

Sen. Dodd to Deliver Keynote Address at Annual Meeting and Public Policy Forum

FORMER SEN. CHRIS DODD, principal sponsor of the Dodd-Frank financial reform law, will deliver the keynote address at the Academy's [Annual Meeting and Public Policy Forum](#). Registration opened this month for the event, to be held Nov. 3–4 in Washington, D.C., just prior to the presidential election.

Dodd will speak at the luncheon on Thursday, Nov. 3. Also added to the event, renowned political satire troupe the Capitol Steps will provide a just-in-time, irreverent musical take on the candidates and the political season as the entertainment for the Nov. 3 dinner. The Capitol Steps were very entertaining and well-received at last year's 50th anniversary gala dinner.

The Academy's annual signature event will give you an in-depth look at the top public policy and professionalism issues facing the actuarial profession, and the opportunity to interact with policymakers and other stakeholders in a distinctive Washington setting while experiencing a variety of perspectives on topics that



matter to you, your professional work, and the public.

Breakout and plenary sessions will focus on practice-specific content, and topical professionalism, property/casualty, health, life, and pension issues, with high-profile speakers covering developments in areas such as the Affordable Care Act, Big Data, disaster insurance, cyber risk, public pension plans, and financial regulatory reform. Attendees also will have the opportunity to gain necessary continuing education credit in all areas of actuarial practice.

Additional program details will be released in the coming weeks, and the Annual Meeting webpage includes [highlights](#) from the 2015 Annual Meeting and Public Policy Forum, which was held last November and celebrated the Academy's 50th anniversary.

Visit the [Annual Meeting webpage](#) to learn more, including how to register and where to stay. Early discounts end on Aug. 1, so register now for the lowest rates—we look forward to seeing you in the nation's capital in November. ▲

ASB Pension Task Force Report Released

THE ACTUARIAL STANDARDS BOARD (ASB) has released the report of its Pension Task Force (PTF), which began work more than a year and a half ago to consider the standards implications of many proposals for change related to public pension plans.

In December 2014, the PTF was formed to review input from interested stakeholders on actuarial standards of practice (ASOP) regarding public pension plans, for the purpose of developing suggestions for the ASB's consideration. This input included the responses to the ASB's request for comments on ASOPs and Public Pension Plan Funding and Accounting, and testimony provided at the ASB's [July 2015 hearing](#) on public pension plans.

After extensive discussion of the PTF's suggestions, the ASB has



directed its Pension Committee to draft appropriate proposed modifications, in accordance with ASB procedures. The proposed modifications would be applicable to both public and private-sector plans, and are part of a greater, ongoing effort by the ASB in recent years to strengthen pension-related ASOPs.

The ASB has expressed its appreciation of the PTF's dedicated work on this project. The details of the PTF's suggestions, including its rationale for each suggestion as well as summaries of the input received through outreach to stakeholders, can be found in the [report](#).

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SEPTEMBER

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21-23 [PBR Boot Camp: Basic Training and Beyond](#), Orlando, Fla.

NOVEMBER

3-4 [Annual Meeting and Public Policy Forum](#), Washington, D.C.

13-17 [Life and Health Qualifications Seminar](#), Arlington, Va.

DECEMBER

6-7 2016 Seminar on P/C Effective Loss Reserve Opinions, Chicago

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

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](#).

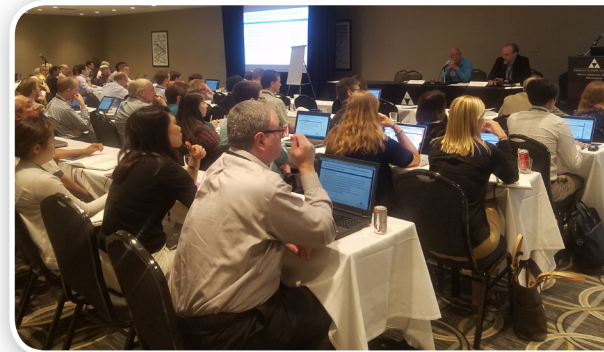
Academy NEWS

Academy Hosts PBR Boot Camp; Reprise to Be Held in September

THE ACADEMY held its first principle-based reserving (PBR) "Boot Camp" in Chicago this month, a sold-out, three-day seminar that featured 25 dynamic, interactive sessions. The limited audience of 100 attendees received targeted instruction and participated in intensive, focused work groups providing insight and practice in advance of PBR implementation expected in January 2017.

Demand for the seminar, presented by the Life Practice Council, was so high that the Academy will host a [second PBR Boot Camp](#), Sept. 21-23 in Orlando, Fla., for which registration opened this month. Attendance is also limited, and extra-early registration for this seminar ends July 8.

Topics for the boot camps include: modeling and model governance; stochastic, deterministic, and net premium reserves; setting mortality assumptions and other liability assumptions;



Life Practice Council members Dave Neve (left, on dais) and Jason Kehrberg speak at the PBR Boot Camp's Asset Overview session.

determining assets to back PBR reserves and setting asset assumptions; reinsurance; experience studies and pricing considerations; reporting; regulatory and auditing reviews; and PBR checklists and other helpful sources of information. ▲

Academy Leaders Attend SOA Board Meeting in Philadelphia

THE SOCIETY OF ACTUARIES (SOA) Board welcomed leaders of the American Academy of Actuaries to its Board meeting June 17 in Philadelphia. Academy President Tom Wildsmith, President-Elect Bob Beuerlein,

and Executive Director Mary Downs outlined the Academy's history and purpose. The Board and the Academy leaders discussed issues facing the U.S. actuarial profession and areas of mutual interest. ▲

Issue Briefs, Essential Elements Released After Annual Trustees Reports Issued

THE SOCIAL SECURITY AND MEDICARE BOARDS OF TRUSTEES issued their annual reports June 22 on the financial status of the Social Security and Medicare programs. The Academy issued a [cross-practice alert](#) following the reports, updated the *Essential Elements* reports on [Medicare](#) and [Social Security](#), released new [Medicare](#) and [Social Security](#) issue briefs, and revised its [2016 Election Guides](#) to reflect the changes.

The Medicare report shows that the Medicare Hospital Insurance (HI) Trust Fund will have sufficient funds to cover its obligations only

through 2028, two years sooner than projected in last year's report. In 2028, dedicated Medicare revenues will cover 87 percent of HI costs, the report said, and the projected HI deficit over the next 75 years is 0.73 percent of taxable payroll, up from 0.68 percent in 2015.

The Supplementary Medical Insurance (SMI) trust fund is expected to remain solvent indefinitely, because current law provides authority for automatically adjusting financing to meet projected future costs. According to the Medicare Trustees Report, SMI spending is expected

SEE TRUSTEES, PAGE 11

Big Data and Professionalism: What Actuaries Need to Consider

ALTHOUGH ACTUARIES have long used large data sets, Big Data is creating new opportunities and raising new professionalism issues for actuaries. In a [June 28 webinar](#) with more than 2,000 attendees from 700 registered sites, Academy President-elect Bob Beuerlein, Academy Senior Property/Casualty Fellow Jim MacGinnitie, and Actuarial Standards Board Member Ross Winkelman examined some of these issues and examples in the casualty, health, and life practice areas, and the professionalism tools actuaries can use to help them assess whether their work is meeting professional obligations.

MacGinnitie opened the webinar by noting that although there is no widely accepted definition of Big Data, it is often described as including 5 “V’s”—variety, value (does it improve predictive ability?), veracity (how reliable is the data?), volume, and velocity (how often is data updated?). When working with Big Data, the actuary often plays the roles of subject matter expert and hypothesis generator on a multidisciplinary team that also includes a statistician and computer expert, he said.

“Big Data is not a new topic for actuaries,” Beuerlein said. “But the tools and techniques and uses of Big Data continue to evolve as technology and the science of predictive analytics develop. Large quantities of data have long been used to develop insights into future expectations of all types of assumptions that went into models that actuaries use. We need to understand how our work will be used and to help others understand its predictive possibilities and limitations. ... Actuaries have the public’s trust, and we will continue to earn it if we continue to apply actuarial professionalism to our work in Big Data.”

Framing the panel’s discussion of professionalism issues, Winkelman opened with a quote (from the 2002 movie “Spider-Man”) that “‘with great power comes great responsibility.’ Just because we have access to data and can use it to advantage a client, an employer, or even our own professional ambitions, doesn’t mean that we should,” he said. “It’s important that we wield this power responsibly. ... [The Code of Professional Conduct’s] Precept 1 talks about the actuary’s responsibility to the public and to uphold the reputation of the actuarial profession itself. This is a really important idea. It’s not enough to comply with Laws. ... We have a responsibility to the public and to the actuarial profession.”

MacGinnitie and Winkelman discussed several actuarial standards of practice (ASOPs) relevant to Big Data: ASOP 23, Data Quality; ASOP 12, Risk Classification; ASOP 38, Using Models Outside the Actuary’s Area of Expertise (plus the draft Modeling ASOP); ASOP 25, Credibility Procedures; and ASOP 41, Actuarial Communications. They cautioned that almost any ASOP could apply, depending on the situation, and stressed the importance of meeting the ASOPs disclosure requirements that call for sufficient detail so that another actuary can follow the work and that someone relying on the work is not misled or misinformed.

“Large amounts of data can’t be expected to be error-free,” MacGinnitie said. “Is the data sufficiently reliable for the analysis we’ve undertaken? If there are problems with the data, the actuary has an obligation to note that and communicate that in their actuarial work product communications.”



Academy President-elect Bob Beuerlein (right) and Senior P/C Fellow Jim MacGinnitie prepare for the Big Data professionalism webinar, co-presented with ASB member Ross Winkelman (inset).

Turning to qualifications to work with Big Data, Beuerlein focused on Precept 2 of the Code. It states that the actuary should “perform Actuarial Services only when qualified to do so,” and noted that being qualified to work with Big Data requires a minimum level of technical skill, practical experience, familiarity with all laws and standards that apply, and up-to-date knowledge of techniques, rules, and market developments. Ultimately, he stressed the importance of the “look-in-the-mirror” test and suggested communicating with either or both of the Committee on Qualifications and the Actuarial Board for Counseling and Discipline (ABCD) for excellent and easily accessible sources of advice on professional qualifications.

“Particularly in new and evolving areas of practice, we as actuaries should never feel alone in thinking about a professional or ethical issue. The ABCD welcomes the opportunity to assist actuaries working through these issues. They’re only a phone call or email away....If you can’t talk to another actuary about it, you can always talk to the ABCD by making a request for guidance,” Beuerlein said.

During a discussion of what actuaries should consider when working with Big Data, Beuerlein listed several questions actuaries should ask themselves. “Are we using the data in the way that it should be used? Do we understand the data, the models, and how they are used well enough to rely on them? Or are we placing too much reliance on a black box model? Are we being misled by Big Data? Are we using select data to reach a predetermined conclusion?” Beuerlein asked. “It’s not enough to be able to use data and analytics, we need to be able to connect the dots. To rely on an answer and use it to predict outcomes, we have to understand why we get that answer.

“Remember, we are not just technical experts. We are professionals who are qualified and understand what we are doing. We’re professionals who act honestly, with integrity, and in a manner to fulfill the profession’s responsibility to the public. We’re professionals expected to exercise professional judgement,” he concluded.

Log in to the Academy’s [Professionalism Webinar Page](#) to see slides and listen to audio of this webinar. ▲

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2016 ANNUAL MEETING AND PUBLIC POLICY FORUM

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Held just days before Election Day, the Academy's 2016 Annual Meeting and Public Policy Forum is **the one event** that will give you an in-depth look at the top public policy issues facing the actuarial profession nation while providing you the opportunity to advance professionalism in your practice. This two-day event provides a unique and intimate setting for you to interact with policymakers and other key stakeholders, and to hear a variety of perspectives on the topics that matter the most to you, your work, and our society.



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Academy NEWS Briefs

Nominations for Academy Service Awards Due July 8

NOMINATIONS are due July 8 for Academy's annual service awards, so please take some time over the Fourth of July holiday break to think about nominating a deserving colleague or respected mentor in recognition of his or her public service, or service to the actuarial profession and the Academy, as described below:

➡ The [Robert J. Myers Public Service Award](#) honors an actuary who made an exceptional contribution to the common good, specifically through a single note-



worthy public service achievement or a career devoted to public service.

➡ The [Jarvis Farley Service Award](#) is a lifetime achievement award presented to 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 [Outstanding Volunteerism Award](#) honors Academy volunteers who have made a single, noteworthy volunteerism contribution in the past year that is above and beyond what is typically expected of an Academy volunteer.

The awards will be presented at the Academy's [Annual Meeting and Public Policy Forum](#) in Washington, Nov. 3-4. ▲

Recently Released

THE JUNE ISSUE of [HealthCheck](#) covers the Academy's issue brief on long-term care insurance and a court ruling on the cost-sharing subsidy programs under the Affordable Care Act (ACA), and notes the Department of Health and Human Services' June 9 forum on private health insurance in the ACA marketplace.

The summer 2016 issue of [Retirement Account](#) covers the launch of the Actuaries Longevity Illustrator, the Enrolled Actuaries Meeting held in April, an exposure draft of a practice note on investment return assumptions, comments submitted to the Treasury Department and IRS on 2017 applicable mortality tables, and other public policy matters. ▲

CASUALTY NEWS



Capitol Forum Webinar to Address Insurance Implications of Driverless Cars

EIGHT STATES and the District of Columbia have issued regulations about the testing of driverless cars on their roads, with several more in the pipeline. But with vehicle safety standards set by the federal government, and drivers and insurance regulated by the states, many issues remain to be resolved.

The Academy will host a Capitol Forum webinar, "[Driverless Cars Are Here: Implications for Policy & Insurance](#)," on July 27 from noon to 1 p.m. EDT, to address these issues and look at potential options and solutions.

The panelists will be Cem Hatipoglu, director of the National Highway Traffic Safety Administration's Office of Vehicle Crash Avoidance & Electronic Controls Response; and Brian Souble, deputy administrator and general counsel of the California Department of Motor Vehicles. Automobile Insurance Committee member Roosevelt Mosley will moderate the webinar. ▲



CASUALTY BRIEFS

- ➡ **David Heppen** has joined the Committee on Property and Liability Financial Reporting.
- ➡ **Minchong Mao** has joined the Extreme Events Committee.

Academy NEWS Briefs

Contingencies Feature Story, Charting the Course Book Win Excel Awards

Contingencies, the Academy's bimonthly magazine, and Charting the Course, the book released last year in conjunction with the Academy's 50th anniversary, were presented with Excel awards for excellence in publishing at the Association Media and Publishing conference in Washington on June 27.

The Contingencies cover story, "Smoke & Mirrors: Marijuana Use and Life Underwriting," from the March/April 2015

issue, won a bronze award for best magazine feature article. Charting the Course won a bronze award in the general audience book category.

Charting the Course is available as a digital download and ebook, without charge, and in hardback for \$20 including postage. The book tells the story of the Academy's first 50 years in an engaging narrative style. ▲



IN THE NEWS

The Academy/SOA [Actuaries Longevity Illustrator](#), widely praised by media as a useful and user-friendly tool to help people understand longevity risk and plan for retirement, was featured in the [Arizona Republic](#), [Real Deal Retirement](#), [Investopedia](#), [MSN Money](#), and the [Oblivious Investor](#) blog.

A [Christian Science Monitor](#) column encouraged readers to try their hand at the Academy's [Social Security Game](#). The article was previously featured in the [Atlanta Journal-Constitution](#), [NerdWallet](#), and [Nasdaq.com](#). A [Motley Fool](#) column used the game to analyze Social Security reform options.

A [Military Times](#) report on the Pentagon's new initiative to educate service members about changes to the military's pension system cites the Pension Practice Council's concerns about the use of personal discount rates to calculate lump-sum payments. The piece can be read in [Air Force Times](#), [Army Times](#), [Marine Corps Times](#), and the [Navy Times](#). The PPC's concerns were also highlighted

by [The Military Guide](#), [BenefitsPro](#), and [Financial Buzz](#).

Kenneth Clark, chairperson of the Medicare Supplement Work Group, was quoted in a [Modern Healthcare](#) story on the future of the Medigap market.

Senior Pension Fellow Ted Goldman provided context for a [Baltimore Sun](#) story on a local ironworkers union's Kline-Miller application to reduce pension benefits.

Florida media outlets [WUSF](#), [Health News Florida](#), and [WLRN](#) Public Radio ran a story focused on the Academy [issue brief Drivers of 2017 Health Insurance Premium Changes](#), giving context to proposed 2017 premiums and extensively quoted Senior Health Fellow Cori Uccello.

An Oklahoma insurance department statement and a [Kentucky Press News Service](#) bulletin on proposed premiums in those states also cited the issue brief for context, as reported in [Insurance Journal](#), the [Tulsa Beacon](#), [Insider Louisville](#), and several Kentucky-based outlets.

A columnist for the [Rural Health News Service](#) cited the issue brief in a feature story that explores how premium and subsidy fluctuations under the Affordable Care Act have affected Midwestern policyholders. The story was published by local media outlets in [Illinois](#), [Indiana](#), and elsewhere.

The Academy's long-term care insurance (LTCI) [issue brief](#) released early this month was cited in a [LifeHealthPro](#) story on properly structuring private LTCI.

The [Chief-Leader](#) (New York City), a weekly newspaper covering issues of interest to New York-based public employees and officials, cited Academy President Tom Wildsmith's comments in a subscriber-only [story](#) on the May 16 New York City Office of the Actuary's centenary dedication ceremony. Wildsmith praised the office for its legacy of public service and actuarial professional excellence.

[JD Supra](#) published a [review](#) of the NAIC Spring 2016 National Meeting that highlights

several Academy committees' joint [comments](#) on the NAIC's "A Way Forward" exposure document, as well as the Life Illustrations Work Group's [comments](#) on the revisions to the Feb. 24 Actuarial Guideline 49 (AG 49) exposure.

The Civic Federation's [analysis](#) of an Illinois statute aimed at improving Chicago police and fire pension funding references the Academy's [issue brief](#), [The 80% Pension Funding Standard Myth](#). An [editorial](#) by [The Desert Sun](#) (Palm Springs, Calif.) also cited the issue brief in advocating for reduced liabilities.

A [Managed Healthcare Executive](#) story cited the Risk Sharing Subcommittee's April [issue paper](#) on the ACA risk adjustment program, examining how insurers should prepare for future risk adjustments.

The Pension Committee's [comment letter](#) to the IRS and Treasury Department requesting that the 2017 Applicable Mortality Tables be issued as soon as possible was featured in [BenefitsLink.com's Retirement Plans Newsletter](#). ▲

Dive In to the Academy's Webinar Treasure Trove

The Academy's June 28 webinar on Big Data and Actuarial Professionalism (see page 3) was just the latest addition to the Academy's growing [trove of professionalism webinars](#). Since 2007, these webinars have provided an easy way for Academy members to earn professionalism continuing education (CE) credits free of charge. They remain relevant and of perennial interest in many areas of practice.

These recorded webinars, presented by Academy volunteers with expertise in professionalism, provide in-depth information on a wide range of professionalism topics, including the Code of Professional Conduct, the U.S. Qualification Standards (USQS), the actuarial standards of practice (ASOPs), and the guidance and discipline processes of the Actuarial Board for Counseling and Discipline (ABCD). While the Code of Professional Conduct is woven through all of these webinars, five focus specifically on the Code, covering topics such as skill and care, conflict of interest, and courtesy and cooperation. A few home in on a single precept, Precept 13, which deals with violations of the Code.

The eight webinars on the USQS delve into many aspects of the standards and [frequently asked questions](#) about them. They cover just about everything you need to know about the USQS, from basic education and experience requirements to continuing education, what constitutes a statement of actuarial opinion (SAO), practicing in more than one area, and specific requirements for issuing NAIC statements.

Nine webinars examine various actuarial standards of practice, including ASOP No. 1, *Introductory Actuarial Standard of Practice*, ASOP Nos. 36 and 43 on unpaid claim estimates, pension stan-

dards and recent [changes](#) to them, enterprise risk management standards, and the draft [modeling standard](#). In addition, the webinars on ASOP No. 41, *Actuarial Communications*, discuss what constitutes an actuarial communication, disclosure requirements, and practical considerations regarding disclosures.

Four ABCD-related [webinars](#) look at requests for guidance, the wide variety of professionalism issues that working actuaries face daily, the pros and cons of peer review in connection with actuarial work, case studies, and ABCD considerations in balancing transparency with confidentiality.

In addition to covering these broad professionalism categories, these webinars have also examined [perceived ethical issues](#) identified in a survey of all Academy members, peer review, the actuary's responsibility to the public, international practice, and [what to do](#) when you don't have all the information you need to perform an assignment.

Time for a CE Check

Under the USQS, actuaries issuing a statement of actuarial opinion in the U.S. must earn 30 CE credits each year ([see this infographic](#) for detailed information). Halfway through the year, now is a good time for a CE check—how many CE credits have you earned so far this year?

If the number is lower than you would like, you can watch the Academy's recorded professionalism webinars free of charge at any time to earn professionalism CE credit. And don't forget that attending a live webinar earns organized CE credits—watch for two more Academy professionalism webinars this year, one to be presented by the Actuarial Standards Board and another by the ABCD. ▲

PROFESSIONALISM NEWS



COP Representatives Speak at SEAC

COUNCIL ON PROFESSIONALISM (COP) Vice President Ken Kent and COP member Joeff Williams both spoke at the Southeastern Actuaries Conference this month, giving talks on, respectively, the actuarial profession and ethics. Academy General Counsel and Director of Professionalism Paul Kollmer-Dorsey also gave a presentation on U.S. actuarial professionalism.

Kent gave an overview of the actuary's professional relationship with the public, as well as his or her employer, principal, and clients. He outlined definitions of professionalism and noted the actuarial Code of Professional Conduct represents a map for objective counseling, as well as service to others.

Meeting the Code's professionalism

definitions is also achieved by the formation of the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline, Kent said at the June 22 conference in Palm Coast, Fla.

In his presentation on ethics, Williams, an Academy board member, said that "professionals are capable of making judgments, applying their skills, and reaching informed decisions in situations that the general public cannot because they have not attained the necessary knowledge and skills."

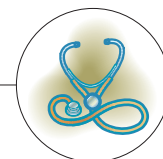
COP's Mike Ward Presents in Texas

Also this month, COP member Mike Ward co-presented a session on "Professionalism and the AAA Qualification Standards" at the Actuaries' Club of the Southwest's Spring

Meeting in Fort Worth, Texas, on June 17. Ward's presentation provided insights into the definition of a profession and the personal commitment necessary to be a professional, as well as general and specific qualification requirements under the U.S. Qualification Standards.

COP Updates Discussion Paper

The Council on Professionalism has updated two sections of the 2004 [discussion paper](#), *Structural Framework of U.S. Actuarial Professionalism—Concepts on Professionalism*. The two sections, "U.S. Actuarial Standards of Qualification" and "U.S. Actuarial Standards of Practice" were updated to reflect developments that have occurred in those areas since the original date of publication. ▲



Subcommittee Publishes Issue Brief on LTC Insurance

THE LONG-TERM CARE REFORM SUBCOMMITTEE published an [issue brief](#) providing an overview of premium rate increases on private long-term care insurance (LTCI) policies. The issue brief notes that private LTCI is complex, and that a policyholder is essentially paying today for a varied range of care he or she may or may not need years, if not decades, into the future. Insurers are gradually learning through their claims experience what the actual levels of benefits are and will be. As such, it is important to ensure insurers have a means for taking corrective action to accommodate evolving experience in the future.

With half of Americans age 65 and over expected to need some type of long-term care at some point in the future, the issue brief examines the process of calculating and reviewing private LTCI premium increases.

Included are topics such as:

- What's leading to significant rate increases, including changes in how care is provided, lower-than-anticipated investment income for insurers, and data limitations;
- How insurers might determine the need for a rate increase, including factors relating to their jurisdiction, and how the state regulatory process for reviewing and approving increases works;
- Policy lapses and the offering by insurers of benefit reductions

or nonforfeiture benefits (the latter being mandatory in some states); and

- Alternatives to help offset some or all of a rate increase, such as the optional reductions in the size of future benefit increases that some insurers offer.

The issue brief also explains why premium increases for current and future private LTCI policies might diminish compared to increases for policies issued more than a decade ago, stating that it "is likely that the probability of rate increases on the current generation of LTCI policies will be lower than the probability of rate increases on previous generations."

Insurers' growing experience with LTCI, more data to support insurer assumptions, and other changes are expected to dampen increases relative to years past, the issue brief states. ▲

HEALTH BRIEFS

- **Bruce Stahl** is now chairperson of the Long-Term Care Criteria Work Group, and the following are now members of the work group: **Rhonda Ahrens, Linda Chow, Chris Giese, Clark Heitkamp, Laurel Kastrup, David Klever, Brad Linder, David Plumb, Al Schmitz, and Eric Stallard.**
- **David Plumb** has joined the LTC Reform Subcommittee.
- **Marlene Howard** has joined the Medicaid Subcommittee.

AMERICAN ACADEMY OF ACTUARIES

2016 Seminar on Effective P/C Loss Reserve Opinions

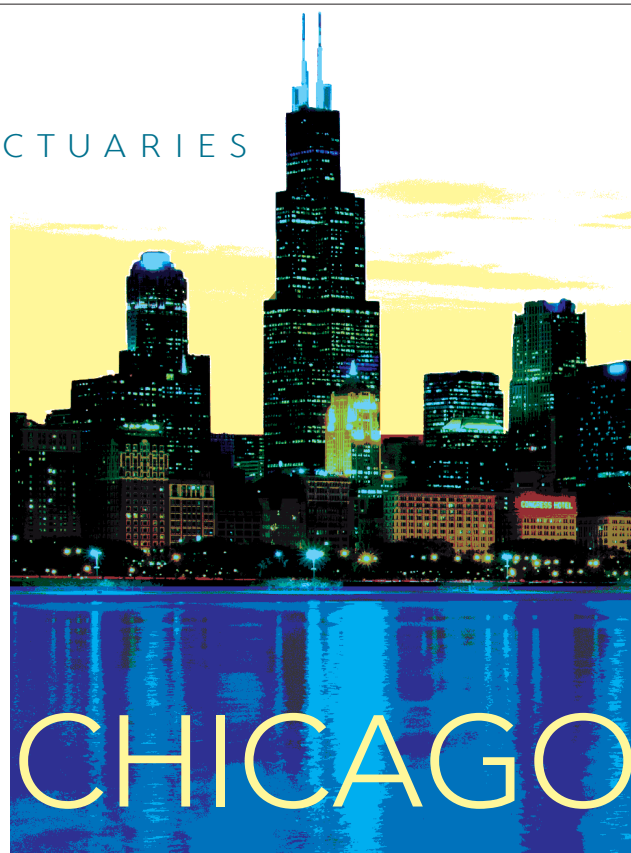
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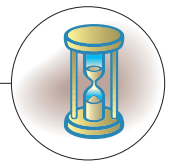
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Subgroup Submits Comments to LATF on Revisions to Valuation Manual

THE ROLE OF THE ACTUARY SUBGROUP [submitted comments](#) to the NAIC's Life Actuarial Task Force (LATF) on combined revisions regarding VM-G of the Valuation Manual.

The Academy took no position on changes recommended by the American Council of Life Insurers with respect to guidance for the board and senior management in Sections 2 and 3 of VM-G, and directed its comments entirely toward changes in

Sections 1 and 4.

In Section 4, the subgroup proposes moving a section on responsibility for providing a summary report to the board and to senior management on the valuation processes used to determine and test PBR to VM-31 due to confidentiality concerns.

The subgroup also [submitted comments](#) to LATF on the Consolidated ACLI and Academy Amendment Proposal Form. ▲

Joint Academy/SOA Group Provides Update on Guaranteed Issue and Premeed Mortality Tables

THE JOINT ACADEMY Life Experience Committee and Society of Actuaries Preferred Mortality Oversight Group [provided an update](#) on the status of development of guaranteed issue (GI) and preneed mortality table development to the NAIC's LATF.

In its presentation, the group provides background on the development of the tables, reviews next steps in their development and requests guidance from LATF on certain aspects of table development. ▲

Lowest Rates Available Now for Life and Health Qualifications Seminar

REGISTER TODAY for the lowest rates to attend this year's [Life and Health Qualifications Seminar](#), to be held Nov. 13-17 in Arlington, Va. (Washington, D.C., metro region).

Seminar topics will include health insurance valuation; premium, loss, expense, and contingency reserves; risk-based capital; and professionalism. See why so many of your peers find this seminar the most succinct and effective way to acquire the required basic edu-

cation and continuing education to sign the NAIC life and health annual statement actuarial opinions. It also serves as a basic education refresher or as a source of required continuing education for more experienced actuaries.

"This seminar has been described by others as the most helpful of any seminar, and I agree."
—2015 LHQ attendee

[Register today](#) to reserve your space. ▲

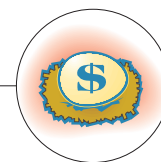
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Issue Brief Looks at Helping the ‘Old-Old’ via Social Security

A NEW SOCIAL SECURITY COMMITTEE [issue brief](#) looks at options to change Social Security to address possible concerns and financial needs of older Americans who live beyond their estimated life expectancy but lack adequate resources.

The issue brief notes that retirees’ lifespans have been increasing in the past few decades, resulting in older segments of the U.S. population increasing in both absolute numbers and as a percentage of the population. While greater longevity is a positive development, it entails some challenges which could be addressed by policy changes, such as targeted benefit supplements, longevity benefit riders, and changes to the Social Security Retirement Age.

“Social Security may be the best tool for addressing this potential problem if the program is to continue to support retirees—including the old-old—in an effective manner,” the issue brief concludes. ▲



Pension Committee Engages With IRS, Treasury, PBGC

THE PENSION COMMITTEE submitted a [comment letter](#) to the Pension Benefit Guaranty Corp. (PBGC) expressing appreciation for proposed regulations providing a reduction or partial waiver of the penalty due upon the late payment of premiums to the single employer and multiemployer insurance programs.

“This is a welcome change that we believe will continue to support the goals of timely payment of premiums when due and voluntary self-correction when the payment deadline is missed,” the committee states.

Separately, the committee submitted a [comment letter](#) to the IRS and Treasury Department requesting that the 2017 Applicable Mor-

tality Tables be issued as soon as possible, adding that it is “concerned that plan sponsors, plan administrators, and plan participants will not have sufficient time to consider the consequences of changes if finalized later than July 31, 2016.” ▲

LIFE BRIEFS

- ➔ **Paul Hance** has joined the Life Financial Reporting Committee.
- ➔ **Brian O’Neill** has joined the Life Capital Adequacy Committee.
- ➔ **Jim Reiskyt** has joined the Annuity Reserves Work Group.
- ➔ **Mercy Yan** has joined the Tax Work Group.
- ➔ **Jeremy Zhou** has joined the Longevity Risk Task Force.

Intersector Group Releases Notes of Meetings with IRS, Treasury Department, PBGC

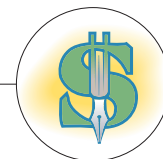
THE INTERSECTOR GROUP released the [notes](#) of its March meeting with the Treasury Department and Internal Revenue Service, and the [notes](#) of its March meeting with the PBGC.

The Intersector Group—comprised of members of the Academy, Society of Actuaries, Conference of Consulting Actuaries, and ASPPA College of Pension Actuaries—meets twice a year with representatives of the IRS/Treasury Department and with the PBGC to discuss regulatory and other issues affecting pension practice.

With IRS and Treasury, the group discussed reasonable actuarial equivalence; additional guidance under Code Sections 430 and 436; automatic approvals for changes in funding method and discount rate election; Employee Plans Compliance Resolution System; mortality basis change and “partial credibility” rules for use of adjusted mortality tables; vested terminated participants over

normal retirement age, or beyond the required beginning date, in coordination with the Department of Labor’s enforcement initiative; Multiemployer Pension Reform Act of 2014 suspensions; hybrid plans; and post-Gray Book interaction with the actuarial community and plan sponsors.

At the PBGC meeting, the group discussed whether it should anticipate any changes in priorities with PBGC’s new leadership, even though new PBGC Director Tom Reeder was unable to attend the meeting. It also discussed experience under new reportable events rules, especially in regard to post-event reporting; 4010 final regulations; prospects for 4062 regulations; the group’s appreciation of the timely adoption of regulations on multiemployer partitions; prospects for multiemployer “facilitated merger” guidance; and an update on review of PBGC actuarial assumptions and timing of changes. ▲



Actuarial Update

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Webinar to Look at ORSA Issues, Practice Note

THE ERM/ORSA COMMITTEE will host an interactive webinar next month, “[Putting a Price on Risk: Quantifying Risk Exposures for ORSA Reports](#).” At the July 20 webinar, members of the committee’s Risk Exposures Subgroup will provide an overview of the *Quantifying Risk Exposures for Own*

Risk and Solvency Assessment Reports [practice note](#).

This webinar will walk through the practice note, which provides actuaries and regulators with information on the approaches used to quantify risk exposures that may be included in Section 2 of an Own Risk and Solvency Assessment (ORSA) report. ▲

Solvency Committee Submits Comments on NAIC’s ‘Operational Risk 2016 Factors’

THE SOLVENCY COMMITTEE and several other Academy life, health, and casualty work groups submitted [comments](#) to the NAIC’s Operational Risk (E) Subgroup on its Operational Risk 2016 Factors exposure document.

The letter states that risk-based capital (RBC) formulas already implicitly capture some degree of operational risk, and as such, care needs to be taken to avoid double-counting this risk in the formula should additional operational risk charges be explicitly incorporated. The current life formula C4

charge covers general business risk, including operational risk. The R4 and R5 charges in the P&C formula, as well as the H4 charge in the health formula, include growth risk which is tied to operational risk. The letter states that the NAIC should adjust the formulas as they relate to the existing factors, which cover business/growth risk in order to accommodate explicit operational risk factors, avoid double-counting, and capture the total amount of required capital deemed necessary for operational risk. ▲

Academy Adds Regulatory Actions to New Issue of StateScan Quarterly

THE ACADEMY released its second issue of *StateScan Quarterly*, which now offers highlights of both state regulatory and legislative activities. This issue’s topics include principle-based reserving, Medicaid expansion, and insurance for ride-sharing operations that can be found through StateScan, the legislative/regulatory portal that is provided to Academy members.

[StateScan](#) provides state legislative and regulatory reports on key topics all actuary practice areas. Each legislative report shows legislation in all 50 states on a selected topic, including a short bill summary, legislative status, and sponsor information. Likewise, a regulatory report shows regulations in all 50 states on a selected topic, including status, description, and text of the regulation. ▼

ASB, continued from page 1

As always, the ASB will keep Academy members and the public informed of proposed ASOP changes through the exposure draft process, membership

newsletters, and other communications. The ASB encourages participation and feedback from all interested parties during the exposure draft process. ▲

Trustees, continued from page 2

to grow from 2.1 percent of GDP in 2015 to 3.5 percent of GDP in 2037, and then to grow more slowly, to 3.8 percent by 2090.

The Social Security report indicates that after the Old-Age, Survivors, and Disability Insurance (OASDI) trust fund’s exhaustion in 2034, annual revenues from the dedicated payroll tax and taxation of Social Security benefits will be sufficient to fund

about three-quarters of scheduled benefits. Social Security’s total income is projected to exceed its total cost through 2019; however, the Social Security Disability Insurance (DI) trust fund will exhaust its reserves in 2023. The 75-year actuarial deficit for the combined trust funds is estimated at 2.66 percent of taxable payroll, down from 2.68 percent from the previous year. ▲