to actuaries regardless of their practice area.

“The nice thing about cross-practice standards is they help actuaries consider appropriate practice using a common language framework, as opposed to practice-specific terms,” she added. “These kind of generalized standards provide an opportunity for guidance reflecting shared experiences and challenges.”

The ASB also is “continuing to reach out” in other areas, Coggins said. “We have an amazing system of volunteers that support its work: committees, task forces, and people who spend time commenting on exposure drafts and standards. It’s truly amazing, and we’ve been doing lots of work to reach out to other stakeholders—those who rely on the actual work product, and who have an interest in the standards.

“We expect that outreach to continue and expand,” she said. “The board has done a really good job of that in recent years and will continue to do so.”

ASB Welcomes Two New Members; ABCD Makes Appointments

In addition to Maryellen Coggins becoming its new chairperson, the ASB will have several other member changes for the new year.

Joining the ASB will be Kathy Riley, who has been a member of

the Actuarial Board for Counseling and Discipline (ABCD) and is a former vice president of the Council on Professionalism, and Cande Olsen, an active Academy volunteer who has previously served as vice president of the Academy’s Life Practice Council (LPC) and is a past LPC chairperson.

Current ASB member Beth Fitzgerald was appointed for a second three-year term and will continue as the board’s vice chairperson of finance. ASB member Frank Todisco will become the board’s vice chairperson of operations. Departing the ASB after serving two three-year terms are Tom Levy—a past Academy treasurer and secretary-treasurer—and outgoing Chairperson Tricia Matson.

The appointments of the new members and the appointments of the chairperson and two vice chairpersons were made by the Selection Committee established in the Academy bylaws as the presidents and presidents-elect of all five of the U.S.-based actuarial organizations that participate in the ASB and the ABCD. The committee is chaired by Academy President Tom Wildsmith.

The Selection Committee also appointed Deborah Rosenberg to the ABCD, replacing John Purple, whose term is expiring. Richard Block, who specializes in pensions and was a co-founder of the College of Pension Actuaries, and Janet Carstens, a past Academy vice president who has served on the ASB’s Health Committee and General Committee, were both reappointed to new three-year terms. ▲

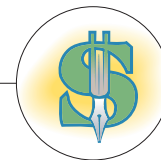


Riley



Olsen

RISK MANAGEMENT & FINANCIAL REPORTING NEWS



ERM/ORSA Committee Makes Presentation to FSOC on Actuaries and Financial Stability

CHAIRPERSON TRICIA MATSON and member Maryellen Coggins of the Enterprise Risk Management/Own Risk and Solvency Assessment (ERM/ORSA) Committee [provided a presentation](#) to representatives of the Financial Stability Oversight Council’s (FSOC) Non-bank Designations Committee members on the role actuaries play in promoting financial stability.

Matson and Coggins, outgoing and incoming chairperson of the Actuarial Standards Board (ASB), respectively—see story, page 1—outlined the basics of the Academy, the ASB, and credentials and qualification standards required for actuaries, and described how actuaries, through their work, promote financial stability by helping individuals and businesses protect themselves against uncertain future events and ensure their financial security, and support the public interest by providing robust private-market mechanisms so that public social safety net systems are not overburdened.

The two also outlined pension standards of practice, offered comparisons to banking standards, and gave an overview of actuarial professionalism, including actuarial standards of practice (ASOPs) and the Code of Professional Conduct.

Earlier in the day, Academy Senior Life Fellow Nancy Bennett and Senior Casualty Fellow Jim MacGinnitie made a presentation to the inter-agency FSOC group on [regulatory capital requirements](#) for U.S. insurers.

The Academy representatives gave an overview of risk-based capital (RBC) and the U.S. solvency framework, including the purpose of regulatory RBC, the risks covered by Life RBC, formula basics of Life RBC, a comparison of Life and P&C RBC formulas, refinements to the solvency framework, and stress testing.

They gave background on RBC and objectives of RBC framework, as well as risks included—and not included—in Life RBC.

They noted that the NAIC has not yet defined regulatory capital requirements at the group level and that work on a group capital assessment tool has begun.

ORSA provides regulators with an insurer’s confidential view of its risk exposures, risk mitigation techniques, and ERM practices. ORSA also complements RBC with a discussion of an insurer’s unique risk profile and its practices for managing risks and its capital position, the presentation said.

The presentation also noted that enhancements are under way to all RBC formulas, with investment risk factors for all asset classes (implementation date still to be determined), and an operational risk component; recent enhancements to Life RBC formula include life insurer captives (2015 implementation), commercial mortgages (2013), life insurance policies with PBR-defined reserves (2017), and modification to requirements for fixed & variable annuities (2016 or later). ▲



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Pension Committee Releases Variable Annuity Plans Practice Note Exposure Draft

THE PENSION COMMITTEE released the [Variable Annuity Plans Practice Note](#) exposure draft on measuring obligations of defined benefit pension plans that include variable annuity benefits.

The draft covers mathematical consequence, guidance from actuarial standards of practice (ASOPs), traditional liability measurement of pure variable benefits, potential liability measurement of pure variable benefits under regulatory require-

ments, financial accounting in the public and private sectors, single-employer private-sector funding, multiemployer private-sector funding, and lump-sum distributions.

Cash balance plans that credit market rates of return are closely related to variable annuity plans, but are not addressed in the practice note. Its intended users are the members of actuarial organizations governed by the ASOPs promulgated by the Actuarial Standards Board. ▲

Intersector Group Releases September Meeting Notes with IRS, PBGC

THE INTERSECTOR GROUP released the [notes](#) of its September 2015 meeting with the Treasury Department and IRS, and with the [Pension Benefit Guaranty Corporation](#) (PBGC). The group meets with IRS/Treasury and the PBGC twice a year each.

At the IRS/Treasury meeting, the group covered new final funding rules under Internal Revenue Code section 430—logistics of standing/formula elections to apply funding balances toward quarterly contribution requirements. Discussions centered around how the standing election described in Treasury regulations interacts with the replacement formula election. The group indicated that a plan sponsor may determine the minimum required contribution for the current plan year, and the amount of that minimum required contribution may subsequently change due to a change in actuarial assumptions, the correction of an error, or other factors.

The IRS/Treasury representatives noted that there is only one minimum required contribution for the plan year, and that to the extent that other calculations are developed prior to the final minimum being determined, those calculations are only preliminary. The regulations do not anticipate that the minimum for the plan year will change once it has been determined and reflected in a replacement formula election.

Other items discussed included hybrid plan transition rules, mortality tables, changes in funding methods, risk transfers, changes in role of IRS actuaries, plan termination issues, and Multiemployer Pension Reform Act and amortization extensions.

The PBGC meeting covered final reportable events regulations, including the logistics of 4 percent probability-of-default test. The PBGC representatives indicated that the 4 percent probability-of-default test in the final reportable events regulations was in response to comments received regarding the use of Commercial Credit Reporting Company (CCRC) scores in the proposed regulations. The general reaction to the use of CCRC scores was not positive; there were concerns that scores were available from only one CCRC, that they might not be accurate or easy to obtain, and that they might not be updated with sufficient frequency.

The meeting also covered an update on PBGC's review of actuarial assumptions and potential timing of any changes, the timing of final regulations under ERISA section 4010, the difficulty finding suitable annuity carriers when small- to mid-sized plans terminate, and issues related to the Multiemployer Pension Reform Act of 2014. ▲

CASUALTY BRIEFS

➔ **Kevin Christy, Marc Pearl, Frederick Ryan, Avivya Stohl, and Zhuo Yang** have joined the Workers' Compensation Subcommittee.

PENSION BRIEFS

➔ **Sue Breen-Held** has joined the Pension Committee.
➔ **Michael Economos** has joined the Pension Finance Task Force.