

Academy Offers Policy Guidance on Health Law Reboot

THE ACADEMY had a busy March, delivering analysis to federal and state policymakers and the public on evolving health care legislation proposals.

Academy Immediate Past President Tom Wildsmith appeared March 14 on C-SPAN's "Washington Journal," a televised national call-in program that focuses on current events related to politics, public policy, and legislation. Wildsmith, the Academy's president in 2015–16, provided a nonpartisan actuarial perspective on health care reform proposals supporting the sale of insurance across state lines. [Watch the video here.](#)

The Individual and Small Group Markets Committee and the Medicaid Subcommittee [sent comments](#) on March 22 to U.S. House of Representatives leadership on H.R. 1628, the American Health Care Act (AHCA), a bill that was intended to repeal and replace provisions of the Affordable Care Act (ACA). The AHCA was scheduled to be voted on by the House on March 24, but the House leadership [withdrew the measure](#) from floor consideration after the Republican majority failed to gather enough support for the AHCA.



The Individual and Small Group Markets Committee also [sent comments](#) to the U.S. House Committee on Education and the Workforce on H.R. 1101, the Small Business Health Fairness Act of 2017, which promotes the use of association health plans. (The House passed the measure by a 236-175 vote on March 22 and it was then sent to the Senate.) The committee also [submitted a letter](#) to the Centers for Medicare & Medicaid Services regarding a proposed rule on market stabilization.

In light of the March 24 decision to cancel a vote on the AHCA in the U.S. House of Representatives

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Submit Your Nominations for Academy Regular Directors

IT'S TIME TO SHARE your recommendations for Academy regular directors, who are elected to the Academy Board of Directors by Academy membership in an online election from a slate of candidates presented by the Academy's Nominating Committee. The committee will meet in the coming weeks to identify new candidates for regular directors in accordance with the [Nominating Committee Guidelines](#).

"Each year, considerable thought goes into who will be the most qualified candidates to lead the Academy," said past Academy president Mary D. Miller. "The Nominating Committee works hard to make sure that the Board has the right balance to meet the challenges we face and make the most of the opportunities we find. Our volunteers deserve the best leadership that the Academy has to offer, and this process helps us seek out who can contribute to that leadership in the coming years."

Please share your recommendation by [submitting the member's name and information](#) via the [Academy Board Election Center](#) no later than May 15, 2017. Results

of the nominating process will be announced in future publications of *This Week* and *Actuarial Update*. Academy members are invited to nominate themselves or others for consideration.

The Academy holds uncontested elections. Some will recall that the Board experimented several years ago with contested elections for regular director seats over a two- or three-year period, as a means of testing a voting tradition that some other actuarial associations have. After several years of the experiment, the Board made a decision three years ago to reaffirm the longstanding Academy process of holding uncontested elections.

The Academy's Nominating Committee tries to ensure that the Academy's Board composition 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 Commit-

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- 2-5 [Enrolled Actuaries Meeting](#), Washington, D.C.
- 20 Webinar: [Post-NAIC Update \(Life\)](#)
- 25 Webinar: [Post-NAIC Update \(P/C\)](#)

MAY

- 18 Webinar: An introduction to the Actuaries Climate Index
- 22-24 [PBR Boot Camp: Basic Training and Beyond](#), Orlando, Fla.

NOVEMBER

- 12-16 Life and Health Qualifications Seminar, Arlington, Va.
- 14-15 [Annual Meeting and Public Policy Forum](#), Washington, D.C.

For a list of all previous and upcoming Academy events, please visit the Academy's online [Events Calendar](#).

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the [member login](#) page on the Academy [website](#).

Academy NEWS Briefs

Academy to Present at NAIC Spring Meeting, Host Follow-Up Webinars

THE ACADEMY WILL be in full force at the upcoming NAIC Spring 2017 National Meeting in Denver in early April. Academy volunteers will make presentations on various life, health, and casualty issues, and the Council on Professionalism will once again host its popular regulators-only breakfast, during which attendees can

discuss professionalism issues. Stay tuned for the Academy's Post-NAIC alert for full coverage. And, save the dates for the Academy's post-NAIC webinars: the [life webinar](#) will be Thursday, April 20, from noon to 1:30 p.m. EDT; and the property/casualty webinar will be Tuesday, April 25, from noon to 1 p.m. EDT. ▲

Penn State Actuarial Students Visit the Academy

THE ACADEMY HOSTED about a dozen students from Pennsylvania State University's Actuarial Science Club at the Academy office in Washington, D.C., on Saturday, March 25. Senior Pension Fellow Ted Goldman and Director of Public Policy Craig Hanna provided the group with an overview of the import-

ant societal consequences of actuaries' work and how the U.S. profession addresses this significant role through execution of the Academy's public policy and professionalism mission.

"We really enjoyed discussing with the group the broader meaning of the Academy's work and our historical and ongoing efforts

to ensure the public trust in the profession," said Goldman. "It's gratifying to see there's a bright, inquisitive, and dedicated host of young people coming into the profession who will carry that mission in the future."

While the students won't be eligible for Academy membership until after they take their actuarial exams, many of them signed up for *Contingencies*, which will keep them apprised of the Academy's work and broader trends in the profession. ▲



Extra-Early Registration for Annual Meeting and Public Policy Forum

WHAT DO changes in Washington mean for your work as an actuary? Make plans to attend this year's [2017 Annual Meeting and Public Policy Forum](#), to be held Nov. 14-15 at the Fairmont Hotel in Washington, D.C., and learn about trends and changes that

will impact your day-to-day work. The best discounts remain available for this annual, exceptional event, which will give you a unique and in-depth look at top public policy and professionalism issues facing the actuarial profession. [Register now](#) at the discounted extra-early rate. ▲

Academy NEWS

Latest Climate Data Show Third-Highest ACI Level on Record

THE ACADEMY and other actuarial organizations in the United States and Canada updated the [Actuaries Climate Index](#) (ACI) for spring and summer 2016, which reached the third-highest seasonal level recorded with a value of 1.72. The five-year moving average stands at 1.03.

“We have now seen three of the last four seasons having an [ACI] value over 1.50, compared to the 30-year reference period, which had no index values above 1.00,” said Doug Collins, chair of the ACI’s Climate Change Committee. “The spring and summer 2016 data reflect a continued pattern of increased frequencies of high temperatures and precipitation, and of lower-temperature extremes, compared to the reference period. We collected this data from neutral, scientific sources, and our members—actuaries—have developed these evidence-based results on extreme weather events.”

The ACI is based on an analysis of quarterly seasonal data for six different components collected from 1961 through summer 2016, compared with the 30-year reference period of 1961 through 1990. It was launched late last year by the Academy, the Canadian Institute of Actuaries, the Casualty Actuarial Society, and the Society of Actuaries.

Academy Presents on ACI to Inter-Agency Forum

Senior Casualty Fellow Jim MacGinnitie provided overviews of the Actuaries Climate Index (ACI) and Actuaries Climate Risk Index (ACRI) March 16 to the Inter-Agency Forum on Climate Change Impacts and Adaptations meeting at NASA headquarters in Washington. A national audience of experts and interested parties followed the presentation online and on the phone.



ACTUARIES CLIMATE INDEX
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MacGinnitie’s presentation included ACI data for spring and summer 2016, which the Academy and other U.S. and Canadian actuarial organizations released March 7. The ACRI shifts the question from “Is the incidence of extreme weather events increasing?” to “Are they happening where there are people and property?” with a goal of producing an index especially useful to public policymakers. ▲

Remembrance: A. Haeworth Robertson

A HAEWORTH ROBERTSON, a charter member of the Academy and chief actuary of the Social Security Administration from 1975 to 1978, died March 7 in Wilmington, N.C. He was 86. Robertson received the Academy’s [Robert J. Myers Public Service Award in 2004](#), given annually to an 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.

In his Academy work, Robertson was active on many groups and committees, including the Committee on Social Insurance and the Actuarial Advisory Group to the President’s Commission on Pension Policy, and was a trustee of the Actuarial Education and Research Fund.

Robertson founded the nonprofit Retirement Policy Institute in Washington, and in 1981 published *The Coming*

Revolution in Social Security, a comprehensive book that identified potential problems of and reforms to the federal program. Later in life he became a writer of another sort, penning several novels with the actuary-as-hero, including titles such as *The Silver Pendant* and *The Siren of Sans Souci*.

“He was such a good role model—he crafted a rewarding, varied career that enabled him to use actuarial science to improve people’s lives,” said his daughter, Valerie Robertson. “His message was do something well, and dare to shape it to your goals, and it will take you far.”

“He was a giant in the actuarial field,” said Ted Goldman, the Academy’s senior pension fellow. “His book on Social Security was on the syllabus for the actuarial exams back when I took the exam on social insurance.”

Condolences may be posted at www.facebook.com/haeworth or emailed to the family at haeworth@aol.com. ▲



Recently Released

THE MARCH/APRIL

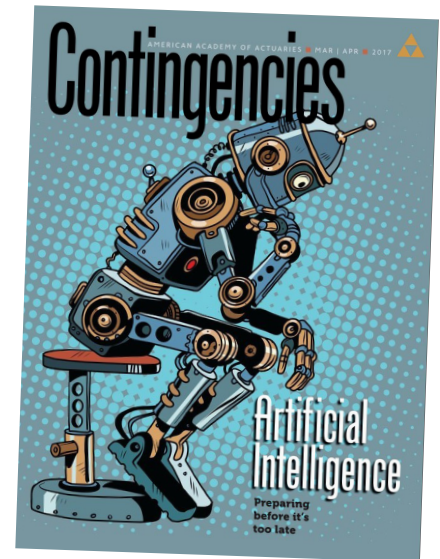
[Contingencies](#) cover story, “Preparing for Artificial Intelligence Before It’s Too Late,” asks what happens when intelligence and awareness are no longer uniquely human traits, and how society can ready itself for the inevitability of AI. Other stories include the future of the Affordable Care Act (ACA)—why any reforms to the health care law need to take key provisions into account; musings on whether prevailing assumptions about mortality are correct; and the who, how, and why of principle-based reserving. Also, in his first “Presidential Papers” column as part of the “Professionalism in Action” series, Academy President Bob Beuerlein asks, “Are You Modeling Professionalism?” He notes actuaries have the opportunity to be teachers and role models to fellow actuaries, and cites the importance of the Code of Professional Conduct.

The March [HealthCheck](#) covers three recent issue briefs on ACA-related health

issues; the Health Practice Council’s February visits to Capitol Hill to meet with federal lawmakers and policymakers; ongoing congressional efforts to repeal and replace parts of the ACA; and health-related regulatory rulings from the IRS and other federal agencies.

The spring [StateScan Quarterly](#) features legislative and regulatory updates on ride-sharing companies, Medicaid revisions, public pension plans, and other state topics of interest to actuaries. [StateScan](#), the legislative/regulatory portal for Academy members, provides state legislative and regulatory reports on key topics in all actuarial practice areas.

The latest issue of the [Enrolled Actuaries Report](#) includes articles on the Multiemployer Plans Subcommittee’s notes of a meeting with federal departments and agencies; the Pension Cost Work Group’s issue brief on pension cost determination; and Senior Pension Fellow Ted Goldman’s column on 10 key retirement and pension issues to watch this year.



The latest issue of [Retirement Account](#) covers the Academy’s recent meetings with federal officials on multiemployer pension plans, Senior Pension Fellow Ted Goldman’s recent presentation to the U.S. Chamber of Commerce, and recent legislative and regulatory developments, and includes a look ahead to the Enrolled Actuaries Meeting to be held in Washington April 2–5. ▲

COI, CE Acknowledgments—Last Call

THE ACADEMY HAS SENT OUT ITS FINAL NOTICE that it will drop those volunteers and interested parties who have not submitted annual conflict of interest and continuing education acknowledgments required by the Academy to continue to participate in their respective councils, committees, task forces, and work groups.

These acknowledgments are a vital element in the Academy’s culture of objectivity, and they remind volunteers of their respon-

sibility to participate in Academy work in a manner that maintains our high standards in providing unbiased and independent actuarial input for informing policymakers considering a wide array of U.S. fiscal and societal challenges.

For more information about the Academy’s commitment to professional objectivity, please visit the [Professional Objectivity at the Academy](#) page. If you have any questions, please contact the Academy’s professionalism department at objectivity@actuary.org. ▲

Public Employment Opportunity

THE IOWA INSURANCE Division is seeking to fill an actuary position to review insurance rate filings for various lines of property and casualty insurance including but not limited to automobile, homeowners, workers’ compensation, commercial general liability, crop, and professional liability insurance.

The actuary in this position will analyze insurance rate filings to determine their actuarial soundness and for compliance with legal

requirements and departmental regulations, and will analyze formulas used in the computation of net premiums and determine that benefits values are sound and equitable.

See the full job posting on the [Iowa Department of Administrative Services website](#).

The Academy supports government employers who are seeking to hire qualified actuaries. See our [Public Employment Opportunity Posting Policy](#) for more information. ▲

Dues Reminder

ACADEMY MEMBERSHIP dues are due Jan. 1 every year. If you have not renewed your membership, please [log in now](#) to pay your dues, print your invoice, or update your profile. May 1 is the deadline to pay your 2017 dues in order to avoid a 20 percent late fee. While logged in, take advantage of members-only benefits including StateScan, Academy alerts, and archived professionalism webinars. Academy alerts are timely online bulletins about legislative and regulatory developments; archived professionalism webinars provide members with continuing education credits at no cost. ▲

Chris Hayes, host of the daily “All In With Chris Hayes” show that airs nationwide on *MSNBC*, [cited the Academy in a March 7 interview](#) with House Energy and Commerce Committee member Buddy Carter (R-Ga.) regarding the aims of the American Health Care Act (citation at the 1:45 mark).

An *Associated Press* story on selling health insurance across state lines quoted Health Practice Council member Barbara Klever on how premiums reflect the cost of care where an individual lives. More than 400 media outlets—including the [Washington Post](#), [CNBC](#), [Yahoo News](#), [Business Insider](#), [Boston Globe](#), and [U.S. News & World Report](#)—published the story. A [McClatchy DC](#) fact-checking story quoted Academy Senior Health Fellow Cori Uccello’s explanation that 2017 premium increases in a number of states are not necessarily indicative of an ACA premium spiral.

A subscriber-only *Bloomberg BNA* story on the AHCA cited Uccello and the Academy’s letter to Congress and the nation’s governors, which addressed approaches to federal Medicaid funding and continued actuarial soundness requirements, as well as the individual health insurance market. The letter was also cited by [U.S. News & World Report](#), [Modern Healthcare](#), [Axios](#), and [Inside Health Policy](#).

Former Office of Management and Budget and Congressional Budget Office Director Peter Orszag cited the Academy’s [issue](#)

[brief](#) on selling insurance across state lines in a [Bloomberg](#) op-ed discussing replacement options for the ACA. The issue brief was also cited by [Healthcare Dive](#), [Insurance Journal](#), [Newsmax](#), [Delaware Online](#), [Lexington Herald-Leader](#) (Ky.), [Brattleboro Reformer](#) (Vt.), and [Providence Business News](#). *Business Examiner* published a statement from Washington state Insurance Commissioner Mike Kreidler, who cited the key findings of the Academy’s recent analysis of the implications of allowing health insurance to be sold across state lines. The story was reprinted by [The Lund Report](#).

Academy Senior Pension Fellow Ted Goldman discussed longevity risk in a retirement planning story published by [TheStreet](#). A [Pensions & Investments](#) article on Multiemployer Pension Reform Act of 2014 (MPRA) benefit suspensions quoted Goldman on the ongoing implementation of MPRA application process.

A fact-checking article published by [Politifact](#) discussing the ACA’s premium changes cited the Academy’s [issue brief](#) on 2017 health premium drivers. *Politifact* also published [a fact-checking article](#) citing the Academy’s [issue paper](#) evaluating the health insurance individual market and reform options.

[The Huffington Post](#) cited the Academy’s [issue brief](#) on 2016 health premium drivers in a story discussing replacement plans for the ACA.

[Canadian Underwriter](#) ran a story about the increased incidence of extreme weather events based on updated results from the Academy’s jointly sponsored Actuaries Climate Index, which provides a quarterly gauge of changes in extreme weather events and sea levels. [Benefits and Pensions Monitor](#) (Canada), [Canadian Insurance](#), and [Insurance Supports](#) also reported on the index updates for spring-summer 2016.



A [CBS News](#) story on retirement readiness recommends using the widely praised [Actuaries Longevity Illustrator](#), developed jointly by the Academy and the Society of Actuaries, to help understand how long money has to last in retirement. The story was reprinted by [WDEF News 12](#) (Chattanooga, Tenn.) and [MyInforms.com](#). [CNN Money](#) also highlighted the illustrator as a tool for understanding lifetime income needs when choosing between a pension lump sum and annuity.

A [Captive.com](#) column aimed at helping non-actuaries who review actuarial reports examined the requirements of Actuarial Standard of Practice No. 41, [Actuarial Communications](#).

The [San Marcos Corridor News](#) (Texas) used the Academy’s [issue brief](#), *The 80% Pension Funding Standard Myth*, as a source in a special series article focused on the financial condition of the Texas Public Employees Retirement System. ▲

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and the resulting uncertainty in the legislative environment on health care, the Academy canceled the webinar scheduled for March 31, “Update on Health Care Reform: The HPC on ACA and AHCA.”

With the prospect of greater clarity over the next few weeks from a legislative and regulatory perspective, we will be rescheduling the webinar in the near future so that we can better discuss any potential future action on health care reform as well as Academy efforts to encourage policymakers to address market stability and access to affordable health care coverage.

While the webinar was being offered free to members, for those individuals who paid the “nonmember” fee to attend the webinar, the Academy will automatically refund that fee. If applicable and you do not receive a refund within five business days, please contact the Academy’s Senior Administrative Assistant Policy Assistant [Kristina Jackson](#). ▲

Directors, continued from page 1

tee 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 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. The committee carefully vets candidates for appropriateness in accordance with the guidelines. The Nominating Committee looks for candidates for regular directors who have served the Academy, often through having been chairpersons on Academy committees and task forces. In addition, the Nominating Committee welcomes input from the membership at large—through this announcement, the Nominating Committee is asking you directly for submission of any recommendations you want to ask them to consider for regular director candidates. ▲



Professionalism Webinar Covers ‘Practical Applications of the Code of Professional Conduct’

THE ACADEMY’S MARCH 28 professionalism webinar, “[Practical Applications of the Code of Professional Conduct](#),” drew more than 2,000 attendees and addressed many key issues and questions about the Code.

“The Code is not an arbitrary rulebook; it’s a framework that we can use to guide our decisions as professionals,” said Immediate Past President Tom Wildsmith, one of three webinar panelists. “It defines our moral and ethical obligations, and its ultimate purpose is to ensure that the public can trust us as a profession.”

Wildsmith focused on precepts related to professional integrity. Precept 1 requires actuaries to “act honestly, with integrity and competence” and underpins all of the other precepts, he said. He discussed the importance of disclosing compensation and conflicts of interest, as well as the importance of not revealing confidential information. All of these are related to honesty and integrity, Wildsmith said.

Vice President of Professionalism Joeff Williams and Council on Professionalism member Chad Wischmeyer joined Wildsmith as the other panelists, and Academy General Counsel and Director of Professionalism Paul Kollmer-Dorsey moderated the webinar.

Williams reviewed precepts that focus on competence and control of work product, noting that actuary members of any of the five U.S.-based actuarial organizations are bound by the U.S. Qualification Standards (USQS) because Precept 2 of the Code, which those organizations adopted, requires it. He drew attention to a useful resource on the Academy website, the [FAQs on the USQS](#), which features more than 50 questions on topics such as changing practice areas, relevant experience, and continuing education—and the Committee on Qualifications’ (COQ) answers.

Asked about qualifying in a new area of practice, Williams pointed first to section 4 of the USQS, noting that that an actuary must meet the basic education and experience requirements for the new area. He recommended immersing oneself in as much information about the new area as possible. Speakers also reminded attendees that the COQ and the Actuarial Board for Counseling and Discipline (ABCD) are available to answer such questions.

Wischmeyer discussed precepts related to standards of practice and communication. He stressed that, under Precept 3, actuaries must comply with applicable standards of practice, which, for work to be used in the United States, are standards promul-

gated by the Actuarial Standards Board. Noting that the phrase “jurisdiction in which the Actuary renders Actuarial Services” may cause confusion, he clarified that this phrase means the jurisdiction in which the services are intended to be used, rather than the actuary’s physical location. He highlighted another valuable Academy resource, the [Applicability Guidelines](#), which can help actuaries determine which standards may apply to an assignment.

Precept 10 requires the actuary to cooperate in the principal’s interest, and Wischmeyer illustrated it with an example: An actuary is replaced mid-project, and the succeeding actuary asks the actuary to assemble and transmit pertinent data. Can the actuary

refuse? In most cases, the answer would be no. Wischmeyer said the actuary must provide the information, even in the case of a fee dispute, as long as the principal has agreed to provide compensation for assembling and transmitting the data. “The actuary’s responsibility to the public and the reputation of the profession outweigh the individual dispute,” he said.

The panel also covered precepts 13 and 14, which deal with violations of the Code. Precept 13, which requires an actuary to

report an “apparent, unresolved, material violation of the Code by another actuary” to the ABCD, is vital to the smooth functioning of a self-regulated profession, Wischmeyer noted, citing an Academy [discussion paper on Precept 13](#).

“To be able to instill trust in the public, these precepts tell us we need to cooperate [with the ABCD] and see that process through,” Williams added. The presentation wrapped up with a brief overview of the ABCD and a reminder that individual actuaries may seek guidance from the ABCD.

Several audience questions dealt with ethical dilemmas. If an actuary tried to discuss the issue with another party but could not reach an agreement that would allow the actuary to comply with his or her obligations under the Code, the actuary may need to consider walking away, the speakers said.

If a principal or an employer “asks you to do something that you’re not really comfortable with, you can step back and think about whether this is right place for you, or whether this is the right client for you,” Wischmeyer said. “It’s tough, but you have choices, and recognizing those are really important. You worked a long time to pass your exams and develop your expertise, and you don’t want to lose that.” ▲



Wischmeyer (left), Wildsmith, and Williams preparing for the March 28 professionalism webinar.

A Look into the Revision of ASOP No. 32 on Social Insurance

BY FRANK TODISCO

Vice Chairperson, Actuarial Standards Board

THE ACTUARIAL STANDARDS

Board (ASB), in carrying out its mission to establish and improve standards of actuarial practice, regularly reviews standards to ensure they remain current and relevant. In last month's Professionalism Counts, ASB Vice Chairperson Beth Fitzgerald provided a closer look at the ASB process by highlighting the release of three recently revised actuarial standards of practice (ASOPs). This month, we further discuss the review and revision process, using ASOP No. 32, [Social Insurance](#), which is currently undergoing revision, as an example.

ASOPs provide guidance for appropriate actuarial practice. However, what is considered "appropriate" must be constantly examined as actuarial science advances and the regulatory and business environment changes. These changes require the ASB to review existing ASOPs to determine whether they need to be amended, expanded, or, more rarely, repealed, as mandated by the Academy bylaws. Creating and revising ASOPs is an inclusive process, as it involves incorporating input received from the actuarial community and interested parties through the ASB's exposure process. This process ensures that proposed new and revised standards are reviewed by a wide range of stakeholders, and that appropriate standards of practice are created so that the actuarial profession is able to fulfill its responsibility to the public.

Actuarial Analyses

ASOP No. 32's scope includes actuarial analyses of Social Security and Medicare, among other programs. In 2016, the ASB examined whether a revision of ASOP No. 32 might be warranted. The ASB identified several reasons for revisiting the standard, which had originally been adopted in 1998 and has remained largely unchanged. Since then, significant changes have been made to ASOPs in related practice areas, such as pension and health, and to programs covered by ASOP No. 32, such as the creation of Medicare Part D. In addition, some of the programs covered by ASOP No. 32 are subject to intense public scrutiny, sometimes including scrutiny of assumptions, methods, or disclosures—as can occur upon the release of the annual Social Security and Medicare trustees' reports. As a result of these considerations, the ASB decided to review and develop proposed revisions, as deemed appropriate, to ASOP No. 32.



In most cases, when the ASB decides to review and propose revisions to an ASOP, it charges the ASB standing committee of the ASOP's respective practice area to oversee the revision. However, because ASOP No. 32 focuses on social insurance, it does not fit into any one particular area of practice, nor is it a general standard that applies more broadly to actuarial work. Therefore, the ASB created a task force that reports directly to the board and approved its membership in September 2016.

The task force is chaired by Janet Barr, a former chairperson of the Academy's Social Insurance Committee. Its membership comprises a distinguished group of senior actuaries with expertise in the nation's social insurance programs. Notably, the task force also includes a nonactuary, economist Alicia Munnell, who is director of the Center for Retirement Research at Boston College and was chair of the Social Security Advisory Board's 2015 Technical Panel on Assumptions and Methods.

The task force met for the first time in January 2017 and plans to submit a summary of proposed changes to the ASB in June and a full exposure draft later this year. One threshold issue that the task force is considering is the scope of the ASOP: Which types of programs should be considered "social insurance"? The task force will also consider the guidance on the selection of assumptions and methods; sensitivity testing or other measures of risk; and the appropriate disclosures in an actuarial report. The task force has established several subgroups to delve into these issues.

As is part of the ASB's standards-setting process, once the ASB approves an exposure draft, it will be exposed for comment. The task force will reconvene after the comment period to consider the comments received and incorporate them into the ASOP as appropriate. When the task force completes the subsequent draft, it will be returned to the ASB for a second review. The process of review, revision, and exposure continues until the ASB is satisfied with the proposed revision and adopts the newly revised standard.

The process of revising ASOP No. 32, as with most ASOPs, will take time, careful consideration, and input from many stakeholders along the way, but the result will yield an updated, appropriate standard of practice on which actuaries and the public can rely. ▲

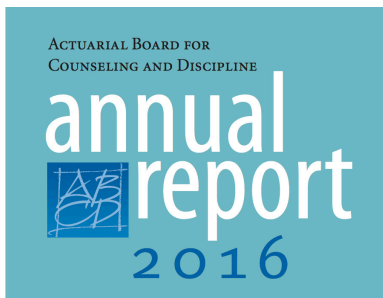


ABCD, ASB Release 2016 Annual Reports

THE ACTUARIAL Standards Board's (ASB) [2016 Annual Report](#), released this month, details the ASB's accomplishments last year, which included adoption of three revised actuarial standards of practice (ASOPs), approval of seven exposure drafts for comment, approval of a proposal for one revised ASOP, and a final report by the ASB's Pension Task Force. The ASB also approved the formation of a task force to revise ASOP No. 32, *Social Insurance*, and presented a webinar on cross-practice standards.

The Actuarial Board for Counseling and Discipline (ABCD) also

released its [2016 Annual Report](#). The ABCD handled 141 cases, comprised of 108 requests for guidance (RFGs) and 33 inquiries last year, provided guidance in response to the 108 RFGs (a record high), and closed 14 inquiry cases. A chart showing the number of cases handled by the ABCD since its inception in 1992, including inquiry cases and RFGs, is included in the report. This level of activity demonstrates the increasing desire to seek guidance on actuarial standards of practice and the Code of Professional Conduct, ABCD Chairperson Janet Fagan wrote. ▲



COQ Updates Long-Term Care Information in FAQs

THE COMMITTEE on Qualifications has updated the long-term care (LTC) insurance item in the FAQs on the U.S. Qualification Standards (USQS). The answer to [FAQ No. 50](#) now clarifies that at least some of an actuary's

continuing education should be directly related to LTC insurance. Take advantage of looking at the entire and comprehensive FAQs before or whenever a question arises about the how the USQS apply to you. ▲



Beuerlein Speaks at Columbia University

ACADEMY PRESIDENT Bob Beuerlein spoke to an audience of about 120 students and faculty of Columbia University's Graduate Programs in Actuarial Science on March 7 as part of the programs' Proseminar series. His presentation, "Actuarial Professionalism and the 21st Century Actuary," explored the foundations of actuarial professionalism, the role of the contemporary actuary, and professionalism issues raised by emerging trends such as the use of Big Data and telematics. ▲



Research Task Force Formed

Cathy Murphy-Barron is chairperson of the Academy's new Research Task Force, **Shawna Ackerman** is vice chairperson, and the following volunteers are members: **Mary Bahna-Nolan**, **Kris DeFrain**, **Doug Eckley**, **Bela Gorman**, **Bob**

Miccolis, **Donna Novak**, **Susan Pantely**, **Zenaida Samaniego**, and **Henry Siegel**. Academy senior fellows **Nancy Bennett** (Life), **Ted Goldman** (Pension), **Jim MacGinnitie** (Casualty), and **Cori Uccello** (Health) are staff liaisons. ▲



Academy Representatives Meet With Congressional, Agency Staff on Flood Insurance

CASUALTY PRACTICE COUNCIL (CPC) Vice President Rade Musulin and Academy Senior Casualty Fellow Jim MacGinnitie visited Capitol Hill March 20–21, as Congress considers changes to the National Flood Insurance Program (NFIP).

MacGinnitie and Musulin talked with majority and minority staff of the House Financial Services Committee, and met with Congressional Research Service and Government Accountability Office staff who follow this and other insurance issues.

Musulin is also chairperson of the CPC's Flood Insurance Work Group, which will release its updated NFIP monograph soon. ▲



MacGinnitie (left) and Musulin

HEALTH NEWS



New Issue Brief Explores Medicaid Funding

THE MEDICAID Funding Work Group published an [issue brief](#), *Proposed Approaches to Medicaid Funding*, which addresses key design elements of block grants and per capita caps in relation to program sustainability.

Moving to block grants or per capita caps would shift more funding risk

to states, which will need flexibility to modify components of their Medicaid programs to stay within their budgets, according to the issue brief. Sustainability of Medicaid under block grants or per capita caps funding methods will depend upon appropriate initial allocation of funds to each state and adequate growth rates of those funds, it says.

If block grants or per capita caps limit the federal share of the current program, states will need more flexibility in their programs to manage their share of the program costs while balancing the needs of beneficiaries and other stakeholders, the issue brief says, which could add more administrative burdens to both states and the federal government. ▲

Health Webinar Looks at LTC in U.S., Germany

THE ACADEMY and the International Actuarial Association Health Section hosted a March 24 webinar, [“Global Perspectives on Long-Term Care: United States and Germany.”](#)

The webinar was moderated by Academy Board of Directors member April Choi, who is also chairperson of Academy Health Practice International Committee. Panelists were Sam Gutterman, vice chairperson of the International Actuarial Association's (IAA) Population Issues Working Group; Sabrina Link, a member of the German Actuarial Society; and Andrew Dalton, a member of the Academy's LTC Reform Subcommittee.

The presenters highlighted a new report issued by the IAA's Population Issues Working Group, challenges and criteria of LTC programs, principles of LTC insurance, demographics of the two countries, and public/government versus private funding of LTC.

Gutterman noted that an “explosion of LTC needs will emerge in the 2030s, due to demographics and increased longevity.”

Link noted that currently about 21 percent of Germany's population is over age 65, and that the current 5 percent over age 80 will rise to more than 13 percent by 2050. LTC coverage is compulsory in Germany for those with private health insurance, and LTC insurance coverage—which is paid for equally by employer and employees and is not means-tested—has risen from 1 percent in 1995 to 2.55 percent this year, she said.

Slides and audio are available to members on the Academy's [webinar page](#). ▲

HEALTH BRIEFS

- ➔ **Al Bingham** has joined the Individual and Small Group Markets Committee.
- ➔ **Coleman Naughton** has joined the LTC Reform Subcommittee.



Life Work Groups Submit Comments to NAIC

TWO LIFE PRACTICE COUNCIL groups sent letters to the NAIC this month in advance of the NAIC Spring 2017 National Meeting to be held in Denver in early April.

The Life Operational Risk Work Group [submitted comments](#) to the NAIC's Operational Risk (E) Subgroup on a draft report on operational life risk-based capital (LRBC). The group gave several examples that flesh out LRBC calculations for hypothetical companies.

The SVL Interest Rate Modernization Work Group [submitted comments](#) to the NAIC's VM-22 (A) Subgroup on the VM-22 Maximum Valuation Interest Rates for Income Annuities draft report.

While noting that in some cases the valuation rate in effect

at the time of annuitization is the most appropriate maximum valuation rate, there are other cases for which the valuation rate in effect when the original contract was issued would be a more appropriate rate, the group wrote, such as a deferred income annuity where assets were purchased to support annuitizations at the time the original contract was issued.

The work group also recommends that the default for the maximum valuation rate be the rate in effect at the time of annuitization and that, with domestic commissioner approval, a company be allowed to use the rate in effect when the original contract was issued. ▲

Early Registration Rates Still Available for May PBR Boot Camp

EARLY REGISTRATION RATES are still available for the Academy's [PBR Boot Camp](#), to be held May 22–24 in Orlando, Fla. This intensive two-and-a-half-day seminar will deliver instructional sessions and interactive case studies to provide attendees with key learning experiences to implement and utilize principle-based reserving (PBR), just as many companies are starting to adopt this new practice. Earn up to 24 hours of organized-activity continuing education credit. [Register today](#) and

plan to join your fellow actuaries for this popular seminar that will ensure you stay ahead of the PBR curve. ▲


LIFE BRIEFS

- ➔ **John Folkrod** and **David Moran** have joined the C2 Work Group.
- ➔ **Karen Jiang** has joined the Life Reserves Work Group.

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Pension Committee Asks Treasury Department for Guidance on Variable Annuity Plans

THE PENSION COMMITTEE submitted a [comment letter](#) to the U.S. Treasury Department requesting guidance from the IRS and Treasury to resolve uncertainties that exist as to how variable annuity plans should be valued for minimum funding and Internal Revenue Code (IRC) §417(e) purposes.

The requested guidance is important because of the growing interest in variable benefit programs, including variable annuity plans, market-rate cash balance plans, and the proposed multiemployer composite plans, the letter states.

Variable annuity plans adjust plan benefits periodically to reflect returns on plan assets (or another specified return index) that exceed or fall short of a specified hurdle rate, and provide lifetime income to participants like traditional fixed defined benefit plans, but transfer some or all of the investment risk and reward to participants like defined contribution plans.

Guidance from Treasury would remove

uncertainties and provide an alternative to defined contribution plans for sponsors who are concerned about their financial risk but would like to provide employees with the security of a lifetime income stream, the committee wrote.

“We are aware that there are currently different views among actuaries on the appropriate way to value these plans in light of existing regulatory guidance. Further, certain variable plan designs incorporate features that limit the variability of benefits (such as caps or floors on benefit adjustments, or the normal operation of IRC §415 limits), which adds further uncertainty,” it said.

The Pension Protection Act of 2006 and its implementing regulations introduced uncertainty and the need for interpretation in the valuation of variable annuity benefit obligations where benefits vary based on returns on plan assets, the committee notes. The traditional method of valuation raised few issues in the pre-ERISA

and immediate post-ERISA environment, when obligations were generally valued using the actuary’s best estimate of returns to be generated on the plan’s asset portfolio.

The committee wrote it believes that “appropriate present value of the benefit obligation for a variable annuity benefit is the amount of assets needed to back that obligation. ... [T]his is the same as valuing fixed benefits at the plan’s hurdle rate if benefits are indexed based on the return on plan assets.”

Despite the general consensus belief as to what the appropriate value should be, opinion varies as to whether current law and regulations permit this treatment. While some actuaries believe that current law not only permits, but even supports, this result, others are concerned that current rules actually require something very different, the letter states, while citing two differing interpretations of the Internal Revenue Code and accompanying regulations. ▲

EA Meeting Set for Early April

THE ENROLLED ACTUARIES MEETING will be held April 2–5 in Washington, D.C. Sponsored jointly by the Academy and the Conference of Consulting Actuaries, the 42nd annual Enrolled Actuaries Meeting will offer panels, workshops, and speakers covering a variety of topics and issues relevant to enrolled actuaries and other pension professionals.

Academy President Bob Beuerlein will kick off the event with an opening address. Academy Senior Pension Fellow Ted Goldman will speak on two panels—one on lifetime income options, which will explore new ideas and approaches to lifetime income and highlight the Academy’s efforts in this area; and one on financial wellness, which will look at the close relationship between financial wellness and retirement readiness.

Pension Committee Vice Chairperson Bruce Cadenhead will be a panelist in a session on alternative pension expense recognition that will look at the Academy’s 2015 and 2016 issue briefs on the subject, which were covered in a webinar and were in the Fall 2016 [Enrolled Actuaries Report](#). The meeting’s [full agenda and registration information](#) are available online. ▲

PENSION BRIEFS

➔ **Paul Angelo** has joined the Public Plans Subcommittee.

Enrolled Actuaries Meeting



April 2-5, 2017
Marriott Wardman Park Hotel
Washington, DC



Actuarial Update

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RISK MANAGEMENT & FINANCIAL REPORTING NEWS



FRC Submits Comments to IAA on Risk Adjustment Exposure Draft

THE FINANCIAL Reporting Committee [submitted comments](#) to the International Actuarial Association on the exposure draft of its *Risk Adjustments for Financial Reporting of Insurance Contracts under International Financial Reporting Standards No. X* monograph.

The committee recommends the draft monograph be edited for consistency in style, voice, and structure, and gives several examples of some unnecessary repetition. It also notes the monograph often assumes the reader is familiar with Solvency II requirements, which may not be a valid assumption.

The committee also commented on the monograph's case studies, which cover the

four quantitative risk adjustment techniques. The committee's comments note additional techniques that could be illustrated for each case study and that, overall, it believes it would be beneficial to show an entity aggregate example

rather than just a single product for general insurance companies. Also, an example that demonstrates the use of industry benchmarks for the amount and cost of capital would be beneficial to practitioners, the committee wrote. ▲



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