

HPC Sends Letters to Congress Cautioning Against Repealing ACA Without Replacement

THE ACADEMY'S HEALTH PRACTICE COUNCIL (HPC) sent letters to the [U.S. House](#) and [Senate](#) in early December highlighting the potential adverse consequences of repealing provisions of the Affordable Care Act (ACA) without having a replacement approach in place.

The letters, signed by HPC Vice President Shari Westfield, note that eliminating cost-sharing reduction subsidies could result in insurer losses and solvency challenges, and potential market reduction that could lead to millions of Americans losing their health insurance.

Eliminating provisions that encourage enrollment also could threaten the individual health insurance market's

sustainability, boosting premiums for the remaining pool, and increasing risks that could lead to insurer withdrawals from the market, the letters state.

The Academy issued a [news release](#) on the letters, which drew widespread media coverage from more than 500 outlets, including the [Los Angeles Times](#), the [Associated Press](#), [CNN Money](#), [The Hill](#), and [Kaiser Health News](#). A Dec. 10 [Washington Post](#) editorial cited the letters, and National Public Radio's "All Things Considered" national news radio program quoted Senior Health Fellow Cori Uccello on the situation faced by health insurers in determining whether to participate in the ACA's individual market. ▲

ABCD Unveils Revamped Website

THE ACTUARIAL BOARD for Counseling and Discipline's (ABCD) [website](#) has been upgraded to provide a more user-friendly experience, including information about guidance, requests for speakers, and the ABCD complaint process.

The site includes information on the ABCD's [new leadership](#), including incoming Chairperson Richard Block. It also includes recent "Up to Code" columns from *Contingencies* magazine, and more. ▲



Professionalism Webinar Draws 2,000 Attendees



The Dec. 21 professionalism webinar on ASOP No. 41—which featured (l-r) Janet Carstens, the Academy's Paul Kollmer-Dorsey, and Richard Block—drew more than 2,000 attendees. See story, [page 5](#).

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APRIL

2-5 [Enrolled Actuaries Meeting](#), Washington, D.C.

NOVEMBER

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.

Academy NEWS Briefs

Three Academy Work Groups Engage With NAIC on Operational Risk

THIS MONTH, three work groups sent comment letters to the NAIC's Operational Risk Subgroup regarding proposed changes to the operational risk (OR) factor in risk-based capital (RBC) formulas.

The Property and Casualty Risk-Based Capital (RBC) Committee and the Health Solvency Subcommittee jointly submitted a [comment letter](#), noting that the proposed 3 percent add-on approach would not be "unduly disruptive to the current P/C and health RBC formulas." The groups do note a number of issues that they would urge the NAIC to consider if the amount of the add-on were to be increased, including overlap between operational risk and other risks already reflected in the current RBC formulas, the scope of operational risk, and the "potential for duplication of operational risk charges between parent insurance companies and insurance subsidiaries."

Separately, the Life Operational Risk Work Group (LORWG) [reiterated its opposition](#) to the add-on approach. According to the letter, the add-on approach "does not recognize OR exposure that arises from many activities that are not directly captured in financial statements (e.g.,

fraud, misrepresentation, bad sales practices, cyber-risk, etc.)." Instead, the group supports a proxy-based approach to reflecting OR in the Life RBC (LRBC) formula, and believes that the C-4a charge in the current LRBC formula provides an adequate and reasonable construct (with the potential modifications suggested in the letter).

Noting that "there is a need for a more robust analysis of operational risk drivers and impacts" industrywide, the LORWG proposed several modifications to the exposed approach that would help ameliorate the highlighted concerns. The work group pledged to assist the NAIC as it considers possible alterations to the RBC formulas. ▲

Dues Renewal Notice

Academy membership dues are due Jan. 1 each year. If you have not done so, please [log in now](#) to pay your dues, print your invoice, or update your profile.

Academy Releases *Essential Elements* on Cyberspace Risks

THE ACADEMY RELEASED "[Managing the Risks in Cyberspace](#)," an *Essential Elements* report that explores insurance issues surrounding cyberattacks, including

risks from data theft or malicious software. The Academy's *Essential Elements* series is designed to make actuarial analyses of public policy issues clearer to general audiences. ▲



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

Academy Volunteers Present at NAIC Fall 2016 National Meeting in Miami

ACADEMY REPRESENTATIVES made multiple presentations at the NAIC Fall 2016 National Meeting held in Miami in early December. The Academy [released an alert](#) recapping key issues discussed at the meeting, including risk-based capital, professionalism, principle-based reserving, as well as the release of the Actuaries Climate Index, which was outlined by Senior Property/Casualty Fellow Jim MacGinnitie at the NAIC meeting.

Presentations included:

- The Annuity Reserves Work Group's non-variable annuity principle-based reserving (PBR) [update](#) to the NAIC Life Actuarial Task Force's (LATF) VM-22 Subgroup.
- The Longevity Risk Task Force's [update](#) to LATF, including creating a methodology for recognizing longevity risk in statutory reserves and risk-based capital and reviewing regulatory and company approaches to longevity risk.
- The Joint Academy Life Experience Committee and the Society of Actuaries (SOA) Preferred Mortality Oversight Group's [update](#) on the initiative of the Academy and the SOA work group to address a LATF request for information on accelerated underwriting mortality under VM-20. The group also presented an [update](#) on guaranteed and simplified issue and preneed mortality tables.
- Senior Life Fellow Nancy Bennett and Rich Owens, a member of the C1 Work Group, presented an [update on portfolio adjustments](#) to the C1 factors for corporate bonds to the NAIC Investment Risk-Based Capital Working Group.
- Other Academy volunteers who presented include Health Practice Council Vice President Shari Westerfield; Committee on Property and Liability Financial Reporting Chairperson Lisa Slotznick, and Lauren Cavanaugh, a member of the P/C Risk-Based Capital Committee.

Post-NAIC Webinars: Two post-NAIC webinars will recap life and property/casualty issues from the NAIC meeting. The [Life Practice Council webinar](#) will be held on Thursday, Jan. 5, from 1:30–3 p.m. EST. The [Casualty Practice Council webinar](#) will be held on Thursday, Jan. 26, from noon to 1 p.m. EST.

Professionalism

Academy Past President Mary D. Miller, Actuarial Board for Counseling and Discipline (ABCD) Chairperson Janet Fagan, and Actuarial Standards Board (ASB) Chairperson Maryellen Coggins addressed the NAIC's life, health, and casualty actuarial task forces to provide an update to regulators on ABCD, ASB, and Academy professionalism activities. They demonstrated the Academy's commitment to the task forces to maintain the continuing close and constructive relationship between the Academy and the regulator community.

They each presented in more depth at the Academy's Dec. 10 professionalism breakfast, joined by Committee on Qualifications (COQ) member Tom Campbell. This regulator-only event is offered



Academy Past President Mary D. Miller (speaking) and ABCD Chairperson Janet Fagan preside at the Academy's professionalism breakfast at the NAIC meeting.

during each NAIC national meeting. As always, they invited candid conversation and responded to regulators questions.

Fagan gave an overview of the ABCD's third-quarter activity, stating the ABCD had received 100 requests for guidance (RFGs) so far in 2016, surpassing the record 96 of 2015. Fagan noted that the ABCD sees the steady increase as a positive development because it indicates that actuaries are reaching out for guidance before concerns become problems, and noted that the ABCD has the capacity and desire to respond to an increasing number of RFGs.

Coggins provided an overview of the relationship between cross-practice and practice-specific actuarial standards of practice (ASOPs) and described a number of important ASB projects, including the final revisions to ASOP Nos. 21, 23, and 24. She reviewed a number of new standards in the development and exposure process, noting the first exposure draft of the proposed capital adequacy assessment ASOP was approved at its September meeting (see story, [page 5](#)).

Coggins also mentioned the third exposure draft of a proposed ASOP, *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding* (previously called *Ratemaking*), which was approved for exposure at the ASB's meeting in early December. She thanked regulators for participating in the ASB's regulator survey earlier this year, noting that she is talking with numerous ASB committees about opportunities to create regulator focus groups as a possible way to glean timely input and feedback from regulators on emerging proposals.

Campbell noted that the COQ has responded to 30 questions from January through October on various qualifications issues. He also noted and briefly described the new materials that have been

SEE NAIC, PAGE 9

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PLAN ahead to attend one of the
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MAY

PBR Boot Camp: Basic Training and
Beyond for Principle-Based Reserving
Implementation (SPRING)

PBR Boot Camp: Basic Training and
Beyond for Principle-Based Reserving
Implementation (FALL)

SEPTEMBER

NOVEMBER

AND Life and Health Qualifications Seminar
Annual Meeting and Public Policy Forum

Seminar on Effective P/C Loss Opinions

DECEMBER

The Academy co-sponsors two additional seminars: the Enrolled Actuaries Meeting in April
and the Casualty Loss Reserve Seminar & Workshops in September.

Members receive advance notice when registration opens.

www.actuary.org/calendar





Well-Attended Professionalism Webinar Explores Actuarial Communications

MORE THAN 2,000 PEOPLE on Dec. 21 attended the Academy's final professionalism webinar of the year, which was focused on a topic of perennial interest: [actuarial communications](#), particularly documentation and disclosures.

Actuarial Board for Counseling and Discipline (ABCD) Vice Chairpersons Richard Block and Janet Carstens gave an overview of both the ABCD and Actuarial Standard of Practice (ASOP) No. 41, [Actuarial Communications](#). (Block will become the ABCD's chairperson on Jan. 1, and Carstens will remain a member.) Much of their discussion centered on responsibility for assumptions and methods, including what the actuary will typically disclose when an assumption is set by a third party or the law. They also reviewed other disclosures required by ASOP No. 41, such as conflicts of interest, reliance on sources of information, and uncertainties or risk.

They gave examples that showed how these issues could arise in an actuary's work, including documentation, and showed how it could be improved with more detail. One example focused on what an actuary can do when asked for a quick estimate without performing calculations or when asked for a "quick and dirty" calculation. Other examples discussed actions an actuary would typically take when discovering that his or her company is in noncompliance with a regulation, any conflicts of interest, and what an actuary's responsibilities are when giving seemingly informal advice outside a professional setting.

Carstens said that in most cases, the actuary has relied on someone else for their assumptions or data. "That reliance should be included in the actuarial communication. If the actuary does not indicate reliance on other individuals, then the actuary is assumed to be responsible for all of the assumptions and data," she said.

Panelists also discussed what to do when deviating from an

ASOP, how to communicate appropriately for each audience, and what documentation to include in various situations. In response to a question on whether ASOP No. 41 differentiates between communications to actuaries and communications to non-actuaries, Block said: "ASOP No. 41 says that communication is to be drafted

in a way that is most useful to the intended user. So does it differentiate? No. But it is saying that if you know the intended user is another actuary, then use of actuarial terminology is appropriate. If the communication is for a non-actuary, then perhaps there has to be an introductory section that describes in lay terms what is being communicated, as well as additional information that would have been provided to another actuary."

Another question concerned how to proceed if an actuary is not aware of the complete set of users—for example, a report prepared for management that gets passed on and used by the board of directors. "First, you want to make sure that you state in the communication who the intended users are," Carstens said. "I would also include some kind of caveat that the report should not be distributed beyond the specified users without permission."

Block added, "It is a good practice to have a conversation with the principal about whether the audience for the report may be broader than the actuary anticipates."

The webinar ended with a reminder that actuaries may request confidential guidance through the [ABCD website](#). Slides and audio of the webinar are available to members free of charge on the Academy's [webinar page](#). ▲



ASB Approves Exposure of Proposed ASOPs

THE ACTUARIAL STANDARDS BOARD (ASB) approved an [exposure draft](#) of a proposed new actuarial standard of practice (ASOP), *Setting Assumptions*. The proposed ASOP will apply to actuaries when performing actuarial services that include setting assumptions or assessing the reasonableness of assumptions set by others.

While certain practice-specific assumption-setting standards exist, the ASB noted that it will be useful to have a standard on assumption-setting for all practice areas as a supplement to the guidance that currently exists. The [comment deadline](#) for the exposure draft is April 30, 2017. Information on how to submit comments can be found in the draft.

The exposure draft of another proposed new ASOP, [Capital Adequacy Assessment for Insurers](#), is open for comment through Jan. 31. The proposed ASOP will apply to actuaries involved in capital ade-

quacy assessment work for life or health insurers, including fraternal benefit societies and health benefit plans, property and casualty insurers, mortgage and title insurers, financial guaranty insurance companies, complex insurance organizations, and similar organizations. ▲

PROFESSIONALISM BRIEFS

➔ **Mark Dunbar** and **Mary D. Miller** have joined the Council on Professionalism.

PRESIDENT-ELECT COMMITTEE

➔ **Shari Westerfield** has joined the Strategic Planning Committee.

A (New) Year's Worth of Professionalism Resources at the Academy

AS THE OLD YEAR winds down and a new year begins, you might resolve to get a good start on fulfilling your continuing education (CE) requirements. CE can help you keep up with demands and changes that occur in your work environment and enables you to remain qualified to issue statements of actuarial opinion. The Academy provides a wide range of professionalism resources to help you understand and meet your professionalism CE requirements easily, efficiently, and economically.

The Academy's [professionalism webpage](#) should be your first stop, as it features links to the following professionalism resources:

- ➡ The [Code of Professional Conduct](#) identifies the professional and ethical standards required of actuaries who practice in the United States. Members may also request a pocket-size copy of the Code [via a link on this page](#) for easy reference.
- ➡ The [U.S. Qualification Standards](#) (USQS) set the requirements for actuaries issuing statements of actuarial opinion in the U.S. Through this page, you can also access and print an infographic on CE and the [FAQs](#) on the USQS. If the FAQs don't answer your question, you may [submit a question](#) to the Committee on Qualifications.
- ➡ The Actuarial Standards Board's (ASB) [actuarial standards of practice](#) (ASOPs) contain binding guidance that identifies what an actuary should consider, document, and disclose when performing an

actuarial assignment. The [ASB Boxscore](#), a quarterly newsletter with progress reports on new and revised standards that you may subscribe to free of charge to stay informed about the ASB's work on ASOPs that may affect your work, is housed on the ASB website.

➡ The [applicability guidelines](#), published by the Council on Professionalism, can suggest which ASOPs may apply to a particular assignment.

➡ [Professionalism webinars](#) are archived and available at no cost to Academy members. They allow you to earn professionalism CE credit by listening to recordings and reviewing materials on a wide range of topics, including actuarial communications, common questions on the USQS, Precept 13, and new and revised standards of practice. For upcoming professionalism webinars on cutting-edge topics, watch for our quarterly webinars presented by recognized experts that allow you to earn "organized" CE credit.

➡ Professionalism [discussion papers](#) are thoughtful, detailed pieces. They presently include papers on international practice, Precept 13, conflicts of interest, materiality, and the role of the actuary in selecting and applying actuarial models, among others.

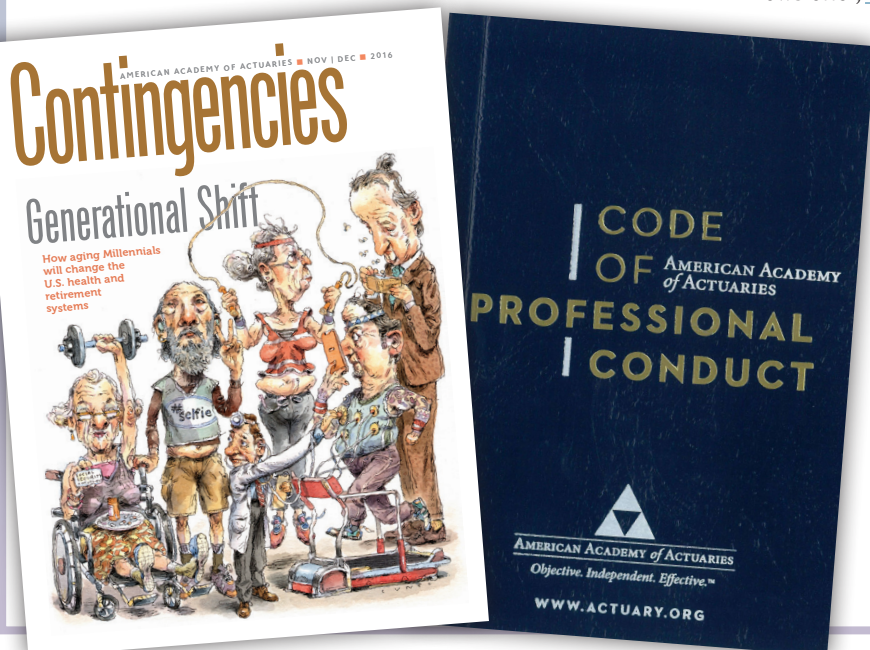
Professionalism grounds all the work of the Academy and infuses the other resources that address public policy issues and developments in every practice area. The Academy's main monthly newsletter, [Actuarial Update](#), covers policy developments and Academy news in all practice areas, while [HealthCheck](#) and the [Enrolled Actuaries Report](#) focus on health and pensions, respectively. Other Academy newsletters include [PBA Perspectives](#), featuring updates on the implementation of the principles-based approach for life insurance; [Retirement Account](#), covering developments affecting retirement plans; and [StateScan Quarterly](#), highlighting state legislation of interest to Academy members. The Academy's flagship magazine, [Contingencies](#), provides a bimonthly look into the world of the actuary, examining insurance, casualty, health, pension, and financial and risk management through a variety of feature stories and columns.

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So, as the old year passes and the new one begins, we encourage you to explore these resources—not just to make the most of your Academy membership, but to stay abreast of developments that affect your work. ▲



Recently Released

THE DECEMBER ISSUE of [Health-Check](#) covers the Health Practice Council's letters to Congress on the potential consequences of repealing Affordable Care Act provisions; the Academy's testimony on long-term care insurance before a U.S. House subcommittee; and President Obama's Dec. 13 signing of the 21st Century CURES Act into law.

The latest issue of the [Enrolled Actuaries Report](#) includes two pieces by Senior Pension Fellow Ted Goldman on proposals for both saving for a healthy retirement and an effective drawdown strategy during retirement; stories on the pension plenary and breakout sessions from the Academy's recent Annual Meeting and Public Policy Forum; the Pension Practice Council's (PPC) issue brief on challenges facing the Pension Benefit Guaranty Corp.'s multiemployer

program; and the November webinar on alternative pension costs.

The Winter 2016 [Retirement Account](#) covers the release of two new issue briefs, the November webinar on alternative pension cost, comments to the Actuarial Standards Board, and PPC Vice President Bill Hallmark's representation of the Academy at a daylong expert panel on the state of retirement in America convened by the Government Accountability Office.

The latest issue of [PBA Perspectives](#) covers the impending Jan. 1, 2017, date when principle-based reserving (PBR) becomes effective for 46 states; PBR issues addressed at the NAIC Fall 2016 National Meeting; the ongoing PBR Pilot Project; and Life Practice Council updates. ▲



IN THE NEWS

In addition to the citations noted in the page 1 story on the Health Practice Council's (HPC) letters on the potential implications of Affordable Care Act (ACA) repeal without replacement, other media outlets that covered the letters included: [MSN](#), [BenefitsPro](#), [Yahoo Finance](#), [U.S. News & World Report](#), and [LifeHealthPro](#).



National Public Radio's "All Things Considered" national news radio program also cited the HPC's letters, and quoted Senior Health Fellow Cori Uccello on the situation faced by health insurers in determining whether to participate in the individual market. The story, [published on NPR's website](#), was reprinted by nearly 80 media outlets.

CNBC's "Squawk on the Street" program broadcast an interview with Andy Slavitt, the Centers for Medicare & Medicaid Services' acting administrator, discussing health care and ACA issues, in which Slavitt cited the Academy's letters to the U.S. House and Senate. The video is available on [CNBC's website](#), along with a [story](#) discussing Slavitt's comments.

An excerpt from Slavitt's Nov. 3 speech at the Academy's Annual Meeting and Public Policy Forum was played on C-SPAN's "[Washington Journal](#)" program on Dec. 12 to give context to a forward-looking discussion of health care and the Trump administration.

A subscriber-only [Bloomberg BNA](#) story discussing a pilot program for tighter eligibility verification during ACA special enrollment periods also quoted Uccello on balancing the need for documentation with the need for an enrollment process that is not onerous.

A number of media outlets covered the release of the Academy's joint sponsored Actuaries Climate Index, including [Insurance Journal](#), [Insurance ERM](#), [Carrier Management](#), [Canadian Underwriter](#), [Benefits and Pensions Monitor](#), and [Le Journal De L'Assurance](#) (Canada).

The trade journal [Replacement Contractor](#) used the analysis in the Academy's "Climate Change" [Essential Elements](#) paper, which was updated this month, to help explain the impact of climate changes on exterior specialty contractors that do replacement

work. The story was reprinted by [EcoBuilding Pulse](#).

A [LifeHealthPro](#) story covering a House hearing on long-term care (LTC) insurance quoted Health Practice Council member Laurel Kastrup, who testified on behalf of the Academy on the importance of actuarial input to considering, designing, and evaluating a potential LTC policy approach.

A [LifeHealthPro](#) story about actuaries seeing more risk inside stop-loss issuers cited the Academy's [report](#) on the Stop Loss Factors, which was presented to the NAIC's Health Risk-Based Capital (E) Working Group.

A [CNN Money](#) story on retirement-income strategies for 401(k) participants cited the widely praised [Actuaries Longevity Illustrator](#), developed jointly by the Academy and the Society of Actuaries, as a useful tool to help people understand longevity risk. The story was reprinted by several media outlets, including [Real Deal Retirement](#), [Gant Daily](#), and [Erie News Now](#). The illustrator also was cited on the syndicated radio show, "Atlanta CPA Wealth Advisors", which aired on [All News 106.7](#) (Atlanta) on Dec. 18. ▲



P/C Loss Reserves: Seminar Recap, Practice Note; January Webinar Planned, Law Manual Available

ALMOST 80 PEOPLE attended the [2016 Seminar on Effective P/C Loss Reserve Opinions](#), held Dec. 6–7 in Chicago, where they heard presentations on property and casualty loss reserve opinion issues and were able to gain greater understanding of regulatory perspectives and expectations while remaining up-to-date on the latest regulations and standards with valuable continuing education credit.

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

Other topics covered included actuarial standards of practice, documentation, reserve ranges, risk of material adverse deviation, and more. The faculty was led by Academy Past President Mary Frances Miller and included Committee on Property and Liability Financial Reporting (COPLFR) Chairperson and incoming Academy board member Lisa Slotznick.

Practice Note Released

COPLFR released its revised *Statements of Actuarial Opinion on P/C Loss Reserves practice note*, the purpose of which is to provide information to actuaries on current or emerging practices in which their peers are engaged related to signing NAIC P/C statements of actuarial opinion (SAOs) and actuarial opinion summaries (AOSs).

It is intended to assist actuaries by describing practices that COPLFR believes are commonly employed in issuing SAOs and AOSs on loss and loss adjustment expense (LAE) reserves in compliance with the P/C Annual Statement Instructions for 2016 issued by the NAIC. Actuaries may also find this information useful in preparing SAOs for other audiences or regulators.



COPLFR Chairperson Lisa Slotznick leads a session at the P/C Loss Reserve Opinions Seminar in Chicago.

Webinar Set for January

Join the Academy on Thursday, Jan. 19, from noon to 1:30 p.m. EST, for a webinar on [P/C Loss Reserve Opinion Writing](#). COPLFR Chairperson Lisa Slotznick will review the relevant actuarial standards of practice and the guidance that they provide, and Kathy Odomirok, chairperson of the working group that wrote the practice note, will highlight what has changed in the past year. This will be a summary of two of the presentations that were made at the December P/C Opinion Seminar and will offer the opportunity to review essential information.

The webinar will be moderated by Academy member and consulting actuary Patricia Teufel. [Register today.](#)

P/C Loss Reserve Law Manual

The [Property/Casualty Loss Reserve Law Manual](#) is available. The manual is updated annually in numerous formats and designed to help appointed actuaries comply with NAIC Annual Statement requirements for statements of actuarial opinion. This latest edition is newly revised with improved navigation, making it even easier to use. ▲

CASUALTY BRIEFS

- ➔ **Roosevelt Mosley** is the chairperson of the Automobile Insurance Committee and has joined the Casualty Practice Council (CPC).
- ➔ **Anthony Bustillo** is the chairperson of the Casualty Loss Reserve Seminar Planning Committee and has joined the CPC.
- ➔ **John Pedrick** is the chairperson of the Workers' Compensation Committee and has joined the CPC.
- ➔ **Edmund Douglas** has joined the Cyber Risk Task Force.
- ➔ **Julie Hall** has joined the Travel Insurance Task Force.



Work Group Submits Comments on GASB 74 Implementation Guide

THE GASB 74 IMPLEMENTATION WORK GROUP of the Retiree Benefits Subcommittee [submitted comments](#) on the GASB 74 implementation guide exposure draft that addresses financial reporting for postemployment benefit plans other than pension plans.

The comments address trusts or equivalent arrangements, and types of other postemployment benefit plans (OPEBs), defined benefit OPEBs that are administered through trusts, and addresses

a series of questions including the attribution of the actuarial present value of projected benefit payments to periods. ▲

HEALTH BRIEFS

- ➔ **Beth Fritchen** and **Donna Novak** joined the Individual and Small Group Markets Committee.
- ➔ **Heather Sokul** joined the Premium Review Work Group.
- ➔ **Siliang Hu** joined the Medicare Subcommittee.

NAIC, CONTINUED FROM PAGE 3

added to the frequently asked questions (FAQs) in 2016 pertaining to long-term care, basic education and experience requirements for issuing statements of actuarial opinion in a new practice area, and the specific qualifications experience requirement.

Miller updated the regulators on the popular [U.S. Qualification Standard Attestation Form](#) released in early 2016. She noted that more than 1,500 unique users have accessed and used the form so far, and provided an overview of recent and upcoming Academy

events that would be of interest to the regulators, including the Academy's professionalism webinar on ASOP No. 41, which was thereafter held on Dec. 21 (see story, [page 5](#)).

The panel's presentations were followed by a robust question-and-answer session between the presenters and regulator attendees on an array of topics. The Academy will host another regulator-only professionalism breakfast at the NAIC 2017 Spring National Meeting in Denver in April. ▲

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PBR Groups Offer Model Governance, Release Draft Practice Note

THE PRINCIPLE-BASED RESERVES (PBR) Checklist Subgroup of the Model Governance Work Group released a [PBR model governance checklist](#), offered as a resource for practicing life actuaries involved in actuarial model governance.

The model governance checklist is divided into 10 categories: governance standards; modeling process; assumptions setting; input data/tables/mapping; access controls; system/model changes; model selection/versioning; consolidation of results; reporting; and analysis/validation.

Separately, the PBR Model Governance Practice Note Work Group of the PBR Strategy Subgroup released for exposure a [draft model governance practice note](#) to provide additional information for life actuaries seeking to better understand models, model risks, model governance, and related issues, as these actuaries implement PBR. Comments, which are due by Jan. 2, 2017, may be sent to lifeanalyst@actuary.org. ▲

Life/Health Law Manual Available

THE [Life and Health Valuation Law Manual](#) is available for preorder, and will be available in January. Updated annually, the manual is designed to help appointed actuaries comply with the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. It outlines key valuation developments and state guidance, NAIC model laws and regulations that have an effect on reserve calculations, a discussion of generally distributed interpretations, and copies of the current actuarial guidelines from the *NAIC Examiners Handbook*. ▲

LIFE BRIEFS

- ➔ **Scott Morrow** joined the Life Settlements Practice Note Work Group.
- ➔ **Nick Komissarov** joined the Asset Adequacy Analysis Practice Note Work Group.

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White Paper Released on FASB Short-Duration Contract Disclosures

THE FINANCIAL REPORTING Committee released a [white paper](#) on considerations for actuaries in implementing the FASB Short-Duration Contract Disclosures.

The committee's Short-Duration Contracts Work Group, which developed the white paper, notes the history of accounting for short-duration insurance contracts under U.S. generally accepted accounting principles (GAAP), which have remained relatively unchanged since Financial Accounting Standard 60, *Accounting and Reporting by Insurance Enterprises*, was initially published in 1982. From 2007 through 2013, the Financial Accounting Standards Board (FASB) explored, through a joint project with the International Accounting Standards Board (IASB), changing the accounting for insurance contracts, including short-duration contracts, to provide users of financial statements with more decision useful information.

The white paper presents several alternative approaches to address certain accounting standards update (ASU) requirements. The Securities and Exchange Commission (SEC) has communicated with the American Institute of Certified Public Accountants that some of these approaches are viewed as being consistent with the ASU objective, while it views others as inconsistent, absent unique facts and circumstances.

"It will be vital for actuaries working on these disclosures to collaborate with

accounting professionals to ensure there is a clear understanding of the approach being taken to produce the disclosures," the white paper states. "So doing will allow the accounting professionals to determine whether the approaches are in accordance with the feedback provided by the SEC (where applicable)."

FRC Sends Comments on Fair Value Measurement

The Financial Reporting Committee [submitted comments](#) to FASB on its proposed accounting standards update, *Targeted Improvements to the Accounting for Long-Duration Contracts (Topic 944)*.

The committee's view is that a more holistic approach along the lines of the approach FASB had proposed in 2013 is the best way to address all the deficiencies with GAAP accounting for long-duration insurance contracts, and stated that a convergence between FASB and the IASB on accounting for insurance contracts would be a preferred approach. After preparers and users have obtained experience with the International Financial Reporting Standards model and there has been an opportunity to address any problems that emerge, the committee notes, FASB may wish to consider revisiting such an approach.

The letter cites several concerns regarding proposed changes, and for the use of additional liabilities for death and annuitization benefits. The committee said it will monitor emerging practice and continue to have conversations with other bodies with a vested interest in the implementation of these additional disclosures. And while the document is not intended to be a practice note, the committee wrote it hopes that feedback received on and uncertainty addressed by the white paper might eventually result in a formal practice note. ▲



ERM/ORSA Committee Submits Comments on NAIC Form F Guidance Manual Exposure Draft

THE ERM/ORSA COMMITTEE [submitted comments](#) to the NAIC's Group Solvency Issues (E) Working Group on the Form F Guidance Manual exposure draft.

The letter offers comments on general guidance, enterprise risk, and reporting obligations. It also asked to consider adding the Form F template as an additional appendix to the Guidance Manual. ▲

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Seong-Min Eom** is the chairperson of the ERM/ORSA Committee and has joined the Risk Management and Financial Reporting Council (RMFRC).
- ➔ **Dave Heppen** is the vice chairperson of the ERM/ORSA Committee and has joined the RMFRC.
- ➔ **Gareth Kennedy** is the chairperson of the Financial Reporting Committee and has joined the RMFRC.
- ➔ **Steve Malerich** is the vice chairperson of the Financial Reporting Committee and has joined the RMFRC.



Actuarial Update

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Issue Brief Explores Pension Cost Determination

THE ACADEMY'S PENSION COST Work Group released an [issue brief](#) this month, *Alternatives for Pension Cost Recognition—Implementation Approaches Using Bond Models*. The issue brief is a follow-up to the August 2015 release of an associated issue brief, *Alternatives for Pension Cost Recognition—Issues and Implications*.

The new issue brief explores five potential approaches for determining pension costs by developing a yield curve and associated spot rates from a bond model, rather than via a single aggregated discount rate. The five potential approaches are:

1. A theoretically derived yield curve;
2. A yield curve derived from selected portfolio bonds;
3. Different single yields for each bond;
4. Different term structures for each bond; and
5. Calculation of implied bond portfolio return (for the successive year).

Further, the issue brief examines how these five approaches align with three key technical considerations:

- ➔ The extent to which the methodology relies on external bond market information for estimating levels of fixed-income yields by maturity/duration;
- ➔ The extent to which the actual market pricing of the individual bonds in the portfolio is reproduced; and
- ➔ The means for aligning the present value of benefits determined by applying the derived spot rates with the bond model-provided measure of PBO (i.e., the overall price of the matching portfolio).

“Given widespread acceptance of the spot rate method for plans utilizing a yield curve and the nearly universal acceptance of the existence of a term-related structure to interest rates,” the issue brief notes, “it seems both actuarially sound and rational to facilitate the application of granular expensing approaches in situations where a bond model is used to determine the discount rate.” ▲

EA Meeting Registration Opens

The 2017 [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 EA Meeting will offer panels, workshops, and speakers covering a variety of topics and issues relevant to enrolled actuaries and other pension professionals.