

## New Ethics Course Now Available on Actuarial eLearning Center

A NEW, THOUGHT-PROVOKING eLearning course, “Addressing Ethical Concerns,” has been added to the Academy’s [Actuarial eLearning Center](#). The course takes a deeper, more interactive look at the [ethics survey](#) report presented by the Council on Professionalism (COP) and the Academy last spring. Based on the results of that survey taken by thousands of Academy members from all practice areas, this new course focuses on the top eight perceived ethical concerns facing actuaries in the profession and provides a decision-making framework for addressing them. These concerns crossed practice areas, specialties, and types of employment, creating a learning opportunity for all actuaries regardless of area of practice.

The Academy, as the home for actuarial professionalism in the United States, undertook the survey in order to provide an opportunity for actuaries to identify specific ethical dilemma they face in their actual practice. Having this information allowed us to create real-world situations in the course content to help actuaries address them. This process of self-examination has given us high-quality intellectual content to demonstrate how an actuary can analyze and resolve challenging ethical situations. The ability of



actuaries to identify, analyze, and resolve gives credence to the profession’s ability to self-regulate and responsibility to the public, that is fundamental to the profession’s integrity as described in Precept 1 of the Code of Professional Conduct.

Throughout this eLearning module, participants are presented with various scenarios reflecting the ethical concerns

that topped the survey results. The scenarios provide for member interaction with the material, allowing them to consider and choose what they believe to be the appropriate course of action. The course teaches members how to objectively assess a real-life scenario by providing a decision-making framework that can repeatedly be used to evaluate their ethical options as situations arise and change. Each scenario walks members through this framework, teaching them how to assess situations that are not black and white.

This new eLearning course is a particularly valuable tool with continuing value. In addition to learning the framework and how it interacts with the Code, a practical approach to be used over and over, members can also complete a voluntary optional examination at the end of

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## Health Practice Council Makes Annual Visit to Capitol Hill

WITH THE 2016 PRESIDENTIAL ELECTION CAMPAIGN in full swing, members of the Academy’s Health Practice Council (HPC) made their annual visit to Capitol Hill on March 10–11 to talk about relevant public policy issues relating to health care. Eighteen Academy volunteers met with staff from 42 congressional offices and government agencies, discussing topics ranging from ongoing Affordable Care Act (ACA) implementation to long-term care reform and health care delivery challenges in rural areas.

Academy President Tom Wildsmith, who was part of the team, pointed out that the Academy has a unique voice.

“Most folks go to Congress to advocate for a specific position or tell them how to do their jobs,” Wildsmith said. “But the HPC goes to the Hill and asks how we can help



Health Practice Council (HPC) Chairperson Catherine Murphy-Barron (center), with HPC members Barbara Klever and Robert Damler, on Capitol Hill

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Professionalism Counts: Objectivity and Independence

## APRIL

**10-13** [Enrolled Actuaries Meeting](#), Washington, D.C.

**19** Webinar: [Post-NAIC Update](#)

## JUNE

**6-8** Seminar: ["PBR Boot Camp: Basic Training and Beyond"](#), Chicago

## NOVEMBER

**3-4** Annual Meeting and Public Policy Forum, Washington, D.C.

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

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

# Academy NEWS

## Legislative Portal StateScan Released

*Focuses on Academy-Specific Concerns*

**T**HIS MONTH MARKED the inaugural issue of the Academy's state legislative newsletter, [StateScan Quarterly](#), which highlights state legislation that may be of interest to Academy members. It also marks the introduction of [StateScan](#), the Academy's new legislative portal that provides members access to state legislative reports on a variety of actuarial public policy issues across all practice areas. StateScan gives Academy members the ability to search, identify, and monitor state legislative activity on key public policy issues. One member who has started to use it called it a "home run" and said "This information is so valuable and has practical, work day relevance that all actuaries should appreciate."

All but four states—Montana, Nevada, North



Dakota, and Texas—held legislative sessions this year, and at least 10 state legislatures have adjourned this month. Legislatures are considering a wide variety of bills of interest to actuaries, including the availability

of health insurance inside and outside of state exchanges, Medicaid expansion, flood insurance, principle-based reserving for life insurance, and efforts to protect retirees' pensions.

Initially, StateScan will only provide access to state legislation, but access to state regulations will be available soon. The Academy endeavors to monitor legislation and regulations of interest to the actuarial profession in all states, and makes appropriate comment as determined by its practice councils when warranted. [Log in now](#) to access StateScan. ▲

## Academy Releases Annual Reports

### ASB Report Highlights ASOPs, Pension-Plan Issues

The Actuarial Standards Board's (ASB) [2015 Annual Report](#) is now available, highlighting the ASB's accomplishments last year, which include:

- adoption of two new actuarial standards of practice (ASOPs) and one revised ASOP;
- approval of four exposure drafts for comment; and
- approval of four proposals for new or revised ASOPs.

The ASB held a well-attended public hearing in Washington in July to discuss public pension plan issues.

The ASB bid farewell to former member and Chairperson Patricia Matson and member Thomas Levy, and welcomed new members Cande Olsen and Kathleen Riley in 2016; Maryellen Coggins became the ASB's new chairperson.

[Click here](#) to see the ASB's [2015 Annual Report](#).

### ABCD Report Notes Record Number of Requests for Guidance

The Actuarial Board for Counseling and Discipline (ABDC) had a busy year in 2015, handling

125 matters, comprised of a record 96 Requests for Guidance (RFGs) and 29 inquiries, and providing guidance in response to the 96 RFGs and closed 15 inquiry cases.

"This level of activity demonstrates the increasing desire to seek guidance on actuarial standards of practice and the Code of Professional Conduct," Chairperson Janet Fagan stated in the ABCD's [2015 Annual Report](#), released this month.

RFGs make up a large portion of the ABCD's activities, and the most common RFG occurs between a requestor and an individual ABCD member. While individual RFGs are confidential, the report contains a summary of the types of issues raised in RFGs.

The report also noted that the ABCD's procedural improvements last year included:

- Revisions to the investigator handbook;
- Improving the content of its post-hearing findings and recommendations letters to the participating organizations of which a subject actuary is a member include comprehensive discussion of facts and

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# Academy NEWS Briefs

## Noncompliant Volunteers and Interested Parties to Be Dropped From Committees

**T**HE ACADEMY IS DROPPING VOLUNTEERS and interested parties who have not submitted the annual conflict of interest (COI) and continuing education (CE) acknowledgments required by the Academy to continue to participate in their respective Academy councils, committees, task forces, and work groups. The deadline for those acknowledgments is March 31.

Since January, Ken Kent, the Academy's vice president for Professionalism, has contacted volunteers and interested parties several times with information describing how to complete the

acknowledgements. They are a vital element in the Academy's culture of objectivity and remind volunteers of their responsibility 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](mailto:objectivity@actuary.org). ▲

## Recently Released

**T**HE MARCH/APRIL [CONTINGENCIES](#) includes features about how a practice from the business world called scenario planning can help actuaries describe how potential futures may unfold, an investigation into why U.S. law seems to lead to a disconnect between stated goals and realized outcomes, and a look at what the Federal Reserve's move to raise its benchmark interest rate means for financial companies' bottom lines.

The March issue of [HealthCheck](#) covers the U.S. Department of Health and Human Services' release of a final Notice of Benefit and Payment Parameters for 2017, the Centers for Medicare & Medicaid

Services' release of several key documents and statements, and a save-the-date notice for the Life and Health Qualifications seminar, to be held in November.

The spring 2016 issue of [Retirement Account](#) features items on Senior Pension Fellow Ted Goldman's comments to the Senate Finance Committee for its hearing on multiemployer pension plan reforms and challenges; the Public Plans Subcommittee's comments to the Governmental Accounting Standards Board on a pension issues exposure draft; the Pension Committee's release of the *Variable Annuity Plans* practice note exposure draft; and legislative, professionalism, and committee volunteer updates. ▲

## ASB Requests Regulator Input

**T**HE ACTUARIAL STANDARDS BOARD (ASB) would like to build a resource list of government actuaries to be a general sounding board and a specific source for feedback relating to actuarial standards of practice (ASOPs) in which regulators may have an interest. It hopes to use this list also to seek volunteers for ASB committees or task forces to assist with drafting ASOPs.

If you are a government regulator and you are interested in joining this resource list, please contact Erica Kennedy, ASB program manager, at [Kennedy@actuary.org](mailto:Kennedy@actuary.org). ▲

## Post-NAIC Webinar Scheduled for April 19

**A**CADEMY VOLUNTEERS will be attending the NAIC Spring 2016 National Meeting in New Orleans April 3-6. Join the Academy's Life Practice Council for an April 19 [Post-NAIC webinar](#) that will give an overview of the meeting, including an account of the Life Actuarial (A) Task Force meeting, activity in other groups regarding principle-based reserving and related considerations for reinsurance, updates on variable annuity and life risk-based capital issues, and other major topics. [Click here](#) for registration information. ▲

### Comments Due April 30 for P/C Ratemaking Draft, ASOP No. 5 Revision

Comments are due April 30 on two [current exposure drafts](#)—the Property/Casualty Ratemaking [second exposure draft](#) and the revision to Actuarial Standard of Practice (ASOP) No. 5, [Incurred Health and Disability Claims](#).

Jarvis Farley Service Award

**NOMINATE A DESERVING ACADEMY MEMBER**

Robert J. Myers Public Service Award

**Deadline: July 8**

# Academy NEWS Briefs

## IAA Event to Feature Academy President Tom Wildsmith

**T**HE INTERNATIONAL ACTUARIAL ASSOCIATION (IAA) is having a colloquium sponsored by several IAA sections, including the IAA Health Section (IAAHS), in June that will feature a closing plenary session presentation by Academy President Tom Wildsmith on global health care cost drivers. Based on the 2015 joint IAAHS and Academy webinar series, the session features presentations on the health care systems in the United States, South Africa, Canada, and the United Kingdom, as well as some of the successes and challenges each country has experienced as they work to identify

and address their own health care cost drivers. The session will be moderated by April Choi, chairperson of the IAA Health Section and a member of the Academy's Health Practice Council.

In addition, the Academy will host a breakout session on end-of-life care from a global perspective, based on a [Contingencies](#) article written by several members of the Academy's Health Practice International Committee.

The colloquium will be held in St. John's, Newfoundland and Labrador, Canada, June 27-29. [Click here](#) for program and registration information. ▲



## Professionalism Webinar Series Kicks Off With USQS: Questions and Answers

**E**ACH YEAR the Academy's Council on Professionalism sponsors a series of webinars. These engaging discussions are a cost-effective way for members to earn needed professionalism continuing education credit. The 2016 series kicked off March 17 with "[Professionalism and the U.S. Qualification Standards](#)."

Participants from more than 700 registered sites logged in to hear Keith Passwater, chairperson of the Committee on Qualifications (COQ), and John Gleba, a COQ member and past Academy vice president for professionalism, answer commonly asked questions on the U.S. Qualification Standards (USQS). Their lively discussion covered a wide range of questions.

Passwater reminded the audience that in addition to meeting basic and continuing education and experience requirements, actuaries must remain current. This means keeping up with changes in rules, regulations, laws, and practice in your area. "You need to take the time to make sure you really are qualified," he said.

The answer to many continuing education (CE) questions depends on whether the CE is "relevant" to the actuarial services provided, as relevance is defined in the USQS. Each actuary must make a "reasonable good-faith determination" of what CE opportunities are relevant to his or her practice. To determine whether you can count an activity as relevant CE, Passwater recommended asking yourself, "Will it make me a better actuary? Will it make me more qualified?" If the answer is "yes," the activity is likely relevant.

Whether an activity can count as "organized" is another common question. Here, the opportunity to interact with other actuaries and professionals from other organizations is key. However, as Gleba noted, "Historically, 'organized' always meant going to a meeting, where you can go up to a microphone and ask your question and other people respond. But now we have remote technologies. How instantaneous do communication and interaction have to be to count as organized? ... The COQ believes that delayed interaction by email over the course of one or more days is too slow to be meaningful." So, listening to a live webinar where you can ask questions of the panelists and get an immediate response would typically count as an organized activity, but listening to a recording of the same webinar probably would not.

During the Q&A session, several participants asked about the interim period when a new actuary works under a qualified actuary to meet the experience requirement. Actuaries in this position should provide documentation to their principal acknowledging that they are not yet fully qualified, and therefore may not issue a statement of actuarial opinion (SAO), the presenters agreed. It is their supervisory, credentialed actuary who is qualified and must take responsibility for the SAO. In response to a related question, Gleba and Passwater strongly agreed that an actuary who had never worked under the supervision of a qualified actuary cannot be fully qualified.

This webinar was based on "[FAQs on the U.S. Qualification Standards](#)." Members may [click here](#) to access the slides and recording of the webinar. ▲

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circumstances leading to the recommendations; and

- ➔ Reviewing procedures for continual improvement, including timeliness of the process.

[Click here](#) to see the ABCD's 2015 Annual Report.

### The Record Final 2015 Edition Released

[The Record](#), the Academy's annual report of activities, was

updated to reflect activities through year-end. Included in this final edition are highlights of the many achievements for 2015 from the practice councils and professionalism committees and boards, as well as a detailed synopsis of the Annual Meeting and Public Policy Forum, which celebrated the Academy's 50th anniversary.

[Click here](#) to view *The Record*. ▲



## *Objectivity and Independence: It's Who We Are*

BY KEN KENT, VICE PRESIDENT, COUNCIL ON PROFESSIONALISM



**A**t a recent Council on Professionalism meeting, one Council member reported that he had been asked by representatives of the accounting profession, how the Academy can ensure the independence and objectivity of its volunteers. How could they trust that Academy members are, and will be perceived as, objective and independent and, by extension, credible versus representing the interest of their employers?

This issue is not unique. Over the years, other professions and other actuaries have questioned the challenges facing Academy volunteers who work routinely on important policy issues with policymakers, regulators, and the public. But, the story is uniquely powerful. Stakeholders in public policy debates need to know, and look for evidence, that they can trust the Academy and the actuarial profession to act in the public's best interest.

Such trust is an important element of the Academy's 50-year long commitment to actuarial professionalism. The Academy creates trust by embracing objectivity and independence as core values and promoting them through professionalism institutions. Our volunteers are called upon each year to consider and commit themselves to act with objectivity and independence in the execution of the Academy's mission by participating in its deliberative processes and through written acceptance of the Academy's conflict of interest policy. For some if not all of our volunteers, this is not a trivial signoff. Annually, we get insightful questions by volunteers about what it means to maintain independence and objectivity.

### **It's in Our Genes**

The founders of the Academy grappled with how to hold actuaries to high, uniform standards so that the public could trust the profession. Henry Rood, the first president of the Academy said the founders' objective was to change what he called "a private, inward-looking, narrowly focused group of experts to that of a profession recognized by and accountable to the public." To achieve this, the founders committed themselves to the principles of professionalism—the DNA of the Academy—by calling for the "establishment and maintenance of adequate professional standards of actuarial practice to ensure the protection of the public's interest." The founders believed that standards of conduct, qualification, and practice, combined with professional discipline, protect the public by assuring users of its services that the profession imposes requirements upon its members, "not only with respect to knowledge and skills, but also with respect to integrity, independence, and a commitment to quality service."

It was recognized that Academy volunteers who draft these standards must step away from their daily work and jobs and focus

on issues without the bias of employer and industry concerns.

The process is arduous, but is essential in maintaining independence and objectivity in support of the profession.

### **It's in Our Heart**

The members of all five U.S.-based actuarial organizations are subject to the Code of Professional Conduct—the heart of U.S. actuarial professionalism. The Code establishes that each actuary must act with honesty, integrity, and competence and "in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession." (Precept 1). Actuaries must also satisfy "applicable qualification standards" (Precept 2) and "applicable standards of practice" (Precept 3). Other precepts of the Code promote professional conduct, preserve the integrity of actuarial work, and require actuaries to submit themselves to a professional discipline process. These are not subjective standards. Rather, as the distinguished actuary Edward Lew wrote, "professional conduct requires competence, integrity, objectivity of a high order, and a commitment to personal service."

### **It's in Our Bones**

The standards that define actuarial professionalism, and promote professional objectivity, are promulgated and enforced by boards with autonomous decision-making authority established within the Academy. The entities that support the growth and development of professional standards—the bones of actuarial professionalism—consist of the Actuarial Standards Board (ASB), and the Actuarial Board for Counseling and Discipline (ABCD). In addition, the Academy's Board of Directors promulgates qualification standards based on the recommendations of the Committee on Qualifications. Academy volunteers who serve on these boards and committees take part in balanced and evidence-based deliberative processes that focus on service to the profession and protection of the public. The standards are developed and revised in transparent and inclusive processes that expose proposed standards to the profession and general public for input.

### **It's in the Way We Think**

The Academy's founders committed themselves to advancing the public interest in areas where actuarial solutions are relevant and effective. Henry Rood, the Academy's first president, noted, for example, that "[t]he millions of people involved and the immense size of the assets of our life insurance companies and pension funds dictate protection from any possibility of unsound actuarial practices." Today, this original commitment to serving the public is still reflected in the Academy's mission statement, which says, in part, that the Academy's mission is to serve the public and

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## ▲ PROFESSIONALISM COUNTS

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the U.S. actuarial profession by “provid[ing] independent and objective actuarial information, analysis, and education for the formation of sound public policy.” This is the way we think about the Academy’s role.

### It’s How We Address the Question of Objectivity and Independence

The Academy recognizes that the two aspects of its mission—promoting U.S. actuarial professionalism and bringing that professionalism to bear on the public policy issues facing the United States—demand objectivity in word and deed. Each year, Academy volunteers must acknowledge the Academy’s Conflict of Interest policy and attest to their compliance with the continuing educa-

tion requirements of the U.S. Qualification Standards. Volunteers who fail to do so may not participate in the work of Academy boards or committees. This is essential to protect the appearance and reality that the Academy is a resource for objective actuarial information. As Academy President Tom Wildsmith explains: “We can’t fully serve the public interest if we approach it in a self-serving manner. Maintaining our objectivity is ... absolutely necessary to preserving the credibility of the Academy’s voice.”

Maintaining the public’s trust by ensuring that the work of the Academy’s committees, councils, boards and many volunteers is completed in a deliberately objective and independent manner is how we address the public’s questions of our standing as a profession. ▲

## Professionalism Outreach

**A**CADEMY IMMEDIATE PAST PRESIDENT MARY D. MILLER spoke March 11 to an audience of about 125 actuarial science students at Temple University’s Fox School of Business in Philadelphia. Miller discussed how actuarial professionalism is central to practice and to ensuring the public trust in the profession, and provided highlights of the Academy’s history and role in protecting and advancing professionalism.

In a thank-you note, Temple’s Gamma Iota Sigma professional risk management, insurance and actuarial science fraternity said it was “committed to strengthening our relationship with [Miller] and the American Academy of Actuaries, and we appreciate your help in this initiative ... [and] the initiatives your organization has undertaken recently to ensure professionalism and ethics in the actuarial field is definitely reassuring.” ▲



# Save the Date

The American Academy of Actuaries

**2016 ANNUAL MEETING AND PUBLIC POLICY FORUM**

November 3-4, 2016  
Capital Hilton  
Washington, D.C.

[www.actuary.org](http://www.actuary.org)

## IN THE NEWS

Academy President Tom Wildsmith and Senior Pension Fellow Ted Goldman are both [quoted](#) in Bankrate.com's popular *Retirement Blog* regarding the importance of meaningful disclosures for public employee pension plans, providing more context to the recent reintroduction of the PEPTA bill.

The Society of Professional Journalists added the Academy's [2016 Election Guides](#) to its "[Journalist's Toolbox](#)" as a resource for journalists covering the presidential and congressional primaries.

The Academy's news release on public employee pension plan disclosures was [highlighted](#) in BenefitsLink.com's *Retirement Plans* newsletter.

The Academy's analysis of options for implementing the ACA's reinsurance program was mentioned in a [story](#) in *The Hill*. During the public comment period on the proposed rules for the program in 2014, the Academy's Risk-Sharing Work Group submitted its [analysis](#) to the Centers for Medicare and Medicaid Services stating that "the proposed rule would provide more certainty that the reinsurance payments will be fully funded and may result in insurers more fully offsetting premiums by anticipated reinsurance payments."

Academy Senior Property/Casualty Fellow Jim MacGinitie provided insights on the continuing and future impact of the Dodd-Frank financial reform law on P/C actuaries and insurance supervision and regulation in the cover story of the [March/April issue](#) of *Actuarial Review*, the magazine of the Casualty Actuarial Society.

In the benefits consulting newsletter *Developments*,

Academy Past President Ken Hohman (2009-10) [outlined key findings](#) on longevity risk and decumulation in the 2015 [international paper](#) co-authored by the Academy, *The Challenge of Longevity Risk: Making Retirement Income Last a Lifetime*.

[Life & Health Advisor](#) published an account of the Academy's new [election guides](#), which help voters become better informed during the 2016 elections on presidential and congressional candidates' positions related to Medicare, Social Security, and other issues of interest to actuaries and the public.

A [Mondaq report](#) analyzing developments in asbestos bankruptcy trust claims cited an Academy monograph on asbestos claims and litigation issues.

[Just Facts Daily](#), a blog focused on disseminating verifiable public policy facts and research, cited an Academy [white paper](#) in explaining differences between funding principles for major public social insurance programs and private pension plans.

An article in [TheStreet](#) used the Academy's [analysis of cost drivers](#) of 2016 health insurance premiums to help frame a discussion of how consumers can reduce their health care costs. The story was widely published in other media outlets, including [MSN Money](#) and the [Philadelphia Sun-Times](#).

An op-ed in the *Kansas City Star* cited the Academy's "Essential Elements" [climate-change paper](#) in highlighting property/casualty risks of extreme weather caused by climate change and noted the Academy's work in developing the [Actuaries Climate Index](#) (ACI). The ACI is being developed by the Academy, with

## Dues Reminder

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. ▲

## LHQ Seminar Set for November

Save the dates for the **2016 Life and Health Qualifications Seminar**, which will be held Nov. 13-17 in Arlington, Va., outside of Washington, D.C. [Click here](#) for program and registration information.

### CASUALTY BRIEFS

- ➔ **Ken Kasner** has joined the Casualty Practice Council.
- ➔ **Minchong Mao** has joined the Extreme Events Committee.

### RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Angie Ranson** has joined the ERM/ORSA Committee.
- ➔ **Laura Gray** has joined the Financial Reporting Committee.

### PENSION BRIEFS

- ➔ **Todd Peterson** has joined the Pension Accounting Committee.
- ➔ **Jim Dexter**, **Jim Donofrio**, and **Eli Greenblum** have joined the Multiemployer Subcommittee.
- ➔ **David Lamoureux** has joined the Public Plans Subcommittee.

the Casualty Actuarial Society, Canadian Institute of Actuaries, and Society of Actuaries.

A *Daily Kos* [column](#) about the interpretation of payments made under the Affordable Care Act's reinsurance program references the Academy's Risk-Sharing Work Group, which commented on the proposed regulation in 2014.

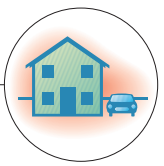
*BenefitsLink.com*'s announcement of National Retirement Planning Week in April [mentioned the Academy](#) as a member of the National Retirement Planning Coalition.

An *Inside Health Insurance Exchanges* [subscriber-only story](#) about a Centers for

Medicare & Medicaid Services (CMS) letter on a one-year health insurance tax moratorium quotes Academy Senior Health Fellow Cori Uccello, who said, "CMS isn't necessarily saying that the moratorium is going to translate to lower premiums in the absolute, but [premiums] should be lower than what they would have been with the fee."

The Center for Consumer Information & Insurance Oversight (CCIIO) [cited](#) analysis from Academy issue brief, [Risk Assessment and Risk Adjustment](#), regarding the relationship between medical diagnosis and treatment costs in white paper that examines the ACA's risk adjustment program. ▲





## Task Force Submits Comments on NAIC Price Optimization White Paper

**T**HE PRICE OPTIMIZATION TASK FORCE submitted comments to the NAIC's executive committee on changes made to the proposed *Price Optimization White Paper*.

The task force, part of the Academy's Casualty Practice Council, commended the work of the NAIC's Casualty Actuarial and Statistical Task Force (CASTF) in developing the white paper, which has been approved by the Property & Casualty (C) Committee and is currently before the Executive Committee and Plenary for adoption during the NAIC Spring 2016 National Meeting in New Orleans.

The paper is a "significant contribution to informing regulators and the general public on price optimization and the issues that



surround it," the task force wrote, but raised concern about final edits to a paragraph 48, items (a) and (b), made by the CASTF in November just before it was adopted by the P/C Committee.

Prior to the edits, items 48(a) and 48(b) both contained the qualifier "at an individual or granular level," a phrase that was removed in the final version. The task force wrote that decisions about capping adjustments are normally based on, or informed by, an insurer's knowledge of its insureds' historical response to price increases; i.e., considerations of price elasticity of demand, including the propensity to shop for insurance. ▲

## RISK MANAGEMENT & FINANCIAL REPORTING NEWS



## Regulator-Only Webinar Highlights ERM/ORSA Issues

**T**HE RISK MANAGEMENT & FINANCIAL REPORTING COUNCIL'S Enterprise Risk Management (ERM)/Own Risk and Solvency Assessment (ORSA) Committee held a regulator-only webinar March 15 on ORSA issues, "[Use of ORSA by the Regulator: Considerations for Actuaries](#)." Attendees from 114 registered sites—about two-thirds of those invited and eligible to attend—listened to the webinar, which was moderated by committee Chairperson Tricia Matson and featured three committee members with cross-practice expertise: Aaron Halpert, Malgorzata Jankowiak-Rosalanowska, and Seong-Min Eom.

The webinar drew from the in-depth analysis provided by the public policy overview, [ORSA and the Regulator](#), which was released by the ERM/ORSA Committee in February. The presentation gave a comprehensive outline of the crucial elements that form actuaries' perspectives on ORSA. After a review of the potential regulatory uses for an ORSA report, the presenters gave an overview of the report's key components that help in identifying and quantifying key risks.

Through a focus on an insurer's assessment of risk exposure, the webinar provided information to regulators in understanding the types of risks involved,

and their unique categorizations within an ORSA report. The speakers highlighted distinct examples of stress and scenario testing that would be helpful to regulators in evaluating the risk exposures under a variety of situations and varying magnitudes.

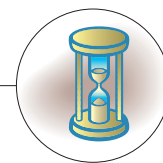
The webinar focused on assessments of group risk capital and prospective solvency matters, which make up the final portion (Section 3) of an ORSA report. The focus of this section of the webinar was to stress the importance of an integration of the capital and solvency assessment frameworks into the enterprise decision making process.

If Section 3 is done well, it will provide insight to the regulator regarding the prospective solvency of the insurer in carrying out its business plans in baseline and stress conditions, and will be a helpful tool in identification of prospective risks and associated risk mitigation techniques.

The well-received webinar provided insight on the impact that an ORSA report can have on the regulatory surveillance process, as well as a comprehensive summary of the overall ERM process. Furthermore, it included specific examples of key ORSA content covering life, health, and property and casualty areas, in order to better equip regulatory actuaries with the knowledge and background information they need in reviewing reports. ▲







## Life Illustrations Work Group Submits Comments to NAIC on AG 49

**THE LIFE ILLUSTRATIONS WORK GROUP** [submitted comments](#) to the NAIC's IUL Illustration (A) Subgroup on revisions to Actuarial Guideline (AG) 49.

The comments raise some questions about the specific language used in the proposed revisions. One change was intended to close a loophole related to the illustrated Alternate Scale, but as written may in fact change "the composition of the illustration."

Another item of concern for the work group is an apparent inconsistency between AG 49 and [ASOP No. 24](#), *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. AG 49 "requires each set of Index Accounts corresponding to each Benchmark Index Account (BIA) to independently pass self and lapse support

testing," while ASOP No. 24:

allows the actuary to test policyholder choice factors such as election of Index Accounts in aggregate if such combinations would be appropriate, while recognizing possible shifts in the assumed distribution of elected Index Accounts towards any portions of the business that do not meet the self-support test in their own right.

Note that as reported in February's [ASB Boxscore](#), the ASB has created a task force to draft a revision to ASOP No. 24. Future editions of *Actuarial Update* will explain any proposed changes to the ASOP and how they would affect work in the area of IUL illustrations. ▲

## Groups Submit Comments to LATF on Valuation Manual, Corporate Governance

**THE JOINT ACADEMY LIFE EXPERIENCE COMMITTEE** and SOA Preferred Mortality Oversight Group [submitted comments](#) to the NAIC's Life Actuarial (A) Task Force (LATF) on the removal of the provisions for unisex rates as applied to reserves.

The comments ask for removal of provisions for unisex rates as they would apply to reserves. Unisex rates have been authorized for nonforfeiture under certain conditions, but have not been prescribed for reserves. This provision was included in error, and should be removed, the comments state.

Separately, the Role of the Actuary Subgroup [submitted comments](#) to LATF on revisions to the Corporate Governance Guidance Appendix, Section VM-G, of the Valuation Manual (VM) applicable to qualified actuaries for clarification and consistency with the Standard Valuation Law (SVL).

The comments state that Section 12.B.1 of the SVL requires companies to establish procedures for corporate governance and

oversight of the actuarial valuation function consistent with those described in the VM. Amendments to Section VM-G are needed to require that the company assign certain responsibilities to one or more qualified actuaries with respect to the principle-based approach to the calculation of reserves, including the responsibility for overseeing the calculation process and for reviewing and approving assumptions, methods, and models that are used in determining principle-based reserves (PBR).

No section of the VM specifically requires the company to assign responsibilities to one or more qualified actuaries, although VM-G suggests that qualified actuaries would be responsible for various tasks. There are also references to the "qualified actuary" in various sections of the Valuation Manual, including VM-31, which seem to assume such assignment of responsibilities. This amendment to VM-G would require these assignments, thereby clarifying the role of the qualified actuary in the principle-based valuation process. ▲

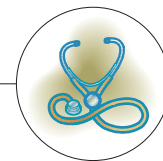
### LIFE BRIEFS

➔ **Gabe Schiminovich** is now chairperson of the Non-Guaranteed Elements Work Group. The following actuaries are now members of the Health Practice Council Communications Committee:

- ➔ **Laura Hanson**
- ➔ **David Hippen**
- ➔ **Jeffrey Johnson**
- ➔ **Donna Megregian**
- ➔ **Cande Olsen**
- ➔ **Mark Pixley**
- ➔ **Francis Radnoti**
- ➔ **Kevin Reopel**

- ➔ **Lance Schulz**
- ➔ **Carl Streilly**
- ➔ **Christopher Conrad** is now vice chairperson of the SVL Interest Rate Modernization Work Group.
- ➔ **Cande Olsen** has joined the Life Practice Council.
- ➔ **Michael Fruchter** has joined the Life Financial Reporting Committee.
- ➔ **Diana Goodman** has joined the AG43/C3 Phase II Work Group.
- ➔ **Kevin Fry** has joined the C1 Work Group.
- ➔ **Keith Terry** and **Chris Whitney** have

- joined the Life Reserves Work Group.
- ➔ **Tim Cardinal**, **Alice Fontaine**, **Russ Menze**, and **Dave Neve** have joined the PBR Model Governance Work Group.
- ➔ **Judith Hanna** has joined the PBR Review Procedures Work Group.
- ➔ **Kyle Puffer** has joined the Deposit Fund Subgroup.
- ➔ **Linda Lankowski** has joined the PBR Strategy Subgroup.
- ➔ **Kemi Akinyemi**, **James Eubank**, and **Peter Van Beaver** have joined the Longevity Risk Task Force.

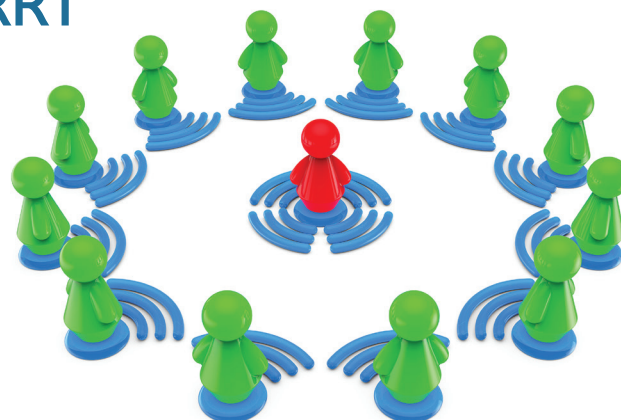


## CCIIO Officials Discuss URRT at Interactive Webinar

**O**N MARCH 30, the Academy hosted a highly engaging [webinar](#) with representatives from the Center for Consumer Information and Insurance Oversight (CCIIO) to discuss changes to the 2017 unified rate review template (URRT) and instructions. Members could attend this informative webinar at no cost.

Attendees from about 570 registered sites had the opportunity to see a very useful live demonstration of the recent changes as Brent Plemons, a health insurance specialist with CCIIO, filled out a template and provided instructions related to the expected entry for each cell. In addition to highlighting changes such as the new “plan category” field, panelists discussed the ability to add and remove plans and products, and provided information on some of the common errors associated with the URRT.

“We’ve held webinars of this type for several years now, and they



are a great resource for our members,” said Audrey Halvorson, moderator and chairperson of the Academy’s Premium Review Work Group. “But, we were fortunate this time to have CCIIO actually walk attendees through completion of the URRT.”

Audio from the webinar will be posted soon. ▲

### HEALTH BRIEFS

➔ **Shari Westerfield** is now chairperson of the Health Practice Council Communications Committee. The following actuaries are now members of the Health Practice Council Communications Committee:

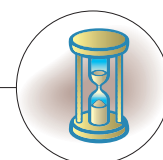
➔ **Christine Bach**  
➔ **Joan Barrett**  
➔ **Charles Bloss**

➔ **Joe Brennan**  
➔ **Chris Carlson**  
➔ **Grady Catterall**  
➔ **Jenna Fariss**  
➔ **Scott Fry**  
➔ **Roy Goldman**  
➔ **Keith Grassel**  
➔ **Paul Houchens**  
➔ **Rick Lassow**  
➔ **Julia Lerche**  
➔ **Jeff Petertil**

➔ **Anthony Pistilli**  
➔ **Daniel Rhodes**  
➔ **Tim Robinson**  
➔ **Neil Sandhoefner**  
➔ **Will Shrader**  
➔ **Karin Swenson-Moore**  
➔ **Tammy Tomczyk** is now chairperson of the AV/MV Work Group.  
➔ **Leslie Lucas** has joined

the Financial Reporting and Solvency Committee, the AV/MV Work Group, and the Premium Review Work Group.

➔ **Michael Cook** and **David Plumb** have joined the LTC Medicaid Subcommittee.  
➔ **Jeffery Rykhus** has joined the Health Care Receivables Factors Work Group.



## June ‘PBR Boot Camp’ Life Seminar Sold Out; Wait List Available, Reprise to Be Scheduled

**T**HE ACADEMY’S inaugural “[PBR Boot Camp: Basic Training and Beyond for Principle-Based Reserving Implementation](#),” to be held June 6–8 in Chicago and focusing on principle-based reserving (PBR) before it takes effect, is sold out, but a wait list is available to prospective attendees.

[Click here](#) for more information.

A reprise of the June seminar will be scheduled for September. We will release more information as it becomes available, and those who asked to be put on the wait list will be notified in advance of a general announcement. ▲

the course to assess their understanding and application of the decision-making framework. When they pass, they will receive a certificate of completion that they can use to document their mastery of the subject matter. The Actuarial eLearning Center will automatically track and store their results, which they can view again at any time by logging into the center. Members who have purchased this eLearning course—or any other Academy eLearning course in the Actuarial eLearning Center—can go back through the course as many times as they wish.

While the amount of CE credits will vary depending on as much reasonable time as one actually spends reviewing the course, we do anticipate that the second module will likely take longer to complete than the first module. Our testers ranged from 30 to 50 minutes on the first module and from 50 to 115 minutes on the second module. ▲

## From The Actuarial Foundation

### Interested in making a difference?

Become a mentor. The Actuarial Foundation has several mentoring opportunities available. If you are interested in getting involved in your community, [click here](#) to see what the foundation has to offer.

### Scholarships Available

The 2016–2017 scholarship applications are now open. [Click here](#) to tell a deserving student or a professor you know about these scholarship opportunities.

**Editor's note:** The links noted above are available on the Actuarial Foundation's [website](#).

## Capitol Hill, continued from page 1

Congress and staff make informed decisions.” Based on the feedback from the visits, that is a perspective that is appreciated and valued by congressional and agency staff.

Congressional staff members “asked about a number of issues that actuaries and the Academy have been already been thinking about,” said HPC Vice President Catherine Murphy-Barron. “They asked what premiums would look like next year, the relative premium differences between Medicaid expansion states and those states that did not expand, how the risk adjustment program is working, how to address the high cost of prescription drugs, and ways to reform Medicare to ensure its long-term sustainability.”

Key election issues also surfaced, as volunteers were asked about the Academy’s analysis of the various ACA “repeal and replace” proposals, including approaches such as selling insurance across state lines, exploring alternatives to the individual mandate if it is eliminated, and providing continuous coverage protections. And while ACA implementation dominated much of the discussions, Academy volunteers raised issues that need to be addressed but may not always be high on the congressional policy agenda—namely long-term care reform and addressing health care cost growth.

“We took the opportunity during these meetings to highlight some of the work the Academy is doing on long-term care and get a sense of congressional appetite for taking on the issue,” Murphy-



Director of Public Policy Craig Hanna (left) with (l-r) Academy President Tom Wildsmith and HPC members Darrell Knapp and Michael Nordstrom, at the Ford House Office Building

Barron said. “What we learned is that there is a lot of interest if not a lot of answers at this point.”

And, she noted, that’s why it’s important for the Academy and the HPC to raise these issues, educating staffers on the implications of various approaches and making sure they see the Academy as a resource as they consider policy proposals that have actuarial implications. ▲

## Risk Exposures Subgroup Releases Practice Note

The ERM/ORSA Committee’s Risk Exposures Subgroup released for exposure a new [practice note](#), *Quantifying Risk Exposures for Own Risk and Solvency Assessment Reports*. Please send any comments to [RMFRCPolicyAnalyst@actuary.org](mailto:RMFRCPolicyAnalyst@actuary.org) by April 22.

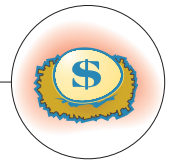
The practice note represents a description of practices believed by the subgroup to be commonly used by actuaries in the United States, and its purpose is to assist regulators and actuaries in understanding how U.S. insur-

ers might quantify company risk exposures (the potential financial loss associated with a specific risk event) for the purposes of Section 2 of the ORSA summary report.

For additional background information on ERM practices, including quantification of risk exposures, actuaries can review a 2014 Academy overview of how actuaries might approach an ORSA report, [Actuaries and Own Risk and Solvency Assessment](#).







## Actuarial Update

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## Academy Comments on Multiemployer Pension Plans

**SENIOR PENSION FELLOW** Ted Goldman [submitted comments](#) March 16 to the Senate Finance Committee for its hearing, “The Multiemployer Pension Plan System: Recent Reforms and Current Challenges.”

A multiemployer pension plan requesting benefit suspensions for participants under the Multiemployer Pension Reform Act (MPRA) is required to submit various actuarial projections to the Department of the Treasury. The projections are used to determine whether a plan meets the criteria for critical and declining status and the criteria for benefit suspensions.

The comments state that the Academy’s Multiemployer Plans Subcommittee is available to provide objective analysis, advice, and education, including the ability to:

- ➔ Provide a clear understanding of how underlying actuarial assumptions and methods are selected in the MPRA application process, the relative impact of each assumption, and the related sensitivities. Public comments submitted regarding MPRA applications illustrate

there are multiple perspectives that can be supported for selecting assumptions.

- ➔ Offer feedback on the viability of specific actions and strategies that are raised along with the pros and cons of each approach, thereby illuminating all sides of an issue.

The comments note that decisions will likely be made in the coming months addressing MPRA’s suspension of benefits provisions, long-term sustainability of some multiemployer pension plans, partitions with the Pension Benefit Guaranty Corporation (PBGC), and future multiemployer plan designs and structures (i.e., the “composite” plan design).

“The impact of these decisions will likely be significant for many individual participants” and will affect whose benefits may be reduced, the level of benefit reductions, the viability of the PBGC support, the burden placed on current active participants and their employers for benefits provided to orphaned participants and prior generations, and the ongoing health of multiemployer pension plans, the comments state. ▲

## EA Meeting Set for April in Washington

**THE ACADEMY** and the Conference of Consulting Actuaries will again jointly host the annual [Enrolled Actuaries Meeting](#), April 10-13, in Washington. Academy President Tom Wildsmith will give the

opening address at the meeting, which will offer a variety of panels and workshops and cover a wide range of topics and issues relevant to EAs and other pension professionals, and an exhibit of products and services. ▲

## Academy Welcomes Discussion of Disclosures for Public Pensions

**THE ACADEMY ANNOUNCED** that it hopes the reintroduction of the Public Employee Pension Transparency Act (PEPTA) in the U.S. House of Representatives on March 21 will lead to a discussion that raises awareness of U.S. public sector plan issues—how information is currently provided, what current disclosures mean, and what other information would be useful to the public.

“Millions of Americans—including state and local workers, retirees, and taxpayers—have a stake in the financial health of these plans,” said Academy President Tom Wildsmith. “Ensuring that relevant, useful information is readily available about the assets and obligations of state and local pension plans is in the public’s best interest. And while making more information available is important, it is also important that the purpose of disclosed

information be clear to the intended audience.”

A key point that the Academy makes in educating policymakers and the public about commonly disclosed actuarial information is how different types of measurements of a pension plan’s financial health are used for different purposes. Some measures are intended to facilitate an orderly pattern of funding over time, and others are intended to estimate what it would cost to settle the plan’s obligations. The Academy issue brief [Measuring Pension Obligations](#) provides a roadmap to understanding the different ways of measuring pension obligations, and Wildsmith wrote [a column](#) in the February issue of *Actuarial Update* on how transparency in the context of pension calculations helps assure the public’s trust in the profession.

Read the Academy’s [alert](#) and [news release](#) on the PEPTA bill. ▲