

# Actuarial Standards Board to Hold Hearing on Public Pension Issues

**T**HE ACTUARIAL STANDARDS BOARD (ASB) has announced that it will hold a public hearing on the need for new or revised actuarial standards of practice (ASOPs) applicable to actuarial work regarding public pension plans on July 9 in Washington.

The timing of the hearing is especially pertinent given the heightened interest in the funding of public pension plans from individuals, organizations, and media outlets who are all engaged in a vigorous public dialogue on the topic.

In July 2014 the ASB issued a Request for Comments on ASOPs and Public Pension Plan Funding and Accounting. Following that Request, and to solicit the broadest possible input on any potential new or revised standards, the ASB urges interested parties to attend the hearing and/or offer comments per the guidelines below.

The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the U.S. and, as the standards-setting body for actuaries in the U.S., the ASB is charged with establishing and improving guidance for credentialed actuaries practicing in the U.S.

## Public Hearing on Public Pension Plan Issues

*Polaris Room, Concourse Level, Ronald Reagan Building and International Trade Center  
1300 Pennsylvania Ave NW, Washington DC 20004  
July 9, 2015, 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.](#)**

### Comment Guidelines

The ASB is particularly seeking further input on the following four areas: Contribution/Cost Allocation Procedures; Amortization Methods; Assumptions; and Alternative Liability Measures. A fuller explanation of these topics is [available here](#). Note that any additional guidance could potentially also be applied to non-public sector plans.

SEE **PUBLIC HEARING**, PAGE 9

# Academy Releases Issue Brief on Implications of Response to King v. Burwell

**I**N LIGHT OF THE PENDING DECISION in King v. Burwell, in which the Supreme Court will rule on whether federal premium subsidies under the Affordable Care Act (ACA) will be available for individuals in states participating in the federally facilitated marketplace (FFM), the Academy's Health Practice Council released a new issue brief, "[Implications of Proposed Changes to the ACA in Response to King v. Burwell](#)," in late May.

If the court rules that subsidies will no longer be available for individuals in FFM states, then the individual market enrollment among those who were eligible for subsidies in those states would decline, and the individuals left in the market are likely to be those with higher-cost health care needs. This scenario would result in increased average health costs and premiums.

Various proposals would provide transitional coverage for individuals who would lose subsidies if the court rules that they are not available in FFM states. Many of

## SAVE THE DATE

**The American Academy of Actuaries'  
2015 Annual Meeting and Public Policy Forum  
November 12-13 | Washington, DC**

The Academy turns 50 in 2015—please join us in celebrating. Don't miss the opportunity to engage directly with policymakers, thought leaders, and colleagues from all practice areas as the Academy marks its Golden Jubilee.

those proposals also include provisions that are featured in proposals to replace the ACA more broadly, including eliminating the individual and/or employer mandates, establishing the ability to sell insurance across state lines, and allowing association health plans (AHPs).

The council highlights several key takeaways based on an evaluation of the proposals:

SEE **KING V. BURWELL**, PAGE 9

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[In the News](#)

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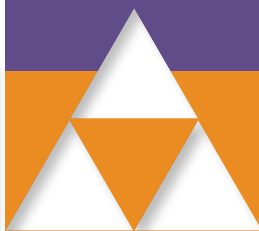
[Professionalism Counts](#)

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[Dive In to the World of International Insurance Standard Setting](#)

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[The AGES Initiative and Canada](#)



## SEPTEMBER

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

## NOVEMBER

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

## Representing the U.S. Profession Internationally

**O**N MAY 13, an audience of more than 400 attended the second webinar in the international series on health care costs jointly sponsored by the Academy's Health Practice International Task Force and the IAA Health Section, "[Exploring Global Health Care Cost Drivers: South Africa and the United States](#)."

The webinar provided a unique opportunity to learn about the successes and challenges that both South Africa and the United States have experienced as they've worked to identify and

address particular cost drivers.

Presenters included Emile Stipp, chairperson of the IAA Health Committee, and Tom Wildsmith, president-elect of the Academy. April Choi, chairperson of the IAA Health Section and member of the Health Practice Council, moderated the webinar.

[Slides of the webinar](#) and a [recording](#) are available for those who were unable to attend live. The next webinar in the series will be in September and will feature presentations from Australia and Singapore. ▲

## Recently Released: Contingencies and HealthCheck

**T**he [May/June issue](#) of *Contingencies* was released. In the cover feature, "Long-Term Care Insurance: Past, Present, and Future," the author asserts that LTCI remains the best choice for uninsured millions looking to protect their retirement at a reasonable cost.

"Look to the North for a Better Approach to Financing Social Security" examines Social Security's current financing problem, different measurements of the size of the problem, how the problem came about, and why Canada may have the key to unlocking this thorny problem.

In his second in a series on strategy, "The Connection Between Military & Business Strategies," Carlos Fuentes investigates how the precepts of military strategy have been applied—and

misapplied—to business contexts. Also included in this issue of *Contingencies*: a Tradecraft piece on actuarial managed services, a letter from Academy presidential leadership on the profession's self-regulation, puzzles, and more.

The May issue of [HealthCheck](#) covered the Academy's written testimony for a congressional hearing on the ACA's individual and employer mandates, and explained how Medicare's sustainable growth rate formula has been replaced by a new payment system. Also featured was an op-ed that ran in *The Hill* written by Health Practice Council Vice President Cathy Murphy-Barron that points out some of the broader challenges that the King v. Burwell case before the Supreme Court raises for the individual market. ▲

## Upcoming Events

### Registration Now Open 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 expert 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](#).

### Don't Miss the 2015 LHQ Seminar

Registration continues for the [2015 Life and Health](#)

[Qualifications Seminar](#), Nov. 9-12 in Arlington, Va. (metropolitan Washington). 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. ▲

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](#).

## IN THE NEWS

With the Supreme Court's decision in *King v. Burwell* looming, the Academy's new issue brief [Implications of Proposed Changes to the ACA in Response to King v. Burwell](#) has been a major topic of discussion in the national news media and on Capitol Hill. [The Wall Street Journal](#) was among the numerous outlets that included Academy analysis in reporting on proposals to modify ACA in light of a possible decision eliminating federal premium subsidies in federally facilitated marketplace (FFM) states. Others include:

- ➔ [Benefitslink.com](#)
- ➔ [BenefitsPro](#)
- ➔ [Bloomberg](#)
- ➔ [Bloomberg BNA](#) (Subscriber Only)
- ➔ [Daily Kos](#)
- ➔ [The Fiscal Times](#)
- ➔ [Life & Health Advisor](#)
- ➔ [LifeHealthPro](#)
- ➔ [McClatchyDC](#)
- ➔ [Modern Healthcare](#)
- ➔ [Salon](#)
- ➔ [The Hill \(Story 1\)](#)
- ➔ [The Hill \(Story 2\)](#)
- ➔ [U.S. News & World Report](#)
- ➔ [Washington Monthly](#)
- ➔ [Washington Post](#)

Senior Health Fellow Cori Uccello provided perspective on the factors affecting 2016 rates in a subscriber-only [story](#) for the *Inside Health Insurance Exchanges* May 2015 newsletter. In light of the ACA risk adjustment program, Uccello noted the im-

portance to insurers of knowing how their risk profiles compare to those of the whole market.

HPC member Donna Novak was quoted in a *Portland (Ore.) Business Journal* [article](#) about the potential effects on insurers of not receiving expected risk corridor payments. Novak provided background on risk-based capital (RBC) rules regarding surplus increases that could be triggered when (or if) an insurer's RBC ratio falls too low.

A new America's Health Insurance Plans [issue brief](#) advocating retention of the current definition of the small group market cited the Academy's analysis of the small group market and the effects of the ACA's redefinition of it. The Academy analyzed the issue in its March 2015 issue brief, [Potential Implications of the Small Group Definition Expanding to Employers with 51-100 Employees](#).

The HPC's Feb. 24 [letter](#) to Health and Human Services Secretary Sylvia Mathews Burwell on premium rate filing implications of the forthcoming Supreme Court decision in *King v. Burwell* continued to receive coverage in [The Portland \(Maine\) Press-Herald](#) and [Insurance Business America](#).

An *Eagle-Tribune* (North Andover, Mass.) [story](#) includes

## Earn CE at Your Convenience Through the New Actuarial eLearning Center

The Academy's [Actuarial eLearning Center](#) provides members with an opportunity to earn continuing education (CE) credit described in the U.S. Qualification Standards at their convenience through a unique, substantive online course, "Understand the Code of Professional Conduct," which includes an optional final examination to test your knowledge. Once members have registered at the center, they may return at any time for one year to review the course at their leisure and may obtain a certificate of achievement after successfully taking the exam.

## RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

➔ **Mark Birdsall**, chief actuary at the Kansas Insurance Department in Topeka, Kan., has joined the ERM/ORSA Committee.

Academy analysis of trends in the types of retirement plans offered by employers: "According to the American Academy of Actuaries, 'In 1980, 84 percent of workers in medium and large organizations were covered by defined benefit plans. In 2010 only 30 percent were.'" The article is the first in a series exploring the state of the U.S. retirement system.

[FederalNewsRadio.com](#) noted that appointees of the newly established Civil Service Retirement System Board of Actuaries who will advise the Office of Personnel Management will be members of the Academy "qualified under actuarial standards of practice to issue a statement of actuarial opinion on defined benefit retirement plans." [Fierce Government](#) also covered the story.

Benefitslink.com [posted](#) a link to the May/June *Contingencies* feature story, "[Look to the North for a Better Approach to Financing Social Security](#)."

Articles about health insurance rate filings in [Employee Benefits News](#) and [healthinsurance.org](#) cited the Health Practice Council's [letter](#) to the U.S. Department of Health and Human Services in examining the possible complications caused by the forthcoming Supreme Court decision in *King v. Burwell*.

A [Third Way](#) blog post recommending legislative and regulatory changes to mitigate health insurance rate increases for medium-sized business drew from the Academy's March 2015 [analysis](#) of the effects of the ACA's redefinition of the small group market. ▲

## ▲ PROFESSIONALISM COUNTS

### Make the Right Call: Webinar Discusses Member Perception of Actuarial Ethical Issues

Last month the Academy held a professionalism webinar to discuss some of the perceived issues raised in its first-ever ethics report, "[Key Ethical Concerns Facing the Actuarial Profession: Perceptions of Members of the American Academy of Actuaries](#)." Featuring Ken Kent and Karen Terry, current

and immediate past chairpersons, respectively, of the Council on Professionalism, and Academy Assistant General Counsel Sheila Kalkunte, the webinar delved into some of the top ethical issues identified by members in the report, how they relate

CONTINUED ON PAGE 4 ➔

to the Precepts in the Code of Professional Conduct (Code), and how actuaries may be able to address these issues when they arise in their work.

### Top Potential Issue: Pressure from Principals

The No. 1 issue across all demographics from the survey, including areas of practice, geographical region, and length of Academy membership, was “responding to pressure from principals and/or management to select inappropriate assumptions used in pricing and reserving.” Although this issue is not explicitly mentioned in the Code, panelist Terry noted that it would fall under Precept 1 as that precept requires actuaries to “act honestly, with integrity and competence.”

So what can an actuary do when he or she is under pressure from a principal (a client or employer as defined in the Code) to select what the actuary considers to be an inappropriate assumption? First, the actuary can look to any relevant applicable laws and regulations that may set parameters for the assumptions that go into a specific work product. Second, the actuary can refer to relevant actuarial standards of practice (ASOPs). “The ASOPs can help actuaries manage pressures and help justify the assumptions selected,” Kent said.

Even with these resources, the actuary must use professional judgment. Terry noted that if an actuary selects every assumption at the low end of a range, for example, each assumption on its own may fall within the range of reasonableness, but the total may fall outside the range of reasonableness. Thus, actuaries must look at not just each assumption, but at all the assumptions as a whole, to see whether they fall within a reasonable range.

When asked how an actuary should respond when asked to use an inappropriate assumption, Kent said that at a minimum an actuary may disclose that he or she disagrees with an assumption. Terry agreed, but added that an actuary can also refuse an assignment that pushes ethical boundaries. “You may end up with no paycheck; it’s a very tough decision,” she said.

### Several Top Issues Linked to Potential Misrepresentation

Issues identified as No. 2, 3, and 5 among survey respondents are related to misrepresentation and misleading information. The No. 2 perceived issue raised is “false or misleading representation of products or services in marketing, advertising, or sales efforts.” Precept 11 addresses this concern directly, prohibiting actuaries from engaging in “any advertising or business solicitation activities that the Actuary knows or should know are misleading.” Kent noted that this issue can arise when actuaries present themselves as being fully qualified in a certain area, when in fact they are not.

Issue ranked No. 3 is “failure to take appropriate action when another actuary misrepresents information.” Under Precept 13, an actuary has the option to discuss the issue with the actuary who has misrepresented information, but if it is not resolved or a discussion is not attempted, the actuary who is aware of the misleading information must report the issue to the Actuarial Board for Counseling and Discipline (ABCD), unless prohibited by law or confidentiality agreement.

“Ethics isn’t just what you do; it’s also what you don’t do,” Terry pointed out, and gave an example from her personal experience.

Kent connected this issue to Precept 10: Courtesy and Cooperation. If an actuary refuses to cooperate professionally with another actuary and discussions do not resolve the situation, the actuary has an obligation to report the uncooperative actuary to the ABCD, he said. Kalkunte agreed, saying that actuaries are best situated in having the ability to see the work products of other actuaries and determine if something is not right. If a conversation with the other actuary does not resolve your concerns, you have an obligation to report him or her. (For more on when to report an actuary and what types of potential violations are reported, see [The Application of Precept 13 of the Code of Professional Conduct](#) and the [2014 ABCD annual report](#).)

The No. 5 issue, “misrepresenting or concealing limitations in one’s abilities to provide services,” goes to the heart of Precept 1 (honesty and integrity) and Precept 2, which states “an Actuary shall perform Actuarial Services only when ... qualified to do so.” Actuaries should be aware that to be qualified, they must meet basic and continuing education and experience requirements, be knowledgeable about any laws and regulations that may apply to an assignment, and keep up with legal and regulatory changes in their area of practice. In recent years, the ABCD has seen several cases in which retired actuaries who were no longer qualified issued opinions.

This situation can come up even in relatively informal settings. For example, a local church may ask one of its parishioners, an actuary who retired several years ago, to look over something for free and give actuarial advice. Wanting to be helpful, the actuary may not think about when he last did any continuing education or whether he is still qualified, and offer his opinion. If the actuary has not kept up with continuing education requirements, ASOPs, and changing practices, the actuary is likely not qualified and should not give an actuarial opinion.

### Conflict of Interest

Another issue of concern is “conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one’s responsibilities.” This is yet another issue that goes to Precept 1: Professional Integrity. Precept 6, which requires disclosure of “the sources of direct and indirect material compensation,” also comes into play here. Terry gave an example: An actuary is evaluating a company, but that actuary’s spouse is an investor in that company, creating an incentive to value the company on the low side so the spouse could invest at a lower price. In such a case, she said, the actuary probably should not take the assignment.

Actuaries face these and other ethical dilemmas in their day-to-day work, but they have valuable tools at their disposal to help them. These tools include ASOPs, requests for guidance from the ABCD, and colleagues. In many cases, simply talking through the issue with a colleague can help an actuary make the right decision.

Members who were unable to attend the webinar can [access the slides](#) or [listen to a recording](#) online. ▲

# Capitol Forum Webinar Dives In to the World of International Insurance Standard Setting

**WHAT DO IAIS, IAIG, SIFI, BCR, AND HLA ALL HAVE IN COMMON?**

They are all acronyms related to international insurance standard-setting. While this may seem like inscrutable “alphabet soup” on the surface, a deeper look reveals that these terms are part of an important discussion and stewardship of financial risk issues being conducted under the auspices of the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB), with input from relevant Academy work groups.

Attendees of the Academy’s Capitol Forum May 22 webinar, “International Insurance Regulation 101,” learned all about these issues, which range from development of global non-bank capital standards to the complexities of supervising and regulating transnational insurance companies and entities with significant insurance business components.

George Brady, deputy secretary general of the IAIS, provided attendees with a comprehensive and witty “crash course” on the important role of this body in developing and implementing standards and creating supporting materials for the supervision for the insurance sector internationally. Jeffrey S. Schlinsog, chairperson of the Academy’s Financial Regulatory Task Force, moderated the webinar.

Brady reviewed the history of the IAIS, described its important standard-setting mission and how it works with external organizations like the Academy, and provided insights into its goals and major initiatives, including ComFrame and global capital standards. The Academy and IAIS work together in a number of ways, including formally through Academy responses to IAIS consultations, informally through discussions between the Academy and IAIS working groups, and through activities such as Academy participation in stakeholder sessions.

A recent example of the interface between the two organizations is the Risk Management and Financial Reporting Council’s May 12 [comments](#) to the IAIS on Insurance Core Principle (ICP) 8: Risk Management and Internal Controls. “We do find it extremely important to maintain those relationships with external partners” like the Academy, Brady said. The ICPs are core to the IAIS’s activities, which Brady explained is made up of three “pillars”:

- ➔ **Standard setting.** This activity consists of the development of ICPs (the principles themselves and related standards that support the principles, and guidance that explains implementation) and supporting background papers. Brady cited ICP 17 (Capital Adequacy) as an example many actuaries might be familiar with.
- ➔ **Implementation of supervisory material by conducting training and working with international supervisors and organizations.** This includes monitoring through “assessments and peer review” in order to determine how well supervisory material is being observed, Brady noted.
- ➔ **Financial stability.** The financial crisis of 2008-9 has amplified the IAIS’s longstanding role in financial stability issues, through high-profile activities such as identifying and developing policy measures around globally systemically important insurers (G-SIIs) [which are specifically subject to designation as such by the FSB, and not the IAIS] and Internationally Active Insurance Groups (IAIG). IAIS has “really taken on the specific activities in the years since the financial crisis,” Brady said. In addition to the supervision of G-SIIs, another major IAIS

## From the Actuarial Foundation

### Help a career changer enter the highly rated actuarial profession...

Tell them about The Actuarial Foundation’s “*Actuary—A Career Change*: Elizabeth M. Mauro Reimbursement Program.” This exam reimbursement program recognizes the limited resources for study materials and exam fees. The application deadline is August 3, 2015. The [guidelines and application](#) are available on the Foundation website.

### Caribbean Actuarial Scholarship: Application Deadline Nears

Undergraduate actuarial students who attend the University of West Indies (UWI) and who demonstrate a strong record of accomplishment, leadership qualities, and a commitment to becoming an actuary are eligible to apply for the Caribbean Actuarial Scholarship. Applications are due July 11. If you know a UWI student who would be interested, [pass along the scholarship information](#).

### Thinking about retirement?

Read the latest issue of *Financial Smarts* on “Lump Sum Option.” Learn how a lump sum is calculated, as well as the possible pros and cons of electing to take a lump sum. Share this informative resource with your colleagues, family, and friends. Have you considered introducing the availability of the *Financial Smarts* newsletter to your local library or community center?

## PENSION BRIEFS

- ➔ **Michael Noble Jr.**, consulting actuary at Cheiron Inc. in Chicago, has joined the Public Plans Subcommittee.

## PROFESSIONALISM BRIEFS

- ➔ **Karin Wohlgenuth**, director for actuarial services at Arch Mortgage Insurance in Walnut Creek, Calif., has joined the Council on Professionalism.

initiative highlighted in the webinar was the Common Framework for the Supervision of IAIGs, also known as ComFrame. ComFrame was “launched in recognition that IAIGs needed an extra perspective added to basic insurance supervision,” Brady said. The supervisory framework applies to IAIGs (including G-SIIs, which meet the definition for being IAIGs). The goal of ComFrame is international convergence of regulatory and supervisory requirements.

Although there are still differences on how to approach valuation and international capital standards, the IAIS hopes to converge these issues under ComFrame. Brady’s presentation demonstrated that IAIS continues to provide value as a forum for discussing and attempting to resolve the issues discussed above, as well as others of major international consequence.

The webinar is an excellent resource for diving in to the alphabet soup of international insurance and familiarizing yourself with the important work being done in these and other important areas.

Academy members may download the [slides](#) and a [recording](#) of this webinar on the Academy website. ▲

# Letters From Early Academy Leaders Still Resonate

**I**N HONOR OF OUR 50TH ANNIVERSARY, we are reprinting documents from early Academy presidents. This month, we move to 1969, when John H. Miller's presidential report in the *Yearbook* reflected on the progress that the Academy had made in achieving its objectives, and the challenges that remained.

In addition to legendary actuarial names, of particular note in this reprint is the landmark requirement in the NAIC Life Insurance Company Annual Statement recognizing Academy membership as the hallmark of qualification to sign those statements. The Academy's purpose to achieve professional recognition for the actuarial profession made a leap forward with this achievement.

## Report of the President

We can look back on the Academy year just ending with a feeling of marked progress, though much remains to be done toward achieving our immediate objectives.

The difficult and extremely important task of qualifying hundreds of applicants for membership has largely been accomplished and the membership now totals 2,399. The work of the Admissions Committee has been most demanding. Every member of the Academy owes a debt of gratitude to this hard-working committee, especially to Wendell Milliman, its first chairman, and Pearce Shepherd, the current chairman. Every application was reviewed with the most careful consideration and with due cognizance of the rights both of practicing actuaries and of the public for whose protection the concept of accreditation is designed.

On another front the Committee on Accreditation, under the chairmanship of Mr. Andrew Webster, has also been very active. Many discussions have been held with various insurance commissioners and with staff members of congressional committees involved in pending pension legislation. Although no legislation has been passed, it is expected that there will be renewed activity when the next Congress convenes. The committee will continue to follow these developments. A real landmark was achieved last June when the Blanks Committee of the National Association of Insurance Commissioners added a requirement to the Life Insurance Company Annual Statement that it be signed by a qualified actuary, stipulating that a member of the American Academy is considered to be so qualified.

The Committee on Review and Evaluation chaired by Walter Rugland and the Committee on Education and Examination, chaired by Julius Voge, have accomplished a great deal. Two major achievements should be mentioned: the development of an examination designed to evaluate the quality of an applicant's professional experience for the guidance of the Committee on Admissions and the Academy's participation with five other actuarial organizations in the new Joint Committee on Review of Education and Examination. The latter is an extremely impor-

tant development and a very timely one. One of the Academy appointees, Mr. Raymond Strong, was elected chairman of the committee.

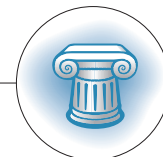
Our thanks also go to Mr. William Groves and the Professional Conduct Committee. They have a fundamentally important and quite difficult assignment, and I would like to emphasize the need for our full support of their efforts to keep improving the guidelines and their observance.

A very significant and noteworthy event was the appointment by Secretary of Labor Wirtz of Joseph Musher to the Advisory Council on Employee Welfare and Pension Benefit Plans. Although Mr. Charles Siegfried has been a member as a representative of the insurance industry and Mr. Howard Young as a labor representative, there has not been an appointment of anyone as a member of the actuarial profession since Dorrance Bronson's term expired several years ago. It is particularly gratifying that Mr. Musher's nomination to this post was made by the Academy, with the concurrence of other interested actuarial organizations. His appointment, therefore, not only reflects his own eminent qualifications for the position but also signifies recognition by the federal government of the profession and of the Academy. It is also a tribute to the Conference that Mr. Musher's appointment occurred during his presidency of the organization.

This appointment is a culmination of repeated efforts to secure an actuarial appointment to the Advisory Council. Mr. Webster, as President of the Society of Actuaries, and Henry Rood and Thomas Murrin as Presidents of the Academy, had submitted nominations during their presidencies.

On behalf of the Academy, I would like to thank the Conference for being our host at the third annual meeting. The Conference, its officers, and its governing board have at all times carried their full share of the burden of developing the Academy as a comprehensive organization representing all actuarial interests and responsibilities. The members of the other three sponsoring organizations are, I believe, both aware and appreciative of this essential contribution.

*John H. Miller*



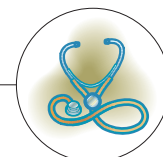
## Academy Leaders Continue Professionalism Outreach

**A**CADEMY PRESIDENT Mary D. Miller and Immediate Past President Tom Terry spoke to a group of approximately 120 life, health, and pension actuaries at the Actuaries Club of Philadelphia's (ACP) meeting on May 27. Terry presented a workshop, "Professionalism: Meeting High Expectations in a Fast-Changing World," and Miller spoke after dinner on "The Academy at 50."

Club Secretary Art Lucker thanked Miller and Terry for their insights: "The Actuaries Club of Philadelphia is extremely grateful to Tom Terry and Mary Miller for the time they took to come to

Philadelphia and provide interesting, thought-provoking continuing education sessions regarding professionalism and the Academy. The ACP board received only praise from various members for their outstanding presentations."

Elsewhere, Actuarial Board for Counseling and Discipline (ABCD) member John Purple presented "A Professionalism Update" workshop at the Casualty Actuaries of the Mid-Atlantic Region's Spring Meeting on May 28 in Malvern, Pa. Topics included the revised ABCD Annual Report and a proposed attestation form for qualifications that is under development by the Academy. ▲



## Two Work Groups Submit Comments to Regulators

**O**N MAY 8, the Academy's Risk Sharing Work Group submitted [comments](#) to the Center for Consumer Information and Insurance Oversight on the proposed methodology to evaluate the sufficiency of EDGE server data. The group offered specific comments on four components of the proposed process—use of statistics, reinsurance data evaluation, timing, and penalties—but it also stressed that the data sufficiency process should ensure that issuers with complete and accurate data receive the relevant risk adjustment payments/charges whether or not they are considered statistical outliers.

Separately, the Health Solvency Work Group submitted a [letter](#) to the NAIC's Investment Risk-Based Capital (E) Working Group on the evaluation of asset risk factors for the health risk-based capital (HRBC) formula. The Health Solvency Work Group will be providing the NAIC with a recommendation of the bond factors to be used in the HRBC formula. The work group intends to leverage the modeling work completed by the Academy's Life C1 Work Group and update the modeling for known differences between health and life business. ▲

# nominate & honor

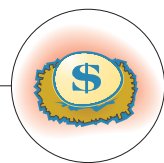
OUTSTANDING ACADEMY MEMBERS



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](http://actuary.org/awards).



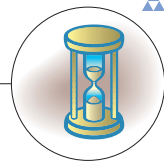
## The AGES Initiative and Canada

**ERIC KEENER**, chairperson of the Academy's Forward Thinking Task Force, spoke at a Canadian Institute of Actuaries (CIA) webinar about the [Retirement for the AGES](#) initiative to assess public pension plans.

When the Academy released its first assessments of retirement systems and public policy proposals in November last year, the Canadian province of New Brunswick's shared-risk model pension plan tied for receiving the highest overall grade. In a May 19 webinar sponsored by the CIA and attended by more than 100 actuaries, "The New Brunswick Model Pension Plan," Keener examined how

the Academy's assessment of the model was established and why it earned its high grade according to the Academy's AGES (Alignment, Governance, Efficiency, and Sustainability) principles.

The webcast also featured Paul McCrossan, a former member of the Canadian Parliament and the actuary on the task force that recommended the implementation of the shared-risk plan (SRP), and Conrad Ferguson, the main architect of the legislation that underpins it. They discussed why reform was needed and how the SRP was developed, explaining its underlying structure and rules. A recording is [available here](#). ▲



## Comment Letter on Nonforfeiture Modernization

**THE NONFORFEITURE MODERNIZATION WORK GROUP** submitted a [comment letter](#) to the NAIC Life Actuarial (A) Task Force on exposed edits to the standard nonforfeiture law for annuities regarding requirements for contingent deferred annuities (CDAs).

The work group continues to believe that the standard nonforfeiture law has not kept pace with product innovation, and therefore, nonforfeiture benefits have not been appropriately applied to newer products such as CDAs. The proposed edits to the standard

law clarify that nonforfeiture benefits do not apply to CDAs, but that an individual commissioner has the right to prescribe nonforfeiture benefits for CDAs in that state.

While the group agrees that nonforfeiture benefits for CDAs are actuarially justified, they believe that consistency in regulation is important, and that therefore the best way to ensure appropriate nonforfeiture benefits for CDAs should be part of a broader initiative to reconsider the methodology for nonforfeiture requirements in light of new life insurance and annuity product design. ▲

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# Academy Presents on Modeling for Capital Standards

ON MAY 6, William Hines, the Academy's vice president of Risk Management and Financial Reporting, offered a [presentation](#) on modeling for capital standards during the International Association of Insurance Supervisors' (IAIS) public stakeholder consultation session on insurance capital standards in New York City.

The presentation featured an overview of life and non-life models used to measure risk for capi-

tal management and enterprise risk management purposes. Hines discussed how models can address the limitations of factor-based approaches, as well as the some of the difficulties that are encountered when attempting to model risks and behaviors.

Following the presentation, the IAIS and the Academy discussed the use of both external and internal models and the challenges with prescribing assumptions. ▲

## Comments on Insurance Core Principles

ON MAY 13, the Academy's Risk Management and Financial Reporting Council participated in a public stakeholder consultation on revisions to a number of the International Association of Insurance Supervisors' (IAIS) insurance core principles (ICP) in Washington. The RMFRC offered [comments](#) on the specific revisions to ICP 8, Risk Management and Internal Controls.

The council stressed the importance of basic and continuing education for the heads of risk management control functions and the need for additional guidance on the qualifications of the individual(s) heading the actuarial function. The comments were well received by the IAIS, and the council anticipates assisting the IAIS in streamlining the language of ICP 8 this summer. ▲

## Public Hearing, continued from Page 1

The ASB will use information obtained during this hearing as it considers next steps in the evolution of ASOPs applicable to pension plans. The ASB specifically requests suggestions regarding new guidance that may be added to existing or new ASOPs related to the four areas described above.

### Comment Submission

The ASB is accepting written comments and

requests to be considered to present oral testimony at the hearing. In order to have a full and balanced treatment of the types of input requested, all requests to present testimony at the hearing need to include a complete written documentation of the proposed comments. **The ASB requests that submissions be received by 5:00 p.m. EDT on June 12, 2015.**

More complete details about the hearing and the submission process [are available here](#). ▲

## King v. Burwell, continued from Page 1

- A temporary extension of premium subsidies would only delay the market disruption;
- Eliminating the individual mandate could threaten the viability of the health insurance market;
- Depending on the extent of other ACA changes, allowing for insurance to be sold across state lines could result in adverse selection, but also could increase competition; and
- Allowing for AHPs also could raise adverse selection concerns.

The issue brief lays out three principles that are important to ensuring a viable health care system and evaluates the extent to which the proposals to address the potential disruption from the King v. Burwell case, as well as broader reforms to the

ACA, adhere to these principles. If transitional approaches or market reform proposals do not attract a broad cross section of risks, foster a level playing field, and reduce health spending growth, the issue brief concludes that "the viability of the health insurance market could be threatened, potentially resulting in higher numbers of uninsured, higher premiums, and insurer insolvencies."

The issue brief has been a major topic of discussion in the national news media and on Capitol Hill. [The Wall Street Journal](#) was among the numerous outlets that included Academy analysis in reporting on proposals to modify ACA in light of a possible decision eliminating federal premium subsidies in FFM states. See the "In the News" section on page 3 for a full rundown of media coverage. ▲