

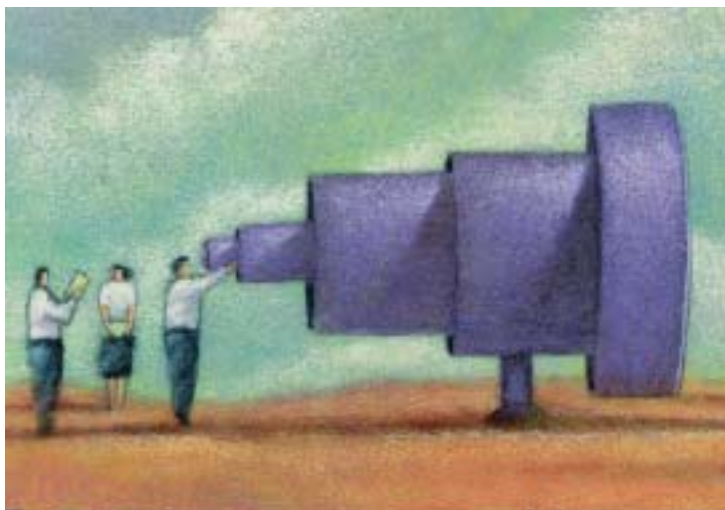
Councils Set 2004 Priorities

IT'S AN ELECTION YEAR AGAIN, and that fact affects the priorities of several of the Academy's practice councils as they identify key issues they will be pursuing in 2004.

The Health and Pension Practice Councils, for instance, are planning election year guides on Medicare, health care affordability, and Social Security reform that are targeted to reporters, presidential candidates and their staffs, and the general public. Similarly, the Social Insurance Committee will be updating various Social Security issue briefs in anticipation of Social Security reform resurfacing as an election year issue.

And as they do every year, representatives of the Academy's councils will be making Capitol Hill visits in the next couple of months. Also in the works are several Capitol Hill briefings and a number of publications, including an updated monograph on asbestos issues and a series of discussion papers on professionalism topics.

Several of the councils plan to expand their already close working relationships with U.S.-based organizations such as the NAIC and the Financial Accounting Standards Board (FASB) and their international contacts through the International Actuarial Association (IAA)



and the International Accounting Standards Board (IASB).

The following are the top priorities for 2004 as identified by each council. (The July issue of the *Update* will include a progress report on these and other projects.)



Casualty Practice Council

► The council will revise its 2001 monograph on asbestos issues and trends to include an updated list of corporate bankruptcies related to asbestos litigation.

See **PRIORITIES**, Page 7

Inside

NAIC Action

Academy projects move forward at winter meeting **PAGE 4**

C-3 Phase 2

Instructions and formula changes have been adopted. What's next? **PAGE 4**

Presidential Forecast

A talk with Barbara Lautzenheiser **PAGE 6**

Spring Meeting 2004

Planning is well under way for new Academy meeting **PAGE 8**

Academy Rebutts S&P Report

ON NOV. 20, Standard & Poor's released to the media a report on problems with loss reserves in the property/casualty insurance business that contained inflammatory and unsubstantiated remarks about P/C actuaries. The report, "Insurance Actuaries: A Crisis of Credibility," blamed actuaries for the difficulty of analyzing P/C insurers' earnings, saying that the fluctuations in loss reserves reflected an "abysmal track record" that was the result of "naiveté or knavery."

"This is not a study," said Bob Anker, the Academy's immediate past president. "It is actually tabloid journalism — flamboyant language tying together sparse facts and unsubstantiated innuendo."

Step One: Telling Our Side of the Story

In accordance with the working agreement among the North American actuarial organizations (including consultation with the CAS), the Academy took the lead in developing a multi-stage response to the report.

Because the first stories in the media were based solely on an S&P news release, the Academy immediately issued a [press release](#) with the goal of generating media inquiries, inserting the Academy into the news stream, and stopping future stories from being published without Academy comment. The Academy's news release was

See **ACADEMY REBUTTAL**, Page 5

JANUARY

- 21 Academy Committee on Qualifications meeting, Washington
 23 Academy Board of Directors meeting, Washington
 28 Health Rate Filing Task Force meeting, Orlando, Fla.

FEBRUARY

- 1-2 Academy Pension Practice Council meeting, Miami
 18-19 Global Conference of Actuaries meeting, New Delhi, India
 19-20 SOA underwriting seminar, San Diego
 19-21 Council of Presidents meeting, Puebla, Mexico
 23 Academy Pension Practice Council Capitol Hill visits, Washington

MARCH

- 8-9 Applied actuarial research conference (CAS, SOA), Orlando, Fla.
 10 Academy Committee on Professional Responsibility meeting, Washington
 10-12 CAS ratemaking seminar, Philadelphia
 21-24 Enrolled Actuaries Meeting (Academy, CCA), Washington
 24-25 Defined Benefits Symposium (Academy, CCA), Washington
 25-26 ASB meeting, Washington

APRIL

- 16 CIA pension seminar, Montreal
 22 Academy Executive Committee meeting, Washington
 27-29 IAA international health colloquium, Dresden, Germany

MAY

- 5 Academy Board of Directors meeting, Washington
 6-7 Academy spring meeting, Washington
 16-17 Academy Pension Practice Council meeting, Boston
 16-19 CAS spring meeting, Colorado Springs, Colo.
 19-21 SOA spring meeting (health, pension), Anaheim, Calif.

JUNE

- 3-5 IAA council and committee meetings, Stockholm, Sweden
 6-10 ASTIN 2004, Bergen, Norway
 14-16 SOA spring meeting (financial reporting, product development), San Antonio
 16 CIA professionalism workshop, Calgary, Alberta, Canada
 17-18 CIA annual meeting, Victoria, B.C., Canada

JULY

- 8-10 Council of Presidents meeting, Harrison Hot Springs, B.C., Canada
 18-21 ASPA summer conference, San Francisco

AUGUST

- 2-3 Academy leadership meeting, Washington
 8-9 Pension Practice Council meeting, Santa Fe

WEB INTERFACE

Links to documents underlined in blue can be found at www.actuary.org/update/index.htm.

Academy NEWS Briefs

IASB Draft: A Coordinated Response

THE ACADEMY'S JOINT FINANCIAL REPORTING Task Force, coordinating comments from the Health, Life, and Casualty Practice Councils, recently responded to the International Accounting Standards Board's (IASB) [exposure draft](#), "ED5 Insurance Contracts." The draft represents the first phase of the IASB's two-phased approach to developing accounting standards for insurance contracts.

The task force took issue with a proposed provision on accounting for reinsurance by a cedant, remarking that it might cause a discrepancy in accounting between ceded and direct reinsurance contracts for the same company. The task force suggested that with the exception of addressing accounting for pure financial reinsurance, the provision be deferred until the second phase of the IASB project.

The task force also recommended a clarification of the principles and practices of unbundling. Unbundling is intended to separate the insurance and deposit components of certain insurance contracts, but the task force found that it is unclear which transactions would be subject to the treat-

ment and how the treatment would be applied in certain instances.

A particularly contentious aspect of the IASB's proposal is the required disclosure of liabilities using fair value accounting. No fair value framework has yet been developed, and the task force argued that it would be impractical and costly to mandate disclosures at fair value prior to providing appropriate guidance. The task force suggested deferring the fair value issue until phase two, when a framework will be developed, and it asked that companies be given two years to make the systems changes necessary to provide fair value disclosures.

The task force also suggested changing draft provisions on using entity fair value for accounting for insurance assets and liabilities; on disclosing the amount, timing, and uncertainty of future cash flows; and on using credit risk in valuing liabilities.

The IASB has received over 200 comment letters on the ED5 exposure draft, many expressing similar concerns. It is expected to finalize ED5 by March. —*Ethan Sonnichsen*

Gold Star The Academy recently was named to the Associations Advance America 2004 Honor Roll for its Pension Assistance List (PAL) program. Sponsored by the American Society of Association Executives (ASAE), the honor roll spotlights associations that are playing a vital role in helping the nation adapt to complex and changing times. "Contributions such as yours are vital and add real value to society," wrote John Graham, president and CEO of the ASAE, in a congratulatory letter. The PAL program helps consumers who have questions about their pension plans. There are currently 30 pension actuaries who actively volunteer in the PAL program.

Intercompany LTCI The Academy and the SOA are co-sponsoring the fourth annual Intercompany Long-Term Care

Insurance Conference, Feb. 8-11 at the Hilton Americas in Houston. The actuarial track of the conference features eight sessions on issues such as combination products, pricing intricacies, challenges in work-site marketing, actuarial modeling, valuation and risk-based capital, and implications of consumer choice. Other tracks include sessions on claims, compliance, operations, and underwriting.

Registrants enrolling through the Academy receive a discounted fee. For more information and to register, go to www.soa.org/conted/ltci04/ltci.html.

Global Conference The Actuarial Society of India, in conjunction with the IAA and the Federation of Indian Chambers of Commerce and Industry, is holding the sixth annual Global Conference of Actuaries, Feb. 18-19 at

Federation House in New Delhi, India. The conference will feature contributions by actuaries on new developments in actuarial science, and it will provide a platform for interaction at a global level on financial and risk management topics. For more information and to register, go to www.actuaries.org/6thGCA_Brochure.pdf.

Century Celebration The Academy recently sent an engraved crystal obelisk to its German counterpart, the Deutscher Aktuarvereinigung (DAR) and the Deutschen Gesellschaft für Versicherungsmathematik (DGVM), in celebration of the 100th anniversary of the combined German actuarial organizations.

ASB Changes The new chairperson of the Actuarial Standards Board is **Michael LaMonica**, vice

president and actuary for Allstate Insurance Co. in Northbrook, Ill. Joining the ASB are **Lew Nathan**, group vice president and actuary with CNA Insurance Cos. in Chicago; **Godfrey Perrott**, a former chairperson of the ASB's Life Committee, a member of the Academy Life Practice Council and Council on Professionalism, and a consulting actuary with Milliman USA in Boston; and **William Reimert**, a former chairperson of the ASB Pension Committee and a consulting actuary with Milliman USA in Wayne, Pa. They replace Robert Wilcox, William Koenig, and Heidi Rackley. The new chairperson of the ASB's Life Committee is **Robert Meilander**, a member of the Academy Life

Capital Adequacy Subcommittee and vice president and corporate actuary with Northwestern Mutual in Milwaukee.

New at ABCD The Actuarial Board for Counseling and Discipline has two new members: **Julia Philips**, chairperson of the *Contingencies* editorial advisory board, a member of the Academy's Task Force on Health Insurance Rate Filing, and a life and health actuary with the Minnesota Department of Commerce; and **Michael Toothman**, a former Academy vice president, former member of the Academy's Board of Directors, and a consulting actuary with Actuarial and Risk Consulting Services in Ardmore, Pa. They replace William Bugg and Robert Sturgis.

FINANCIAL REPORTING NEWS



The Joint Risk-Based Capital (RBC) Work Group presented an interim [report](#) to the NAIC on potential trend tests for P/C and health RBC and possible changes to the life RBC trend test.

► **Kris DeFraen**, a property and casualty actuary with the NAIC in Kansas City, Mo., has joined the Solvency and Risk Management Task Force.

LIFE NEWS



The Variable Annuity Reserve Work Group updated a proposed [actuarial guideline](#) on the valuation of variable annuity reserves and presented it at the NAIC winter meeting (see story, Page 4).

PENSION NEWS



Three actuarial experts on pension issues received Academy-sponsored media training in December. Participating in the day-long session were **Mark Beilke**, chairperson of the Academy's Pension Accounting Committee and director of employee benefits research for Milliman USA in Vienna, Va.; **Ken Kent**, the Academy's vice president for pension issues and a principal for Mercer Human Resource Consulting in Washington; and **John Parks**, a former Academy vice president for pension issues and president of MMC&P Retirement Benefit Services in Pittsburgh.

► With a temporary pension discount rate set to expire Dec. 31, the Pension Practice Council urged members of Congress in letters written on [Nov. 20](#) and [Dec. 5](#) to pass legislation creating a new discount rate.

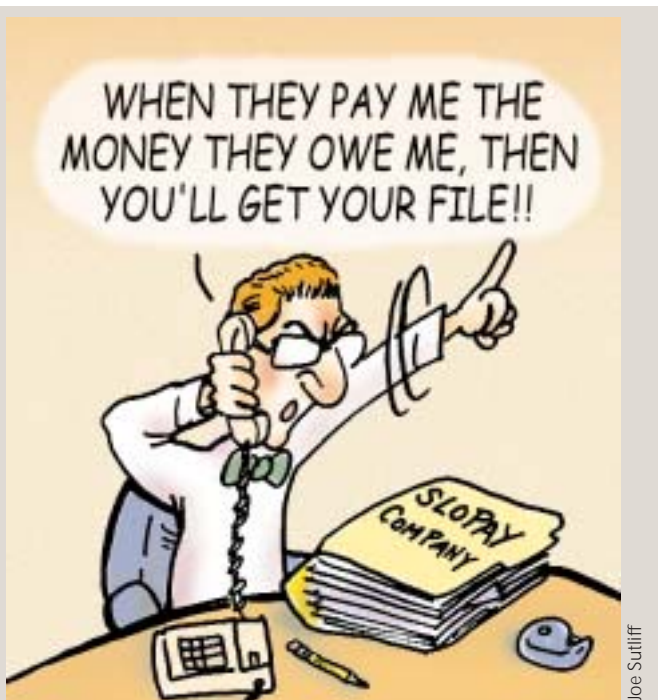
IN THE NEWS

An article in the Dec. 6 issue of the *National Journal* lauded the Academy's website — and particularly the [Social Security Game](#) — as an evenhanded and entertaining source for Social Security information.

► An article in the Dec. 8 *National Underwriter* about a report from Standard & Poor's on insurance actuaries (see story, Page 1) quoted several Academy members, including **Bob Anker**, the Academy's immediate past president; **Rade Musulin**, chairperson of the Academy's Communications Review Committee and vice president for public affairs and reinsurance with the Florida Farm Bureau Insurance Co.; **John Purple**, vice chairperson of the Academy's Casualty Practice Council and chief actuary for the Connecticut Insurance Department; and **Chet Szczepanski**, a member of the Academy's Joint Casualty Loss Reserve Seminar Planning Committee and chief actuary for the Pennsylvania Insurance Department.

► Two articles in the Dec. 15 *National Underwriter* described separate Academy presentations at the winter NAIC meeting: one on the Academy's proposal for reserve guidelines for guaranteed living benefits, and one on a trend test that will include methodologies to look at changes in RBC scores through time.

► A Bankrate.com article on working after retirement quoted **Bruce Schobel**, a member of the Academy's Board of Directors and former chairperson of the Social Insurance Committee and a vice president and actuary with New York Life Insurance Co. in New York.



Joe Sutliff

While this tactic may seem reasonable, Precept 10 of the Code of Professional Conduct requires you to act courteously and with professional respect when cooperating with others in the principal's interest. While you may not withhold an ex-client's records for payment unless there is specific language to that effect in your retention agreement, you can request reasonable compensation for the work required to assemble and transmit pertinent data and documents.

Progress Posted at Winter

ONE HIGH-PROFILE ACADEMY PROJECT moved forward and several others gained momentum at the NAIC winter national meeting in Anaheim, Calif.

Prospects for the implementation of the Academy's C-3 Phase 2 [recommendations](#) with the 2004 life risk-based capital (RBC) filing brightened considerably when the NAIC's Life RBC Working Group adopted instructions and formula changes for the 2004 Life RBC Overview and Instruction Booklet and diskette (see story below).

Meanwhile, the NAIC's Life and Health Actuarial

Task Force (LHATF) received a [draft](#) annuity nonforfeiture model regulation and an accompanying value-triggered method Q & A, created by the Academy's Annuity Nonforfeiture Implementation Work Group. The model regulation was developed to implement a model law (originally drafted by the Academy) that was adopted by the NAIC in March 2002. Also meeting with LHATF were members of the Academy's Variable Annuity Reserve Work Group, who presented a proposed draft actuarial [guideline](#) on valuing reserves for variable annuities.

At the same meeting, the Academy's Joint RBC Work

C-3 Phase 2: A Step Closer to Adoption

BY LARRY GORSKI

AT THE WINTER NAIC MEETING, the NAIC's Life Risk-Based Capital Working Group took the first step toward adopting the recommendations of the Academy's Life Capital Adequacy Subcommittee on statutory risk-based capital (RBC) charges for variable annuity guarantees. The working group adopted instructions and formula changes for the 2004 Life RBC Overview and Instruction Booklet and diskette.

The significance of this action is that it keeps the door open for implementation of the C-3 Phase 2 recommendations with the 2004 Life RBC filing. On the other hand, the flexibility of the adopted instruction and formula changes is such that the working group can still decide to defer adoption of the recommendations until 2005 — or even later. In fact, instruction changes (but not formula changes) for the 2004 RBC formula can take place through June 30.

The subcommittee has quite a bit of work to do in order to provide the NAIC with a complete package to support its recommendations. The major components still to be completed are the alternate methodology factors. For actuaries not following this project, the Academy's recommendations focus on using internal modeling to produce regulatory RBC charges for variable annuities with death or living benefit guarantees. Recognizing the practical needs of certain insurers, the recommendations also provide alternate methodology factors to compute RBC charges for death benefit guarantees but not living benefits. However, these alternate methodology factors

have yet to be finalized.

Since an insurer will have a choice of methodologies, the availability of the factors is of utmost importance. Insurers will need to choose between the factor approach and the modeling approach. Using the factor approach should be relatively simple, compared to the modeling approach, but it will not be trivial. In the first place, the factor-based reserve for any policy will consist of three components: a provision for amortization of the Commissioners Annuity Reserve Valuation Method allowance, less surrender charges; a provision for fixed-dollar costs, less fixed-dollar revenue; and a provision for the costs of the guaranteed maturity death benefit (GMDB), less spread-based charges. Secondly, since factors will be provided for five standard GMDB designs, an insurer choosing the factor-based approach may have to adjust the benefit component of the factor to fit a specific benefit design. Systems may need to be developed or modified before an insurer can make an informed decision as to which methodology to use.

While the factor-based methodology may be easier to implement than the modeling approach, the modeling approach more fully recognizes the benefit of aggregation and hedging. Of course, using the modeling approach means building or acquiring a model. An insurer interested in using the modeling approach must decide whether to build or acquire a model to generate fund re-



turns or to choose among 10,000 pre-packaged [scenarios](#) developed by the subcommittee (and currently available on the Academy's website) or a suitable subset.

Regardless of their choice in methodologies, insurers will need to document how the RBC charge is determined. If alternate methodology factors are used, insurers will need to justify

whether the adjustment of standard factors to specific benefit designs is appropriate. If the modeling approach is used, the documentation will need to be more comprehensive, probably comparable to documentation necessary for asset adequacy analysis testing of reserves. One significant aspect of the modeling process is how many scenarios are to be used. Concerns about sampling error have already been raised by some regulators and by Academy members participating in the process. It will be one of many things considered by regulatory actuaries reviewing an insurer's RBC filing.

For the Academy's subcommittee members and others who were involved in developing a regulatory framework for calculating RBC charges for variable annuities with guarantees, 2003 was an interesting year. Look for further developments in 2004.

Larry Gorski is the new chairperson of the Life Capital Adequacy Subcommittee. A former chief life actuary for the Illinois Department of Insurance, he is now a consultant with Claire Thinking, Inc.

NAIC Meeting

Group presented an interim report to the Ad Hoc Subgroup of the NAIC's RBC (E) Task Force on potential trend tests for P/C and health RBC and possible changes to the life RBC trend test.

On the health side, the Academy's Long-Term Care Reserve Work Group presented a [study](#) to LHATF's Accident and Health Working Group on the possible reserve impact of proposed changes in the statutory valuation standards for long-term care insurance. And the Health Rate Filing Task Force presented an update of its model of the individual health market, with applications designed to make coverage more affordable. The subject

of an Academy webcast to regulators in September, this ongoing project has been in development for four years so far.

Finally, the Academy's Committee on Property and Liability Financial Reporting unveiled its new [issue brief](#) on how casualty actuarial opinions work at a Casualty Actuarial Task Force (CATF) session. Earlier, Frank Irish, chairperson of the ABCD, and Lauren Bloom, the Academy's director of professionalism, made an encore presentation for CATF and LHATF of a session on actuarial professionalism that was originally presented at the fall NAIC meeting in Chicago. ▲

Academy Rebuttal, *continued from Page 1*

sent out quickly (less than 30 hours after the S&P report was distributed to the media) because a delayed response raised the risk that additional stories would be written without the Academy's input.

"In addition to stories in the trade press, there was a wire service story taken straight from the S&P report," said Noel Card, the Academy's director of communications. "We knew there was a chance that the story could be picked up by business writers in hundreds of newspapers across the country, creating a flood of negative stories we would never be able to correct."

While the Academy's news release was strong, focused, and direct, it was crafted after considerable thought and discussion and in accordance with crisis communications procedures developed by the Academy earlier in the year and approved by both the Academy's Board of Directors and the Council of Presidents of the North American actuarial organizations.

"If untruths go unchallenged in the media, they quickly become fact and are repeated — even if they are unfounded," said Rade Musulin, chairperson of the Academy's Communications Review Committee and a member of the CAS' Media Relations Committee. "Inaccurate media coverage has a long shelf life on the Internet. With electronic records and powerful search engines, inaccurate stories can haunt us for years to come."

Musulin, a casualty actuary with considerable experience in media relations in his position as vice president for public affairs and reinsurance for the Florida Farm Bureau Insurance Co., joined Anker as one of the Academy's lead spokespersons on the story.

Turning the Story

Because of the Academy's quick action, the *Wall Street Journal* and *National Underwriter* quoted Anker, Musulin, and other Academy members about the S&P report.

"Once the actuarial perspective was included in the story, it made a world of difference," Anker said.

The story that ran in the Dec. 8 *National Underwriter*, for example, was fair and balanced and raised legitimate issues about the S&P report. In fact, the article offered an excellent point-by-point

challenge to the most egregious allegations made by the S&P authors, at the same time shedding new light on the challenges actuaries face in P/C loss reserving.

Another Front

With media relations covered, the Academy began to implement other parts of its strategy. Two weeks to the day after S&P released its report, an Academy delegation consisting of Anker, CAS President Mary Frances Miller, and former Academy President Dave Hartman met with S&P staff in New York. As a result, a productive dialogue with S&P was opened, yielding the promise of a possible follow-up report and an invitation to participate in future S&P meetings.

Follow-up [letters](#) have also been sent to the authors of the S&P report, as well as to the authors of an article in a Morgan Stanley newsletter, further explaining the profession's perspective and concerns on the issue. Said Anker, "We will respond as often as is needed to make sure the profession is understood."

Educational Opportunity

"The fact that the S&P report was written in such a manner in the first place shows that the profession must expand its educational efforts," said Anker. There are underlying problems in loss reserving, Anker said, and the profession is actively addressing these problems both scientifically and professionally. "We need to communicate that better to both our public and ourselves," Anker said. "While this began as a crisis, and was handled as such, it is now a significant opportunity to provide the actuarial perspective on P/C loss reserves to people in the financial and insurance communities."

Those efforts include a new Academy [issue brief](#), *Actuarial Opinions in Property-Casualty Insurance*, which was released to regulators at the NAIC winter meeting in Anaheim, Calif. This issue brief will also be distributed to other key audiences, including trade associations, companies, and actuarial organizations and clubs. Similarly, an article written by a CAS committee is about to be released to the trade media as part of the follow-up effort. ▲

Academy Forecast: Improving Visibility

DID YOU KNOW THAT IN THE PAST 12 MONTHS, Academy members were called upon seven times to testify at congressional hearings? Did you know that during the same period, the Academy issued more than 45 reports and comments to regulators on NAIC-related projects? Or that several Academy work groups are currently providing input to the IAA and the IASB on international solvency and capital issues?

If you didn't, you are not alone — and that is something that Academy President Barbara Lautzenheiser would like to change.

"Basically, my mission is to increase the visibility of actuaries — the profession in general, and the Academy specifically — to both our members and our external audiences and thereby increase our impact," said Lautzenheiser in a recent interview.

As a step toward that goal, the Academy is recasting its annual Washington Forum. Now titled the 2004 Spring Meeting — An Academy Forum, the meeting will focus on the Academy's work on current public policy and professionalism issues, highlighting activities in areas of key importance to the public and the profession. (For more information on the meeting, see [Page 8](#).) In addition to showcasing the many significant efforts of Academy volunteers, the meeting, scheduled for May 6-7 in Washington, will give attendees ample opportunities to weigh in with their own ideas. "And if they are interested in participating, they can do so both at the meeting and, better yet, by working on Academy projects, either as a volunteer or as an interested party," Lautzenheiser said. "We are very interested in hearing from them."

Increasing the visibility and impact of the profession, and of its perspective on various public policy issues, is particularly important in an election year, Lautzenheiser said. Already, the Academy's Pension and Health Practice Councils have identified topics they expect to be central issues and are developing papers delineating an actuarial perspective. Similarly, the Academy will continue to coordinate with other actuarial organizations as it

responds to policy initiatives. "In this way, we maximize the input and impact of the profession," Lautzenheiser said.

Maximizing input and impact has been a hallmark of Lautzenheiser's actuarial career. Starting out in 1960 as an actuarial trainee for Bankers Life Nebraska (now Ameritas), Lautzenheiser rose through the ranks, achieving the position of vice president and actuary before moving to Hartford in 1980 for a position as senior vice president of Phoenix Mutual Life Insurance Co. In 1984, she joined the Signature Group in Schaumburg, Ill., serving as president and chief operating officer for the group's three insurance companies, and then left to form her own consulting firm specializing in insurance, planning, marketing, product development, project management, and government relations.

At the same time, Lautzenheiser was devoting hours of her time in service to the profession. The first female president of the SOA, she was also a charter member of the Actuarial Standards Board (ASB) and a member of the interim body that preceded the ASB. She has also served as the Academy's vice president for life insurance issues. In addition, she is a trustee emeritus of the Actuarial Foundation and was a charter member of the SOA Actuarial Foundation Board of Trustees.

"What it comes down to is this: If I see a need that I can fulfill, and it's worthwhile, then I find a way," Lautzenheiser said.

One worthwhile need, Lautzenheiser said, is better coordination among actuaries at the international level through the activities of the International Actuarial Association. "Better coordination brings greater visibility, and with greater visibility, what is a relatively small population of actuaries around the world can have a much greater impact," Lautzenheiser said.

And because actuaries bring a valuable — and often unique — perspective to any public policy debate, she added, greater impact is worth greater effort. "I like to quote Jiminy Cricket." Lautzenheiser said, "It's what you do with what you've got that counts." ▲

Barbara J. Lautzenheiser

- ▶ Was born in La Feria, Texas, and moved to Nebraska with her family at the age of 8 months. Her first word was "agua" and her second word was "shoes," which she says she has been buying ever since.
- ▶ Now lives in South Glastonbury, Conn.
- ▶ Has served the Academy in a variety of positions, including as a vice president for life issues, as a regular member of the Academy Board of Directors, and as a member of the *Contingencies* editorial advisory board.
- ▶ Graduated in 1960 from Nebraska Wesleyan University in Lincoln, Neb., with a B.A. with high distinction in mathematics and science.
- ▶ Began her career in 1960 as an actuarial trainee with Bankers Life Nebraska (now Ameritas) and rose to the position of vice president and actuary. In 1980, she became senior vice president of Phoenix Mutual Life Insurance Co. in Hartford, Conn. In 1984, she became president of Signature Group's three insurance companies in Schaumburg, Ill. Since 1986 she has been a principal with Lautzenheiser & Associates in Hartford.
- ▶ Enjoys shopping and, if she had more time, would enjoy gardening. She and her husband, Gene Strauch, take in stray pets and currently care for several cats and a dog.



- ▶ The P/C Extreme Events Committee plans to update its 2002 monograph on P/C terrorism insurance coverage. The revision will focus on current market conditions and the impact of the Terrorism Insurance Act (due to expire in 2005) on the P/C insurance market.
- ▶ The council will continue its study of recent cases of P/C insurer insolvency, including the role of reserve estimates and the potential solvency effect of possible risk-based capital regulatory trend tests.



Financial Reporting Council

- ▶ The council will be restructured (pending Board of Directors' approval) so as to better manage projects and respond to emerging issues. The council plans to focus on financial reporting, risk management, and solvency issues, and intends to increase its interactions on these topics with regulators, legislators, and standards-setters.
- ▶ The council will continue to work and strengthen its relationship with the FASB, the IASB, and the Public Company Accounting Oversight Board on actuarial issues in the development of financial reporting and audit standards.
- ▶ The council will continue to provide input on various solvency efforts, such as the Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission, the IAAs project for assessing insurer solvency, and the NAIC's risk-based capital initiatives.



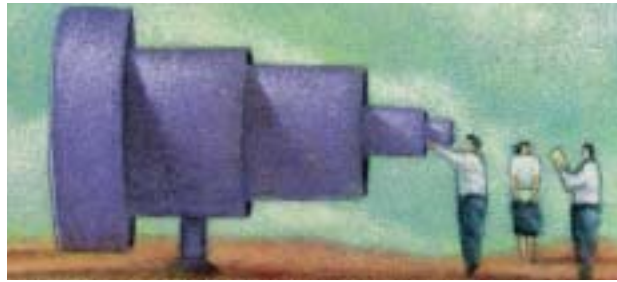
Health Practice Council

- ▶ Following the passage of the Medicare prescription drug plan, the council is planning a guidebook for reporters, presidential campaigns, and the general public on the actuarial implications of the new law.
- ▶ An election year guidebook on health care affordability and availability will focus on presidential candidates' specific health care proposals.
- ▶ The council will continue to monitor developments in consumer-driven health care.



Life Practice Council

- ▶ The council will continue to expand its role at the state, federal, and international levels, focusing particularly on Congress, the NAIC, and the IAA.
- ▶ The council will continue its strong relationship with the NAIC on risk-based capital (RBC), valuation, and product issues. Projects are expected to be completed this year in the areas of statutory reserve and RBC requirements for variable annuity products, annuity nonforfeiture regulation, long-term regulatory structure for standard nonforfeiture laws, valuation law enhancements, standard nonforfeiture



and valuation laws, and financial services modernization.

- ▶ The council will work with the Financial Reporting Council to produce a monograph on purchase GAAP (generally accepted accounting principles) and to respond to issues raised by FASB and standards proposed by the IASB.



Pension Practice Council

- ▶ As a supplement to its continuing focus on the 30-year Treasury replacement, the council is developing a framework for revising current pension funding rules. The framework will be discussed throughout the year with congressional staff, regulatory agencies, and employee benefit organizations. The document, along with a defined benefit (DB) symposium at the Enrolled Actuaries Meeting and Capitol Hill briefings on retirement security, reflects the council's continued emphasis on the revitalization of DB plans.
- ▶ The Social Insurance Committee will update various issue briefs and sponsor a series of Capitol Hill briefings on Social Security reform during the first half of the year. The committee will also produce an issue guide for voters on aspects of reform that would need to be addressed in any comprehensive Social Security proposal.
- ▶ The Pension Accounting Committee will continue its discussions with FASB on various proposed standards, including one on accounting for cash balance plans and one on FASB's efforts toward convergence with international accounting standards.



Council on Professionalism

- ▶ The council will begin to implement the recommendations of a task force that has studied the increase in litigation against actuaries and has identified steps actuaries can take to avoid unfair litigation. (The task force was formed last year at the request of the Council of Presidents.)
- ▶ The council is developing a series of discussion papers on professionalism topics and will make professionalism presentations at the annual meetings of various actuarial organizations.
- ▶ The council will coordinate with the other councils to help them incorporate professionalism into their activities more thoroughly. ▲



The Actuarial
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MARK YOUR CALENDARS!

American Academy of Actuaries Spring Meeting 2004: An Academy Forum

May 6-7, 2004 • Washington, D.C.

Join us for 1½ days of sessions on a wide range of topics covering current issues in every practice area at the Academy's NEW Spring Meeting: An Academy Forum!

GENERAL SESSION TOPICS*

- ▶ The Impact of the Sarbanes-Oxley Act on Actuarial Practice
- ▶ Data Quality and the Role of the Actuary
- ▶ Actuarial Litigation
- ▶ Annual Washington Luncheon, including the presentation of the 2004 Robert J. Myers Award

BREAKOUT SESSION TOPICS*

CASUALTY TRACK

- ▶ The NAIC and Actuarial Audit/Financial Reporting
- ▶ Sarbanes-Oxley — Section 302
- ▶ Sarbanes-Oxley — Section 404
- ▶ The Impact on Pricing of Volatile Lines
- ▶ What Does Your Opinion Mean?
- ▶ Modeling Issues

HEALTH TRACK

- ▶ Medicare Reform/Prescription Drugs
- ▶ Coverage for the Uninsured
- ▶ Health Care Affordability
- ▶ Retiree Health Care
- ▶ Solvency Protection and Regulation
- ▶ Professionalism — Case Studies

LIFE TRACK

- ▶ C-3 Phase 2
- ▶ Variable Annuity Reserves/Dollar-for-Dollar/Actuarial Guideline 34
- ▶ GAAP Issues
- ▶ The Illustration Practice Note and Its Role in the Ethical Marketing of Insurance
- ▶ Nonforfeiture
- ▶ International Solvency Framework

PENSION TRACK

- ▶ Retirement Risk
- ▶ Does What We Do as Professionals Impact on the Future of DB Plans?
- ▶ The Future of DB Plans: Is the Crystal Ball Becoming an Eight Ball?
- ▶ Social Security Reform
- ▶ Accounting and Pensions
- ▶ Retirement Plan Governance

*Proposed topics — titles and content may change. Academy members will receive registration instructions by early February.

