

# Academy 50th Anniversary Celebration Registration Is Now Open

**REGISTRATION IS NOW OPEN** for a celebration of the

Academy's 50th anniversary during our Annual Meeting and Public Policy Forum, to be held Nov. 12-13. Celebrating the past and planning for the future will be the keystones in this meeting, offering opportunities to learn about and participate in focused discussions with cross-practice and practice-specific sessions on professionalism and public policy topics that offer continuing education (CE) credit—and an extra-early discounted registration rate is available through July 17.

Gain insights into the most important public policy issues of our time from distinguished speakers from within and outside the actuarial profession, including Academy leaders, as well as invited executive branch, congressional, and state insurance officials.

The 50th anniversary of the Academy is a reason to celebrate the dedi-



cation of the many who have come before and those who will come after who strive to provide objective analysis to policy-makers and to protect and preserve the professionalism that underpins all the work of the Academy. Your attendance will honor the visionaries who created the Academy in order to bring the accreditation and qualification of the actuarial profession in the U.S. into public understanding. The continuing recognition

of those who tirelessly contribute to these efforts will be a way for you to honor your contemporary colleagues for service to the profession and the public. To do this, the Academy will present several different awards on Nov. 12 and 13: the [Jarvis Farley Service Award](#); the [Robert J. Myers Public Service Award](#); and the [Awards for Outstanding Volunteerism](#). (Nominations are due July 8.)

A 50th Anniversary Gala Dinner will take place the evening of Nov. 12 at the National Museum of Women in the Arts and is included in both the two-day and the Nov. 12 registration fee. Dinner tickets may be purchased separately as well.

[Make plans now](#) to attend. More information—including details about the sessions and plenaries scheduled, as well as keynote speakers and entertainment—will be announced in the coming weeks. ▲

## Academy Offers Actuarial Expertise to National Policy Discussion on Aging-Related Issues

**AS CHANGING DEMOGRAPHICS**, increases in life expectancy and longevity, and the aging physical and digital infrastructure of the United States bring new urgency to reforming and innovating public and private programs and services, the American Academy of Actuaries is drawing on its actuarial expertise on issues like the sustainability of financial security systems to provide resources that contribute to a productive national policy discussion on aging.

"Aging is a factor of immediate and growing consequence for financial security systems across the board that demands attention at the federal, state, and local levels," said Academy President Mary D. Miller. "Actuaries from different practice areas study aging's impact on and within major

public programs like Social Security and Medicare, private lifetime income solutions, and long-term care services and other market-based insurance products and services essential to seniors who often must manage their financial risks on limited fixed incomes. As the voice of the U.S. actuarial profession on public policy and professionalism issues, the Academy is uniquely positioned to provide expert actuarial analysis of policy options to address these needs."

Two cornerstones of the Academy's initiative on aging are the Academy's recent formation of a Task Force on Aging and the publication of a new public policy white paper developed by the Academy's Public Interest Committee that focuses on sustainability.

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22 Webinar: [The Great Modeling Debate: What Standards Should Apply?](#)

## AUGUST

4 Webinar: [International Insurance Regulation 201: IAIS Development Of Insurer Capital Standards](#)

## SEPTEMBER

2 Seminar: Vmm, Vmm, VM-20 – Start Your Engines, The Race to the PBR Finish Line Is On

3 Webinar: Exploring Global Health Care Cost Drivers: Australia and Singapore

9-11 [Casualty Loss Reserve Seminar \(CLRS\) & Workshops](#), Atlanta, Ga.

## NOVEMBER

4 Webinar: Exploring Global Health Care Cost Drivers: Canada and Chile

9-12 [2015 Life and Health Qualifications Seminar](#), Arlington, Va.

12-13 [Academy Annual Meeting and Public Policy Forum and 50th Anniversary Gala](#), Washington, D.C.

# Academy NEWS Briefs

## Academy Officer Candidates Announced; Now Seeking Recommendations for Regular Directors

**T**HE ACADEMY'S NOMINATING COMMITTEE has nominated the following five individuals for officer positions on the Academy Board. This slate is led by Bob Beuerlein as the nominee for the Academy's next president-elect. As directed by the Academy bylaws, this slate will be voted on by the Academy board at its annual meeting on Oct. 7, 2015.

Beuerlein is a consulting actuary with RM Beuerlein Consulting in The Villages, Fla., with 36 years of actuarial experience, including in senior positions at AIG Life & Retirement Companies, American General Life Companies, and Franklin Life Insurance Companies. His previous Academy service includes service on the Board of Directors, Strategic Planning Committee, Joint Committee on IAA Coordination, Committee on Professionalism, Life & Health Qualifications Seminar, and Committee on Life Insurance Financial Reporting. He has also served on the Actuarial Standards Board's Life Committee, and is a past president of the Society of Actuaries.

The Nominating Committee also named John Moore, COO and chief actuary of The Terry Group in Englewood, Colo., as nominee to serve as secretary-treasurer. The secretary-treasurer position is elected annually by the board. Moore is currently serving his second year as secretary. At its last meeting in May, the Academy Board voted to com-

bine the positions of secretary and treasurer back into one position, secretary-treasurer, as the position had previously existed for many years. Moore previously served as vice president, pension, from 2011 to 2013; as chairperson of the Pension Committee in 2009-2011; and on other Academy subgroups.

On the slate to fill what will be three open vice president positions on the board are: Jeff Johnson, AVP & actuary (U.S. Division), John Hancock USA, Windsor, Conn., chairperson of the Duration Blanks Work Group, for vice president, life; Bill Hallmark, a consulting actuary with Cheiron, Inc., Portland, Ore., and chairperson of the Public Plans Subcommittee, for vice president, pension; and Jeffrey Schlinsog, principal, PricewaterhouseCoopers LLP, Milwaukee, Wis., and chairperson of the Financial Regulatory Task Force, for vice president, risk management and financial reporting. Vice presidents serve a two-year term on the board.



Beuerlein

### Submit Suggestions for Regular Directors

Just as new Academy officers are elected by the Academy Board of Directors, new regular directors

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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 login page on the Academy [website](#).

## nominate & honor

OUTSTANDING ACADEMY MEMBERS



Join the celebration as awards are presented at the Academy's 50<sup>th</sup> anniversary year Annual Meeting and Public Policy Forum, Nov. 12-13 in Washington.

- **The Robert J. Myers Public Service Award** honors an actuary who made an exceptional contribution to the common good, specifically through a single noteworthy public service achievement or a career devoted to public service.
- **The Jarvis Farley Service Award** annually honors an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service.
- **The Academy's Award for Outstanding Volunteerism** honors Academy volunteers who have made a single, noteworthy volunteerism contribution that is above and beyond what is reasonably expected of an Academy volunteer.

Nominate a deserving colleague/mentor by **July 8**. Visit [actuary.org/awards](#).

are elected by the Academy membership in an online election during the summer from a slate of candidates presented by the Academy's Nominating Committee. As noted above, the Committee has been meeting for several months to identify new officers in accordance with the [Nominating Committee Guidelines](#), which have been in effect since February 1999. This year's Nominating Committee, a Presidential committee, is chaired by Penultimate President Cecil Bykerk; its members are Albert Beer, Katherine Campbell, Audrey Halvorson, William Hines, Mary D. Miller, Catherine Murphy-Barron, Thomas Terry, and Thomas Wildsmith. Now that the officer candidates have been identified, the Nominating Committee turns to rounding out the Board with regular director candidates to fill upcoming vacancies.

The Academy's process for identifying new officers and new regular directors is focused on ensuring that the Academy's board reflects our unique position as the U.S. national organization established to include actuaries from all practice areas—as well as an equitable distribution among actuarial specialties, business affiliations, and employers. To achieve such a balance, the Academy's nominating process has long relied primarily on a Nominating Committee process that entrusts that committee with identifying Academy volunteers whose service to the Academy has made them an excellent candidate for service on our board, which is dedicated to furthering our public policy and professionalism mission. The committee carefully vets candidates for appropriateness in accordance with the [Guidelines](#). The Nominating Committee looks for candidates for reg-

ular directors who have served the Academy, often through having been chairpersons on Academy committees and task forces. Through this announcement, the Nominating Committee is also asking you directly for your input on regular director candidates.

The nominating process is designed to ensure that all candidates bring deep expertise and experience, and also significant knowledge of the Academy's history, mission, and priorities. This year, the Nominating Committee is seeking recommendations from Academy membership at large with respect to four regular director positions that will be filled this summer by an online election. One position will fill a one-year term, and the other three will fill three-year terms. Given what the Nominating Committee now knows are the likely vacancies (and the practice areas and affiliations of the new officer candidates) on the Academy board for the next year, the Committee is looking to identify four Academy members, two from the Health and two from the Life practices, for consideration. You are not precluded from suggesting names of other members for consideration, but the Nominating Committee's view is that two Life and two Health actuaries are needed to achieve the desired balance among all actuarial practice areas that the Academy represents.

Unlike some other actuarial organizations, the Academy does not have contested elections. The reason for not creating contests has long been based on trying to achieve the optimal balance for an effective board that is not dominated by any one specialty, business

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## Academy Addresses Retirement Issues With the NAIC

**TWO VOLUNTEERS** representing the Academy participated in the NAIC Center for Insurance Policy and Research (CIPR) Symposium on retirement issues this month titled "Boom or Bust? A Look into Retirement Issues Facing Baby Boomers."

Lifetime Income Risk Joint Task Force member Mark Shemtov [presented](#) on lifetime income insurance products and related issues, including various types of annuities and the importance of consumer education; the joint task force is charged with address-

ing the risks and related issues of inadequate guaranteed lifetime income among retirees.

Separately, Warren Jones, chairperson of the LTC Terminations Work Group, was a panelist on a discussion about the future of long-term care support and services. The presentation was a continuation of the Academy's ongoing efforts to identify lifetime income solutions for older Americans and how annuities and insured products can help meet the needs of this population. ▲

## Representing the U.S. Profession Internationally



**ACADEMY PRESIDENT MARY D. MILLER** and President-Elect Tom Wildsmith attended the Canadian Institute of Actuaries (CIA) 50th Anniversary Annual Meeting celebration in Ottawa, Ontario, this month. At the gala dinner, Miller presented the Institute with a vase inscribed with both logos and our shared birth year of 1965 to commemorate our shared history with that organization. Both organizations were formed to be the one national organization for actuaries of all practice areas in their respective countries.

The Canadian Institute's celebration was a wonderful experience. The outgoing president, Jacques Tremblay, delighted and dazzled the audience many times, particularly with his rendition of "I am a Canadian Actuary," a wonderful remake of the "I am Canadian" commercial of several years ago done by Molson. Academy

President Mary D. Miller presented the Academy's gift to the CIA in excellent French, which was deeply appreciated by the bilingual audience of Canadian actuaries. All the Academy attendees came away with ideas of how to celebrate the Academy's 50th anniversary with comparable joy and significance.

Elsewhere, Wildsmith met with representatives of the China Association of Actuaries (CAA), including CAA President Dr. Chen Dongsheng and Secretary-General Wang Zheng, in Washington on June 11. Topics of discussion included the Academy's role in setting qualification, practice, and professionalism standards for the U.S. actuarial profession. Wildsmith also described how the Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy, as the national organization for actuaries practicing in the United States, is a sister organization to the CAA. ▲



# Recently Released: *HealthCheck* and *Retirement Account*

**T**HE JUNE ISSUE of [HealthCheck](#) contains extensive coverage of the Academy's issue brief that examines various proposals put forward by policymakers before the Supreme Court decision in *King v. Burwell* regarding the availability of federal subsidies to individuals in states participating in the federally facilitated marketplace. Also in this issue, the Centers for Medicare & Medicaid Services has proposed a new rule that would modernize the Medicaid managed care regulations to promote similar standards among both private and public marketplaces, the Republican

Study Committee has released a repeal-and-replace plan for the Affordable Care Act (ACA), and the national media continues to rely on the Academy's health care analysis in news and opinion pieces about the ACA.

The Summer 2015 edition of [Retirement Account](#) contains articles on the Pension Committee's revised practice note on mortality assumptions; testimony from Ellen Kleinstuber, vice chairperson of the Pension Committee, to the ERISA Advisory Council; and news and announcements on upcoming Academy pension events. ▲

## July 8 Deadline Approaches for Award Nominations

**I**T IS TIME TO SUBMIT nominations of members for its two highest awards, the [Robert J. Myers Public Service Award](#) and the [Jarvis Farley Service Award](#), as well as for the [Outstanding Volunteerism Award](#). The Myers Award honors a member actuary who has made an exceptional contribution to the common good, specifically through a single noteworthy public service achievement or a career devoted to public service. The Farley Award annually honors a member actuary whose volunteer efforts on behalf of the Academy have

made significant contributions to the advancement of the profession through a lifetime of service. The Academy's Award for Outstanding Volunteerism honors Academy volunteers who have made a single, noteworthy volunteerism contribution that is above and beyond what is reasonably expected of an Academy volunteer. The deadline for nominating a member for these awards is July 8. The Academy will present the awards during its 50th anniversary Annual Meeting and Public Policy Forum, Nov. 12-13, in Washington. ▲

### UPCOMING EVENTS

#### Register for the Next Professionalism Webinar on Modeling

The Academy continues its popular and affordable professionalism webinars in July focusing on a topic we have not previously addressed but which is of interest and concern to the vast majority of our members.

Almost all actuarial work involves modeling of some type. Recognizing that the number and importance of modeling applications in actuarial science is increasing, in 2012 the Actuarial Standards Board (ASB) established a Modeling Task Force charged with developing an actuarial standard of practice to address modeling applications in all practice areas. Based on the work of that task force, the ASB issued a first exposure draft of a new modeling ASOP in 2013 and a second exposure draft in 2014. The many thoughtful comments on these exposure drafts have made it clear that actuaries have a wide range of opinion on what standards should apply to modeling.

#### Join the Academy on July 22

when expert presenters will engage in a mock debate to provide different perspectives on issues raised in the comments on the draft modeling standard. Presenters include ASB Chairperson Patricia Matson; Shawna Ackerman, vice president for casualty and chairperson of the ASB Catastrophe Modeling Task Force; and Mary Simmons, member of the ASB General Committee and member of the ASB Data Quality Task Force. Academy Director of Professionalism Keith Jones will moderate.

#### Registration Continues for the Casualty Loss Reserve Seminar

The 2015 Casualty Loss Reserve Seminar (CLRS) and Workshops, jointly sponsored by the Academy and the Casualty Actuarial Society, will be held Sept. 9-11 at the Omni Hotel at CNN Center in Atlanta, Ga.

Attend the 2015 CLRS to stay current with industry developments and learn from ex-

pert analysis of innovation in reserving. For more information on attendee registration, please email [arc@casact.org](mailto:arc@casact.org) or visit [the CLRS website](#).

#### Reminder: Don't Miss the 2015 LHQ Seminar

Registration continues for the [2015 Life and Health Qualifications Seminar](#), to be held Nov. 9-12 in Arlington, Va. (metropolitan Washington, D.C.). See why so many of your peers find this seminar the most succinct and effective way to acquire the required basic education and continuing education to assist in being qualified to sign NAIC annual statement life and health actuarial opinions.

This seminar is the primary source of instruction for actuaries who wish to be qualified to issue actuarial opinions for either the NAIC Life and A&H Annual Statement or the NAIC Health Annual Statement but may not have met the basic education requirements set forth in Section 3.1.1 of the U.S. Qualification Standards (USQS).

### IN THE NEWS

#### National Media Relies on the Academy to Clarify Potential Changes to ACA

As lawmakers prepared to address the possible elimination of federal premium subsidies in states participating in the federally facilitated marketplace in the wake of the *King v. Burwell* case before the Supreme Court, the Academy's [issue brief](#) *Implications of Proposed Changes to the ACA in Response to King v. Burwell* served as a valuable resource to media outlets reporting on that possible outcome. (See page 7 for the Academy's response to the decision upholding the legality of premium subsidies in states that use the federally facilitated marketplace.)

A front-page [New York Times](#) article was among the numerous national media stories to directly cite the issue brief in its reporting of Capitol Hill activity leading up to the ruling. The *Times* quoted the Academy's brief: "An immediate or near-term elimination of

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federal premium subsidies would cause massive disruption in the individual market. Potentially millions of people would drop coverage, and the average costs of those remaining insured would soar.” Other outlets that cited the Academy’s issue brief included:

- ➔ [AM Best](#)
- ➔ [Atlanta Journal-Constitution](#)
- ➔ [Avalere Health](#)
- ➔ [Bloomberg](#)
- ➔ [California Broker](#)
- ➔ [The Center for American Progress Action Fund](#)
- ➔ [The Center on Budget and Policy Priorities](#)
- ➔ [CNN Money](#)
- ➔ [Daily Kos](#)
- ➔ [Fidelity](#)
- ➔ [Governing magazine](#)
- ➔ [Healthcare Finance News](#)
- ➔ [Houston Public Media](#)
- ➔ [Kaiser Health News \(June 10\)](#)
- ➔ [Kaiser Health News \(June 8\)](#)
- ➔ [National Public Radio](#)
- ➔ [Time magazine](#)
- ➔ [Times of San Diego](#)

A subscriber-only [Bloomberg BNA story](#) quotes [testimony](#) by Ellen Kleinstuber, vice chairperson of the Academy’s Pension Committee, in its coverage

of the ERISA Advisory Council hearing on model notices and disclosures for pension risk transfer transactions. “Disclosures should address the ‘known unknowns’ and individual circumstances that could influence a participant’s decision whether to accept a lump-sum offer,” said Kleinstuber (see “Academy Testifies on Implications of Lump-Sum Disclosures in Pension Plans,” page 8).

A new op-ed in [Forbes magazine](#) and The Huffington Post, “What Women, More Financially Vulnerable In Old Age, Can Do To Help Themselves,” drew heavily on testimony by Janet Barr, former chairperson of the Academy’s Social Security Committee, given before the U.S. Senate Committee on Finance Dec. 9, 2014, hearing on “Social Security: Is a Key Foundation of Economic Security Working for Women?”

[The National Law Review mentions](#) the Academy in a story examining the CMS proposed new rule for Medicaid managed care regulations. The story notes that the proposed rule would require Medicaid man-

aged care rate setting to be actuarially sound “to incorporate standards previously included in non-binding guidance issued by the American Academy of Actuaries.” See the May 27 [Academy Alert](#) for more information on the proposed rule. The story also ran in [JD Supra](#).

Another article in [JD Supra](#) on the CMS new rule for Medicaid managed care regulations [quotes](#) from the Academy’s [Actuarial Soundness](#) report, issued in 2012, which states, “There is no federal regulatory requirement that rates be actuarially sound for a particular MCO [managed care organization]. ...An MCO reasonably could decide to accept rates for a particular year, knowing that it expects an underwriting loss in that year. Such a decision may be a reasonable business decision, given that the MCO is entering a new market or expects underwriting gains to emerge in the future.” The story also ran in [Mondaq](#).

The Academy was also mentioned in a Health Affairs Blog [post](#) examining the CMS proposed new rule for Medicaid

managed care which noted that “CMS proposes to adopt the American Academy of Actuaries approach” regarding actuarially sound capitation rates.

Additional work from the Health Practice Council gaining media attention this month includes the [issue brief Potential Implications of the Small Group Definition Expanding to Employers with 51-100 Employees](#). It was linked to a [Commonwealth Fund Blog](#) post that explores the implications of the ACA provision and cited in a [Live Well Nebraska story](#) that looks at the effects of the ACA’s redefinition of “small group.”

An [editorial](#) by *The (Riverside, Calif.) Press-Enterprise* cites the Academy [issue brief](#), *The 80% Pension Funding Standard Myth*. The editorial board points to the Academy’s analysis in urging financial discipline by county supervisors.

The Pension Committee [practice note Selecting and Documenting Mortality Assumptions for Pensions](#) was [posted](#) in *BenefitsLink Retirement Plans Newsletter*. ▲

## New Issue Brief Explores Health Care Cost Growth in Medicare

**THE HEALTH CARE COST WORK GROUP** this month published an [issue brief](#) addressing health care cost growth in Medicare. It provides a framework for understanding and evaluating the options for reforming Medicare and their potential effects on cost growth, quality of care, and access to care.

While health care cost growth has slowed in recent years, policymakers will need to take additional actions to ensure Medicare is on a sustainable path. The issue brief provides an actuarial perspective on possible reforms, highlighting that to produce meaningful savings, policy responses would need to reduce prices paid for services, reduce utilization of services as well as waste, shift to more cost-effective services, or keep higher-risk patients healthier—or some combination of these. Specific options outlined in the issue brief include:

Reducing the cost of the traditional Medicare fee-for-service (FFS) program, including reforming the physician payment system,

adopting managed care techniques, and revising the benefit design of traditional Medicare;

- ➔ Reducing the cost of the Medigap coverage through changes to the benefit design;
- ➔ Reducing the cost of the Medicare Advantage (MA) program by revising the payment system for competitive bidding;
- ➔ Reducing the cost of the Part D program by incorporating proposals to reduce spending for prescription drugs;
- ➔ Fundamentally restructuring Medicare by transitioning to a premium support program or mandatory participation in managed care; and
- ➔ Broader approaches to managing the cost of Medicare, which could include restructuring the benefit package to encourage more cost-effective care, focusing on payment reform (e.g., bundled payments, capitation) and delivery system reforms (e.g., accountable care organizations) that better align financial incentives. ▲

## *Spotlight on the Academy's Professionalism Outreach*

**A**s a service to the U.S. actuarial profession, the Academy maintains a speakers bureau of experienced and knowledgeable Academy members who are willing to share their expertise on professionalism topics through speaking engagements sponsored by the Academy at actuarial clubs and similar organizations serving U.S. actuaries. The primary purpose of the bureau, whose volunteers include Academy leaders and staff dedicated to promoting actuarial professionalism, is to deepen the understanding of professionalism issues among credentialed actuaries practicing in the United States.

As examples of representative engagements, recent professionalism outreach this month included:

- On June 9, Brian Jackson, staff attorney for the Actuarial Board for Counseling and Discipline (ABCD) spoke at the Casualty Actuarial Society's Course on Professionalism in Hartford, Conn. Jackson provided an introduction to the ABCD, including a detailed review of the ABCD's investigatory process and the many benefits of submitting a Request for Guidance to the ABCD.
- On June 24, D. Joeff Williams, member of the Academy's Council on Professionalism, and Keith Jones, the Academy's general counsel and director of professionalism, spoke at the Southeastern Actuaries Conference in Hilton Head, S.C. Williams discussed the elements of being a professional and focused on professionalism issues related to new and emerging practice areas. Jones provided an overview of the Code of Professional Conduct and the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.
- On June 30, Jones and Jackson presented jointly at the Casu-

alty Actuarial Society's Course on Professionalism in Chicago, Ill. The two speakers addressed different groups of attendees but both reviewed the history and development of the ABCD and discussed the current state of the actuarial profession's counseling and discipline processes in the United States.

Speaker requests from regional/state/local nonprofit actuarial clubs are welcome, but requests from significant sized groups of employers of actuaries are also entertained. All requests are subject to speaker availability, ability to address the requested subject matter, financial limitations, and other factors.

The types of subject matter that bureau members may be able to address include (but are not limited to):

- Understanding and complying with precepts of the Code of Professional Conduct.
- Understanding and complying with requirements of the U.S. Qualification Standards.
- Approaches to improving actuarial practice.
- Case studies in applying actuarial standards of practice.
- Professional ethics, such as handling ethical questions that may arise while working for a client or employer, or with another actuary.

To request a speaker for your organization or event, please visit [this page](#). ▲

### PROFESSIONALISM BRIEFS

- **Maryellen Coggins**, director at PricewaterhouseCoopers in Boston, has joined the Joint Committee on the Code of Professional Conduct as the representative from the Academy.

## CASUALTY NEWS



# Two Comment Letters on Catastrophe Risk

**T**HE P/C RISK-BASED CAPITAL COMMITTEE sent a [comment letter](#) to the NAIC's Catastrophe Risk Subgroup on the addition of instructions and interrogatories to form PR026 for the 2015 reporting year.

In the letter, committee Chairperson Thomas McIntyre points out that "while most of the states that face earthquake risk are explicitly identified, the states that comprise the New Madrid fault line ... are not." This omission presents "considerable uncertainty," and the committee recommends that "the New Madrid states be explicitly identified."

In a related letter, the RBC's Catastrophe Risk Subcommittee submitted [comments](#) to the NAIC's Catastrophe Risk Subgroup on the proposal to revise the calculation of catastrophe risks R6 and R7

for the 2015 reporting year to account for companies that calculate catastrophe risk using aggregate exceedance probability as well as those that calculate it using occurrence exceedance probability.

McIntyre offers a clarification on the nomenclature of a "Florida hurricane only" model, and suggests a change in wording—"accepted" models versus "approved" models—to avoid implying that a formal approval process for models exists. ▲

### CASUALTY BRIEFS

- **Robert Walling**, principal and consulting actuary at Pinnacle Actuarial Resources in Bloomington, Ill., has joined the Casualty Practice Council.



## Academy Shares Its News at the SOA's Health Meeting

**A**CADEMY VOLUNTEERS and staff presented updates on the Academy's ongoing work at the recent Health Meeting of the Society of Actuaries.

Audrey Halvorson, Susan Pantely, and Martin Staehlin of the Health Care Delivery Committee discussed possible reforms that would address health care costs, including models of care delivery, Medicare

and Medicaid reform, and prevention and wellness programs.

Halvorson joined Vice President for Health Cathy Murphy-Barron, Senior Health Fellow Cori Uccello, and Academy President-Elect Tom Wildsmith in sharing recent efforts to provide legislators and regulators leadership, objective expertise, and actuarial advice on risk and financial security issues. ▲

### HEALTH BRIEFS

The following members have joined the newly formed Long-Term Care Practice Note Work Group:

**Chairperson—Jennifer Caplin**, actuary, PricewaterhouseCoopers, New York

**Vice Chairperson—Warren Jones**, director, PricewaterhouseCoopers, Chicago

#### Members

- ➔ **Rhonda Ahrens**, life and health actuarial examiner, Nebraska Department of Insurance, Lincoln, Neb.;
- ➔ **Peter Da Silva**, corporate vice president and actuary at New York Life Insurance in Austin, Texas;
- ➔ **Tricia Dave**, insurance actuary, Connecticut Insurance Department, Tolland, Conn.;
- ➔ **Christopher Giese**, principal and consulting actuary, Milliman, Brookfield, Wis.;
- ➔ **David Hippen**, consulting actuary, life, Risk & Regulatory Consulting, Farmington, Conn.;
- ➔ **Matthew Klaus**, senior manager, Deloitte Consulting, Chicago;
- ➔ **Shawna Meyer**, vice president and actuary, New York Life Insurance, Austin, Texas;
- ➔ **Shawn Parks**, vice president and consulting actuary, Actuarial Resources Corporation, Great Falls, S.C.;
- ➔ **David Sky**, actuary, life, accident and health division, New Hampshire Department of Insurance, Concord, N.H.;

➔ **Jeremy Williams**, vice president, CNO Financial Group, Carmel, Ind.; and

➔ **Joelf Williams**, regular director, American Academy of Actuaries, consultant, Actuarial Management Resources, Winston-Salem, N.C.

**Nicole Bobko**, director and actuary at Prudential Financial in Roseland, N.J., **Douglas Vrooman**, actuarial analyst at American Fidelity Assurance in Oklahoma City, **Foon Lew**, assistant vice president and actuary at Standard Insurance in Portland, Ore., and **Bram Spector**, senior manager and actuary at Deloitte Consulting in Chicago, have joined the Group Long-Term Disability Practice Note Work Group.

**Christine Mytelka**, consulting actuary at Milliman in Indianapolis, has joined the Medicaid Subcommittee.

**Coco Li**, actuary in Louisville, Ky., has joined the Health Care Receivables Factors Work Group.

**Barbara Klever**, actuary at Blue Cross Blue Shield Association in Elizabeth, Ill., has joined the Individual and Small Group Markets Committee.

**Jim Galasso**, president at Actuarial Modeling in Atlanta, and **Jim Peck**, actuary at Alliant Insurance Services in Alpharetta, Ga., have joined the AV/MV Work Group.

**David Fox**, director, public sector and key accounts at Humana in Louisville, Ky., has joined the Retiree Benefits Subcommittee.

**Erika Walton**, associate actuary at Unum in Portland, Maine, has joined the LTC Valuation Work Group.

## Academy Responds to King v. Burwell Decision

**T**HE ACADEMY issued a [statement](#) last week following the ruling in King v. Burwell, saying that the Supreme Court's ruling upholding federal premium subsidies in states participating in the federally facilitated marketplace (FFM) preserved an integral component of the Affordable Care Act (ACA) and averted significant disruptions to the individual health insurance market.

"The ACA's premium subsidies work together with the individual mandate as incentives for even individuals in good health to obtain coverage," said Senior Health Fellow Cori Uccello. "Had the court's majority decided differently, the federal-marketplace states would be facing significant disenrollment of those who can-

not afford insurance without the subsidies, and the consequences of that could have threatened the viability of those markets. In the loss-of-subsidy scenario, adverse selection would have been a serious concern, as relatively higher-cost individuals would have retained coverage, increasing average costs and premiums.

"While the legal challenge to subsidies has been decided, the Academy urges policymakers to assess any proposals that may be offered to modify or replace the ACA against [the] important market reform principles" outlined in the Health Practice Council's issue brief, [Implications of Proposed Changes to the ACA in Response to King v. Burwell](#), said Uccello. ▲

# Academy Testifies on Implications of Lump-Sum Disclosures in Pension Plans

**G**OVERNMENT AGENCIES should keep lump-sum pension options clear and concise so plan participants can have the information they need to best decide whether to take lump-sum distributions or monthly income payments, Ellen Kleinstuber, vice chairperson of the Academy's Pension Committee, [testified before a retirement advisory council](#).

There is no "one size fits all answer" on what plan participants should choose, Kleinstuber testified late last month before the Advisory Council on Employee Welfare and Pension Benefit Plans, known as the ERISA Advisory Council, a 15-person board that advises the secretary of labor.

Kleinstuber said it was important for the Department of Labor (DOL) to keep language efficient and clear, because many plan participants value an objective, independent perspective that comes from a regulatory agency, versus one that comes from plan sponsors.

The Academy's recommendations to the ERISA panel include developing consumer information that can be made available via DOL or other government agency websites, considering additional mandatory disclosures that could be made by plan providers to assist with lump-sum options, and reviewing disclosure requirements to ensure they address participants' needs.

A January 2015 Government Accountability Office (GAO) report, "[Participants Need Better Information When Offered Lump Sums That Replace Their Lifetime Benefits](#)," noted that participants need to have sufficient information to make an informed choice.

The Academy generally agrees with key factors outlined by GAO,



including identifying the benefit options that are available and how lump-sum payments are calculated; the relative value of a lump sum versus a monthly annuity; the pluses, minuses, and tax implications of taking a lump sum; the role of the Pension Benefit Guaranty Corp. (PBGC), and the level of protection provided on benefit options; the instructions for accepting or rejecting lump sums; and the contact for more information or assistance.

As noted in the Academy's 2013 paper [Risky Business: Living Longer Without Income for Life](#), while employers are often well-situated to make retirement planning information and advice available to their employees, not all are willing or able to do so. When disclosures are required, it is helpful for plan fiduciaries to have access to model notice and sample language that can be used to fulfill disclosure requirements.

The Academy's Pension Committee acknowledges that today's workers face more individual responsibility—and risk—for managing their lifetime income needs than in previous generations. Because much of the information related to individuals' decisions on whether to take a lump sum is beyond the expertise required of an ERISA plan fiduciary, it could be ill-advised to require consideration and disclosure of such circumstances on a plan-by-plan basis, Kleinstuber testified.

Instead, regulatory agencies such as DOL, PBGC, and the Internal Revenue Service can support improved outcomes by providing easily accessible consumer information combined with safe-harbor notices and disclosure language that provide protection for plan fiduciaries while giving objective guidance to plan participants. ▲

## LIFE BRIEFS

The following members have joined the newly formed SVL Interest Rate Modernization Work Group:

**Chairperson—Paul Hance**, vice president, head of pension risk transfer pricing, Prudential Financial, Iselin, N.J.

**Vice Chairperson—Christopher Conrad**, senior actuary, Transamerica Capital Management, Cedar Rapids, Iowa

### Members

- ➔ **Anthony Amodeo**, consultant to MetLife, New York, N.Y.
- ➔ **Jeffrey Danzig**, associate actuary, New York Life Insurance Co, New York; and
- ➔ **Mark Sayre**, actuary, MassMutual Financial Group, Springfield, Mass.

The following members have joined the newly formed Reinsurance Practice Note Work Group:

**Chairperson—Katie Cantor**, principal, Oliver Wyman, New York

**Vice Chairperson—Larry Gulleen**, senior actuary, Principal Financial Group, Des Moines, Iowa

### Members

- ➔ **Nichimen Au**, actuary, KPMG, Atlanta;
- ➔ **Mike Leung**, vice president, PolySystems Inc., Chicago;

➔ **Enzinma Miller**, vice president, reinsurance actuary, Wells Fargo Life & Annuity Reinsurance, Charlotte, N.C.;

➔ **David Ruiz**, assistant vice president, valuation actuary, Pacific Life Insurance, Newport Beach, Calif.;

➔ **Jeremy Starr**, president, Jeremy Starr Consulting, New York;

➔ **Duncan Szeto**, chief actuary, Athene Annuity & Life Assurance Co, Nyack, N.Y.;

➔ **Randy Tillis**, actuary, PricewaterhouseCoopers, Chicago; and

➔ **Stephen Verhagen**, vice president, corporate actuary, CUNA Mutual Group, Madison, Wis.

**Laura VanderMolen**, associate actuary at Allianz Life Insurance of North America in Minneapolis, has joined the Life Practice Council.

**Erik Anderson**, vice president and actuary at New York Life Insurance in New York, has joined the Stress Testing Work Group and Life Reserves Work Group.

**Randall Stevenson**, consulting actuary at INS Consultants in Philadelphia, has joined the PBR Strategy Subgroup.

**Mario Imbarrato**, vice president, finance at Allstate Life Insurance in Northbrook, Ill., has joined the C3 Life and Annuities Work Group.



# Letters From Early Academy Leaders Still Resonate

**I**N HONOR OF OUR 50TH ANNIVERSARY, throughout this year we are reprinting communications from early Academy presidents. This month's letter is from the 1970 Yearbook. Academy President Wendell Milliman lays out the efforts undertaken in the Academy's early years to pursue accreditation and recognition of the actuarial profession on the local, state, and federal levels. The letter also is a testament to the key role the Academy played in establishing uniform guides to professional conduct for North American actuarial organizations.

Much has been accomplished during this past year, yet much remains to be done. In July, I sent to the membership a report on the then current state of affairs of the Academy. In this report I will supplement, and to some extent repeat, what was said in the earlier report.

The following actions, which recognize both the need for the use of qualified actuaries and membership in the American Academy of Actuaries as evidence of professional qualification, were mentioned in the July report:

1. The adoption of instructions by the National Association of Insurance Commissioners dealing with the qualifications of actuaries signing life insurance company and fraternal society statements and recognizing membership in the American Academy of Actuaries as evidence of qualification.
2. Recognition in *Opinion 8*, "Accounting for the Cost of Pension Plans," promulgated by the Accounting Principles Board, of membership in the American Academy of Actuaries as acceptable evidence of professional qualification.
3. Recognition in a ruling issued by the Securities and Exchange Commission relating to separate accounts of insurance companies, where employer or employee contributions under qualified pension and profit-sharing plans are held or invested, of the qualification of members of the American Academy of Actuaries to make pertinent certifications.

The Committee on Accreditation, under the chairmanship of Andrew Webster, is actively pursuing the objective of recognition of the actuarial profession at all levels. A new area at the state level which is currently being explored is that of statutory requirements for actuarial valuations of state and municipal retirement systems. In states where the legislation on this subject does not already include a definition of "actuary," the Committee on Accreditation will seek to get such a definition included. In addition, a review is being made of each existing situation which includes such a definition with the idea that it may be desirable to seek a change to include members of the Academy.

Appropriate recognition of the actuarial profession at the federal level, primarily in connection with pension plans, remains a prime objective of the Academy. To make certain that the Academy's interests are effectively represented in our nation's capital, the Committee on Accreditation was expanded during the year to include a Washington subcommittee under the chairmanship of Edwin Boynton. Representations were made during this past summer to officials of

the federal government concerned with pension and welfare plans urging the use of certifications by qualified actuaries in connection with such plans and the acceptance of membership in the Academy as evidence of qualification.

The Admissions Committee is one of the most vital and hard-working committees of the Academy. Pearce Shepherd served the Academy well as chairman of this committee from the date of his election to that position in 1967 until his death on September 5, 1969. The Academy, indeed the whole actuarial profession, will feel this loss.

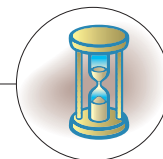
The Admissions Committee has been faced with many problems in administering the so-called grandfather-clause provision for membership in the Academy. The expiration of the grandfather-clause provision at the end of 1969 tends to focus attention on the examination requirements which will then apply to applicants for admission to the Academy. In my July letter I referred to the fact that study was being given to what has now come to be known as the "alternate route." This study is of an exploratory nature and is being carried on as a joint project of the Academy, the Conference of Actuaries in Public Practice, the Casualty Actuarial Society, and the Society of Actuaries. I have commented more fully on this subject in my presidential address to the Society of Actuaries, which will be printed in the Transactions of the Society.

During the past year the Professional Conduct Committee, under the able chairmanship of Joseph Musher, has collaborated with the corresponding committees of the other five major actuarial organizations on the North American continent in pursuit of the objective of adoption by all these bodies of substantially uniform guides to professional conduct. The proposed uniform guides are those which have already been adopted by the Canadian Institute of Actuaries. The Society of Actuaries and the Conference of Actuaries in Public Practice, as well as the Academy of Actuaries, have now all conditionally approved these proposed uniform guides subject to similar action by the other bodies. As soon as this action is taken by the Casualty Actuarial Society and the Fraternal Actuarial Association, these guides will become effective for all six organizations.

Two relatively minor, but in their way important, matters which have been pending for some time have now been disposed of. First, the amended Bylaws of the Academy now authorize members of the Academy to identify themselves as such by the use of the initials M.A.A.A. Secondly, certificates of membership have been printed, appropriately inscribed and mailed to all members of the Academy.

**Wendell Milliman**





## Academy Addresses Regulators on Stress-Testing for Life Insurers

**R**EPRESENTATIVES from the Life Practice Council and Academy Senior Life Fellow Nancy Bennett gave a [presentation](#) on June 12 to the Treasury Department's Office of Financial Research (OFR) on stress-testing of U.S. life insurers. The open-ended dialogue provided OFR staff an overview of how U.S. life insurers and regulators use stress-testing, including how insurer stress-testing differs from bank stress-testing.

The presenters spoke about the evolution of stress-testing in the U.S. life insurance industry, including an increased emphasis

on enterprise risk management following the 2008 financial crisis. The presentation then touched on current and future regulatory uses of stress-testing, of which the Own Risk and Solvency Assessment (ORSA) framework will be a key component upon enactment in 2017.

The presenters concluded by offering the actuarial perspective that “[f]undamentally, the life insurance business is a business of managing risks. Regulation cannot totally eliminate risk; regulation can however provide regulators with better information to oversee insurers.” ▲

## Reminder: Actuarial Standards Board to Hold Hearing on Public Pension Issues

**T**HE SOLVENCY of public pension system affects the lives of many Americans—not only the beneficiaries of federal, state, and local plans, but also the taxpayers who provide financial support. Many public pension systems are in challenging financial positions, and questions related to ongoing funding, shifting demographics, and investment strategies need to be answered by policymakers soon. The actuarial community is an important voice in addressing these questions and establishing the appropriate practices that can help create better plans for the future.

Due to the far-reaching implications and value of public pensions to the general public, formulating solvent and sustainable plans is a topic of intense debate among all stakeholders—and that's a good thing. Different answers to these critical questions and debate about their merits is welcomed by the Academy. Critical thinking is essential to progress.

That's why the Actuarial Standards Board (ASB) is hosting a public hearing on public pension funding on July 9 in Washington. The hearing is an opportunity to openly and transparently discuss appropriate practices for the public pension actuarial community and to work toward resolving key issues.

As the standards-setting body for actuaries in the United States, the ASB's primary goal for this public hearing is to gather the broadest possible input on proposed actuarial standards of practice (ASOPs)

applicable to actuarial work regarding the funding of public pension plans. This hearing follows up on the ASB's Request for Comments (RFC) on ASOPs and Public Pension Plan Funding and Accounting from July 2014. To ensure that this discussion remains fair, constructive and comprehensive, the ASB has accepted both written comments and requests to present oral testimony related to the operation of public sector pension and employee benefit plans. With a variety of viewpoints represented and open discussion on the merits of the issues, this hearing will be a big step toward determining the changes needed to ensure the fiscal soundness and sustainability of public pension plans. ▲

### Actuarial Standards Board Public Hearing on Public Pension Plan Issues

July 9, 2015

*Polaris Room, Concourse Level,  
Ronald Reagan Building and International Trade Center  
1300 Pennsylvania Ave NW, Washington DC 20004  
1:30-5:30 p.m. EDT*

Don't miss your opportunity to attend this important hearing. To assist us in preparing for the event, we request that all those who would like to attend the hearing register in advance.

[Click here to register for the hearing.](#)

## Election, continued from page 3

affiliation, or employer. Finding the best candidate possible for each opening is the goal of the Nominating Committee. After identifying such candidates, the Academy board has chosen not to create a contest where these exceptionally well-qualified and well-deserving volunteers become winners and losers.

In accordance with our bylaws, Academy officers are elected by the Board of Directors at its fall meeting. The process of identifying regular director candidates is now under way, and the Nominating Committee welcomes your input, again with the expectation that the board will most benefit from two new Health and two new Life practice actuaries to be offered to and elected by the membership

in an online election later this summer. The terms of all Academy board members run from the close of the annual meeting of the Academy (which will occur on Nov. 12, 2015, as part of our [Annual Meeting and Public Policy Forum](#), Nov 12-13).

If, after looking through the [Guidelines](#) for reference to the criteria the Nominating Committee uses in its slate selection, you have a candidate to recommend, please share your recommendation by submitting the member's name and information here in the Academy Board Election Center no later than July 20. Results of the nominating process will be announced in future publications, including *This Week* and *Actuarial Update*. ▲

## Actuarial Update

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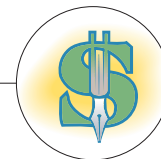
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## RISK MANAGEMENT & FINANCIAL REPORTING NEWS



# Actuarial Professionalism and Financial Stability

**THE FINANCIAL REGULATORY TASK FORCE** sent a [letter](#) to the U.S. House Financial Services Committee on the Financial Stability Oversight Council (FSOC) 2015 annual report.

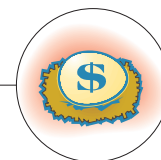
The letter highlighted the contributions of actuarial professionalism to U.S. financial stability, noting, “The actuarial profession fills a key role in ensuring the solvency and stability of U.S. domestic financial systems and contributes to the formulation of international insurance and retirement system public policy.” Signatory Jeffrey Schlinsog,

chairperson of the task force, concludes by encouraging the FSOC to include salient Academy materials on actuarial professionalism in its next annual report. ▲

### RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

➔ **Jeffrey Johnson**, assistant vice president and actuary at John Hancock USA in Windsor, Conn., has joined the Solvency Committee.

## PENSION NEWS



# Revised Practice Note for Mortality Assumptions

**THE ACADEMY'S PENSION COMMITTEE** has released a revised and updated practice note, “[Selecting and Documenting Mortality Assumptions for Pensions](#),” to provide information to actuaries on current and emerging practices in the selection and documentation of the mortality assumptions for measuring obligations of defined benefit pension plans and other post-retirement benefits plans.

The practice note, which replaces the October 2011 version and is updated to reflect a new mortality table and two new mortality improvement scales published by the Society of Actuaries, “is intended

to assist actuaries by describing some approaches for selecting and documenting mortality assumptions that the Committee believes could be employed to comply with [ASOP No. 35](#), “*Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*.” ▲

### PENSION BRIEFS

➔ **Timothy Marnell**, consultant actuary at Tim Marnell Actuarial & Benefits Consulting in Evanston, Ill., has joined the Pension Committee.

## Aging, continued from page 1

The Task Force on Aging brings together actuaries from different practice areas for the common purpose of analyzing reform initiatives and generating new approaches to address the issues related to aging. It will develop and share actuarial analysis gained from their work across the disciplines in which they practice—most notably those areas involving public and consumer systems supporting aging populations—with federal and state policymakers and other interested parties.

The white paper, [Sustainability in American Financial Security Programs](#), provides a public-interest actuarial perspective on common frameworks from which policymakers, actuaries, and the general

public can discuss the sustainability of public and private systems, programs, and financial-security consumer products. “The American public relies on the promises made under many different financial security programs—whether they are public programs like Social Security and Medicare or offered through the private sector such as employer-sponsored pension plans or insurance products,” the paper notes. “The public must have confidence that these programs can be sustained and continue to meet their goals.”

The Academy will also publish a series of papers examining Medicare at 50, a milestone that coincides with the Academy's own 50th anniversary this year. ▲