



Academy Gives PBR Progress Report at IAA Meetings

DAVE SANDBERG, the Academy's former vice president for life insurance issues, presented updates on the status of principles-based reserving (PBR) in the United States at the Oct. 25-28 International Actuarial Association (IAA) meetings in Dublin, Ireland.



Dave Sandberg discusses international matters at the October leadership meeting.

In response to the IAA's invitation to the Academy, Sandberg gave presentations to the IAA's Solvency Subcommittee of the Insurance Regulation Committee and to the IAA's Reinsurance Committee. In his presentations, Sandberg discussed the proposed PBR framework and the development of a new U.S. standard valuation law and supporting valuation manual.

Sandberg also provided an overview of the anticipated PBR timeline, which projects the technical framework to be largely completed by early 2008, followed by the adoption of the standard valuation law and valuation manual by the National Association of Insurance Commissioners (NAIC) later in the year. The next step would then be adoption of PBR by the individual states, ideally in 2009, potentially leading to its enactment the following year.

In the development of PBR, Sandberg reported, the Academy continues to work with state regulators through the NAIC. Coming off the NAIC's fall 2007 national meeting, its Life and Health Actuarial Task Force (LHATF) appointed

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Vertical Communication

Steve Sullivan promoted to communications director **PAGE 2**

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Academy recommends principles over rules in risk management **PAGE 5**

PPA Problems

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Opining actuaries gain regulatory knowledge . . **PAGE 7**

On the CUSP of a New Frontier?

IN MAY OF 2000, the sun, the moon, and the six innermost planets from Mercury to Saturn were more tightly aligned than they had been in six millennia — one of the reasons that year for many to predict gravitational gloom and doom for the world as we knew it. In January 2007, a similar event occurred in the American actuarial universe, according to Academy President Bill Bluhm, with the alignment of the five U.S. actuarial organizations (American Society of Pension Professionals and Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, Society of Actuaries, and the Academy). Instead of throwing around their respective weights, however, the organizations agreed to work together by forming the Council of U.S. Presidents (CUSP) — a monumental task considering their long history of fragmented relations.



Bill Bluhm

“Getting the stars lined up,” said Bluhm in a recent *Update* interview, “meant getting people in positions of leadership in each of the five organizations that are willing to look beyond issues of turf

See **BLUHM PROFILE**, Page 4

Actuarial UPDATE

DECEMBER

- 2-4 NAIC winter meeting, Houston
 3-7 SOA asset liability management seminar, Phoenix
 5-6 ASB meeting, Washington
 6-7 SOA insurance seminar on economic capital, Chicago
 7 Webcast on risk of material adverse deviation (Academy, CAS)
 10 Academy webcast on revised Qualification Standards
 11 Academy Life Financial Reporting Committee meeting, Chicago
 12 Academy Executive Committee meeting, Orlando, Fla.
 18 Academy webcast on PBR and RBC issues

JANUARY

- 7-9 SOA Living to 100 Seminar, Orlando, Fla.
 15 CUSP meeting, Clearwater, Fla.
 16 Academy Board of Directors meeting, Clearwater, Fla.
 16 SOA webcast on ERM best practices

FEBRUARY

- 4-5 Academy Health national health policy conference, Washington
 10-12 ASPPA 2008 401(k) Summit, Orlando, Fla.
 14-16 North American Actuarial Council meeting, San Cristobal, Mexico
 28-March 2 NCOIL spring meeting, Washington

MARCH

- 5-7 ASB meeting, Washington
 16-19 Eighth annual intercompany LTCI conference, Jacksonville, Fla.
 17-18 CAS ratemaking seminar, Boston
 25-26 SOA investment symposium, New York
 28-April 1 NAIC spring meeting, Orlando, Fla.

APRIL

- 6-9 Enrolled Actuaries Meeting (Academy, CCA), Washington
 14-16 SOA enterprise risk management symposium, Chicago
 22 Academy Executive Committee meeting, Washington
 22-26 NCSL Spring Forum, Washington

MAY

- 20 CUSP meeting, Washington
 21 Academy Board of Directors meeting, Washington
 31-June 3 NAIC summer meeting, San Francisco

WEB INTERFACE

Links to documents underlined in blue are included in the online version of this issue at www.actuary.org/update/index.asp

Academy NEWS Briefs

Academy Editors Kicked Upstairs



Steve Sullivan

CLOSE READERS OF THE NOVEMBER/DECEMBER ISSUE OF *Contingencies* (or this issue of *Update*) will notice that the masthead has changed. Steve Sullivan, editor of the magazine since joining the Academy in 1997 (and assistant director for publications since 1999), was made the Academy's director of communications in October. Taking over as *Contingencies* editor and assistant director for publications is Linda Mallon, who has been editing the *Update*, the *EAR*, and other Academy publications since 2000. Taking her place is Tim Dougherty, a former editor for the National Lumber and Building Material Dealers Association.

Net Dues The Academy's 2008 online dues renewals are off to a record start. In the first six days of the renewal period (Nov. 7- Nov. 12), the Academy renewed 1,480 members online for a total of \$787,815 in dues collected. This bests the 1,107 renewals and \$620,888 collected online in the first six days (Dec. 7- Dec. 12, 2006) of this past year's renewal period.

About half of the Academy's members renewed their 2007 memberships online, and the Academy expects that number to increase this year. Since the Academy introduced its online account maintenance system in 2005, members have increasingly turned to the Web to update their records. As a result, they are able to easily keep their information up to date, while lowering the Academy's administration costs due to returned mail and postage costs.



Dues Waivers Academy members who are on temporary leave from the work force (for any reason, including unemployment or partial disability) or who are under age 70 and retired from active employment are eligible for a partial waiver of their Academy dues if they anticipate that they will earn no more than \$28,000 from actuarial activities in 2008. Partial waivers are based on a member's employment status as of Jan. 1, 2008, and are intended for members who will be out of the work force the entire calendar year. If you are granted a partial waiver, your dues for 2008 will be \$100.

For more information and to submit a request for a partial dues waiver, go to www.actuary.org/partialwaiverform.asp. If you are not sure whether you qualify for a partial dues waiver, please contact Rachel Rusch, the Academy's assistant director of membership relations and administration (rusch@actuary.org; 202-785-7871).

ERM Webcast The Society of Actuaries is hosting a webcast on ERM global best practices for the actuarial community on Jan. 16, 2008. The webcast targets actuaries who are currently practicing in the ERM area within insurers or consultancies and actuaries and

actuarial students who wish to get exposed to ERM practices so they can participate in ERM programs at insurers in the future. For more information or to register, go to <http://www.soa.org/meetings-and-events/event-detail/global-best-erm/default.aspx>.

Christmas in May Former Academy member **Susan M. Smith** donated \$1.5 million this May to the University of Michigan's College of Literature, Science, and the Arts to fund the Susan Meredith Professorship in Actuarial Sciences in the Department of Mathematics. After a nearly 30-year career with Towers Perrin,

MEDIA RELATIONS ACTIVITY REPORT—OCTOBER 2007

6 Requests

7 Interviews

84
Placements
& Pickups

Media Impressions:
8,192,366

Web Impressions:
847,000

Media impressions are a combination of readership, listenership, and viewership. Web impressions are distinct from media impressions and reflect the number of daily, unique individuals who access a website. A placement is an article containing an Academy reference, quote, or attribution from an Academy spokesperson, or the placement of an Academy-produced letter to the editor/op-ed. A pickup is the publication of an Academy news release, media alert, or statement.

she wanted to give back to the school. Though she had planned to bequeath the fund, she changed her mind when U-M President Mary Sue Coleman pledged to match the gift with an additional \$500,000 as part of the President's Donor Challenge campaign.

IN THE NEWS

The Academy Flood Insurance Subcommittee's letter to congressional leadership on a proposal to expand the National Flood Insurance Program was published in its entirety in several regional issues of the Oct. 8 *Insurance Journal*. The letter was signed by **Stuart Mathewson**, chairperson of the subcommittee and chief pricing actuary for the industrial risk insurers division of Swiss Re in St. Louis Park, Minn.

A letter to the editor of *BusinessWeek* written by then-Academy President **Steve Lehmann**, a principal and consulting actuary with Pinnacle Actuarial Resources in Bloomington, Ill., was published in the Oct. 8 issue. He contends that a study by Princeton professor Alan Blinder, which placed actuaries on a list of "offshorable" jobs, is subjective and understates the interpersonal communication and management skills necessary for most actuarial projects.

News coverage from the Casualty Loss Reserve Seminar, which included articles in the Oct. 10 and 11 online editions of *National Underwriter Property & Casualty* and *Insurance Journal*, included comments from a host of actuaries, including **Christopher Bozman**, a con-

sulting actuary with Towers Perrin in Philadelphia; **Michael McCarter**, the vice president of industry and regulatory affairs for American International Group in New York; and **Sandra Santomenno**, a senior consultant with Towers Perrin in New York. The seminar was jointly sponsored by the Casualty Actuarial Society and the Academy.

The Academy Reinsurance Working Group's comments on risk transfer requirements under a principles-based reserving system during the National Association of Insurance Commissioners fall meeting appeared in an Oct. 8 *National Underwriter Life & Health* article. **Sheldon Summers**, chairperson of the Reinsurance Work Group and chief actuary and supervising life actuary for the California Department of Insurance, and **Tom Campbell**, the Academy's vice president for life insurance issues and vice president and corporate actuary with Hartford Life in Weatogue, Conn., both included comments in the article.

Academy Senior Pension Fellow **Ron Gebhardt** was cited in a number of articles in October. Gebhardt was quoted in an Oct. 21 *Baltimore Sun* financial column that discussed the benefits of waiting to collect Social Security benefits. He said that if you live past 80, it may be better to wait. Gebhardt also supplied life expectancy data in the column, which has been featured in several dozen other publications, includ-

ing the Oct. 28 *Chicago Tribune* and *Hartford Courant*.

He also commented for an Oct. 24 Reuters financial column that discussed using a personal actuary when planning for retirement. The column, which was also published on Oct. 28 in the *Orange County Register*, said that in addition to helping with the number crunching, actuaries are also knowledgeable about "Social Security rules, life expectancies, taxes, and pension law."

An Oct. 28 *Washington Post* financial feature on inflation's impact on retirement savings quoted Gebhardt, who said retirees with level incomes will have to offset the effects of inflation by reducing spending or by digging into savings. An Academy chart was also included that showed the probability of living to certain ages for people aged 65 in 2007.

KUDOS

Michael Callahan, a former member of the Academy's Board of Directors, past president of the American Society of Pension Professionals and Actuaries (ASPPA), and vice president and operating manager of Pentec Inc. in Southington, Conn., was the recipient of ASPPA's 2007 Harry T. Eidson Founders Award. Established to honor

the memory of the founder of ASPPA, the award recognizes individuals whose volunteer work has had a lasting positive influence on ASPPA or the private pension system.

Norman Parrish, a retired actuary in The Woodlands, Texas, was reappointed to the Texas State Pension Review Board by Texas Gov. Rick Perry. The board serves as an early warning system to detect pension plans in need of corrective action before their problems become critical.

ON THE MOVE

XL Re Life America Inc. in Stamford, Conn., the U.S. life reinsurance operation of XL Capital Ltd., has appointed **Richard Lassow** as senior vice president for new business acquisition and **Eric Carlson** as vice president for sales and marketing. Lassow was formerly vice president and actuary with Liberty Life Assurance of Boston. Carlson, a member of the Academy's Life Practice Council, was formerly vice president for professional services for DFA Capital Management.

Scott Allen has been named chief actuary officer for Medical Card System Inc. in San Juan, Puerto Rico. He was formerly a senior actuary with Coventry Health Care in Atlanta, Ga. ▲

and protectionism and examine the issues of the day in context of how they relate to the whole profession, not just their associations. It's really a tribute to those five presidents and presidents-elect."

Since Bluhm, a principal with Milliman in Minneapolis, became Academy president-elect in October 2006, building consensus has been the foundation of his Academy work — primarily, developing and integrating the Academy's new [strategic plan](#). In September 2007, the Academy's Committee for Strategic Planning — chaired by Bluhm as the president-elect — submitted a final version of the new plan to the Board of Directors. A month later, the board unanimously approved, with no changes, the plan and all its 86 initiatives — which included brand-new ideas like the Academy's willingness to adopt public policy advocacy positions when it feels it's necessary.

"Going through the process of building consensus for our mission and vision, including the creation of CUSP, causes everybody in the process to buy into the result," Bluhm said. "And unless we get agreement on what we're doing here and what success will look like, we'll be continually butting heads on the same issues."

Now, as Academy president, Bluhm's fourth stint on the Board of Directors, he says he has a whole new set of challenges in front of him in the second year of his own personal plan. First, he has to work with Academy staff to fully buy into the plan. Next, he has to work with that staff and the board to put the structure and process in place that will achieve the goals of the plan.

"It sounds simple," he says, "but it is one of the more difficult things I've ever tried to take on."

From developing and integrating the strategic plan, to drafting its initiatives concerning CUSP and the North American Actuarial Council (NAAC), to the plan's unanimous approval, collaboration is a theme that has been essential to Bluhm. He believes that when there is common ground among different parties (CUSP, NAAC, the International Actuarial Association [IAA], etc.), the Academy and the rest of the actuarial associations should seek to work together for the benefit of the profession as a whole.

"That's an extremely difficult thing to do if you're not used to it, and many on the boards of directors in the associations lend themselves toward being insular," Bluhm said. "And in fact, generally it's easier to be insular than it is to reach out and expand beyond those horizons."

However, Bluhm said he saw positive signs at the IAA meeting in Dublin in October, when the Academy — in conjunction with the other U.S. associations (through CUSP), the Canadian Institute of Actuaries, and the Mexican Colegio Nacional de Actuarios — was able to present two motions in council that addressed issues that were significant to North America. The first motion was approved by the council to reiterate that the IAA principle of subsidiarity, the idea that a larger, more complex organization should not act when its smaller, simpler member organizations can competently act on their own, would apply to all parts of the IAA, including the sections — meaning, essentially, the IAA will not meddle with things within a particular country. Second, a motion was debated that asked the IAA to set up a task force to examine the issues of governance and accountability of IAA sections. Action on

that motion was deferred until the next meeting in Mexico City in April.

Since each American organization has its own IAA delegates and its own votes, the collaboration within CUSP was instrumental in forging a united position in Dublin. "We've been operating where, if we can at least reach consensus among the U.S. organizations, we can have a stronger international presence than if we have five lone rangers going in there at the same time," Bluhm said.

Despite those early signs of collaboration, Bluhm is prepared to face significant challenges as he works with the Academy to successfully integrate all 86 initiatives of the strategic plan. Fortunately, he is motivated by a great sense of duty that he believes is shared by his Academy colleagues. "As Elwood Blues said, 'We're on a mission from God,'" Bluhm declared at the Academy's Oct. 3 [annual meeting](#), evoking the wisdom of the harmonica-riffing Blues Brother. But instead of saving St. Helen's Orphanage, Bluhm is trying to shape the future of his profession and its ability to best serve the public. Of course, as Bluhm knows, it never hurts to have the heavens on your side. ▲

BILL BLUHM

- Was born in Brooklyn, N.Y., and grew up in Schenectady, N.Y. He now lives in St. Paul, Minn.
- Is married to Christine, former director of public policy at the Academy. He met her while he was the Academy's vice president of health insurance issues.
- Has two children: daughter Samantha, 8, and son Joey, 6.
- Became a fellow in the Society of Actuaries (SOA) and a member of the Academy in 1980 and became a fellow in the Conference of Consulting Actuaries (CCA) in 1989.
- Has served the Academy in a variety of positions, including three other stints on the Board of Directors as a general director, vice president, and as the CCA's president-elect and president. He has also chaired the then-State Health Issues Subcommittee (now a full committee), Medicare Steering Committee, and the now-defunct Task Force on Health Insurance Rate Filing. He has served on over 40 professional committees of the Academy, the SOA, and the CCA.
- Graduated in 1974 from the State University of New York at Albany with a bachelor's degree in mathematics and earned a master's degree in mathematics in 1975 from the University of Illinois at Urbana-Champaign.
- Began his career at Metropolitan Life Insurance Co. in New York, where he worked for two years before heading to the New York State Insurance Department in Albany. In 1983, he left to open up the Albany office of Milliman, before moving to Milliman's Minneapolis office in 1987, where he is now a principal.
- Was the principal editor of all five editions of the major textbook *Group Insurance* and the author of the new textbook *Individual Health Insurance*. His paper "Cumulative Antiselection Theory" won the triennial prize for best eligible paper published in the *Transactions of the Society of Actuaries* during 1980-1982 and was included as one of the seven milestone papers reprinted in the SOA's 50th anniversary monograph.

subgroups to begin to review sections of the draft [valuation manual](#), to evaluate the technical approach, and to identify potential obstacles to implementation and oversight. The increased engagement of regulators represents a key transition, and Sandberg reported that, overall, the development of PBR is moving forward.

“The valuation manual is a key step towards establishing a coordinated and manageable process for implementing a principles-based approach,” said Sandberg in a June 2007 Academy [news release](#). “Following the requirements in

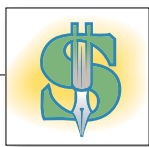
the valuation manual, as provided under the current exposure of the standard valuation law, will ensure uniformity across all United States jurisdictions. Coordination with the Accounting Practices and Procedures Manual will also permit a more efficient exposure and adoption process as changes are made in the future.”

Sandberg also gave a similar presentation to *Life & Pensions’* Nov. 12-13 seminar on Solvency II in Brussels, Belgium, where he was joined by Larry Bruning, chief actuary for the Kansas Insurance Department, chair of LHATE,

and a member of the Academy’s Board of Directors, to update the European market on the progress of a new U.S. standard valuation law.

Within the IAA and Europe, PBR developments are of particular interest as U.S. standards move closer to completion at the same time that the European Union is developing its Solvency II regulations to establish a risk-based capital and solvency system measured on consistent principles and requirements.

—NATALIE JONES



[RISK MANAGEMENT AND FINANCIAL REPORTING NEWS]

Principled Corporate Governance Preferable to Proposed Rules

THE ACADEMY ISSUED A LETTER to the National Association of Insurance Commissioners (NAIC) Capital Adequacy Task Force on Nov. 7 outlining potential problems with the draft of the proposed Corporate Governance for Risk Management Act.

As drafted, the act would require every authorized life, health, and property and casualty insurer to establish and maintain a risk-management system that meets the specific requirements of the act. However, the Academy’s comments stated that governance requirements should be based on principles and outcomes rather than on detailed implementation rules.

The draft requirements include: provisions for how boards of directors are to oversee the risk management system, parameters for the limits companies are to set on risks to which they are exposed, a framework for additional supporting requirements, and an enforcement section that sets up a process for commissioners to impose if they find that companies are not in compliance. While the act as drafted would apply to insurers in all lines of business, several of the provisions are specific

to principles-based valuations.

In its comments, the Academy noted that many companies already have to meet governance requirements and guidelines imposed by a variety of organizations, including other regulators, rating agencies, and stock exchanges. Governance is likely to be most effective and efficient if companies can meet all of these external requirements through the same processes they use to manage their businesses. Requirements that prescribe specific rules (e.g., for risk limits or for how boards are to operate) and specific definitions (e.g., for what risks and processes are to be considered) may complicate or make it impossible for companies to meet in a consistent way all of the governance requirements to which they are subject. Specific rules may also impede changes in risk management pro-

cesses to meet newly emerging needs and to adopt improving best practices.

It was also suggested that compliance with the principles could be assessed by the regulators in the risk-focused surveillance framework. The Academy’s comments were reviewed by its Life Practice, Casualty Practice, Health Practice, and Risk Management and Financial Reporting councils.

The task force and the NAIC’s newly formed Corporate Governance Subgroup held a joint conference call to discuss the comment letters. Both groups acknowledged that more work needs to be done to define the scope of the act, including to which insurers and lines of business it should apply and whether it should apply primarily to governance of principles-based valuations.

—TINA GETACHEW

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ▶ **Frank Sabatini** of Hartford, Conn., has joined the Academy’s Risk Management and Financial Reporting Council.
- ▶ Joining the Academy’s ERM Task Force are **Ron Harasym**, vice president and actuary with New York Life Insurance Co. in New York, and **Sim Segal**, managing director for Aon Consulting in New York.

L&H Qualification Seminar Educates Old and New

BY D. JOEFF WILLIAMS

THE EIGHTH ANNUAL LIFE AND HEALTH QUALIFICATION SEMINAR attracted 101 life and health actuaries to Arlington, Va., on Nov. 5-8 to learn the basic education material necessary to meet the Qualification Standards required for issuing annual statement reserve opinions.

The attendees also included a mix of more experienced actuaries, who continue to attend the 3 ½-day seminar to refresh themselves on current valuation requirements and earn continuing education credits.

The highlights of the seminar included case-study sessions specifically designed to illustrate concepts conveyed during the seminar. These case studies continue to encourage participation and make for a very interactive seminar.

The seminar also provided valuation resource materials from the National Association of Insurance Commissioners, as well as material from ACTEX Publica-

tions, the Insurance Accounting and Systems Association, the Society of Actuaries (SOA), and the Academy.

For 74 of the 101 attendees, the seminar culminated in a half-day exam. Passage of the exam qualified some attendees to earn the basic education requirement of the specific Qualification Standards. Additional continuing education credits are also available by passing the exam.

The continued success of this seminar is possible due to a dedicated faculty and hardworking task force. In order to keep the class size at a level that encourages individual participation, the faculty graciously agreed to repeat their presentations in order to offer two complete sessions. Members of the faculty included Donna Claire, current chairperson of the Academy's Life Financial Soundness/Risk Management Committee; Bill Cutlip, a member of the Actuarial Standards Board; Mary Downs, Academy general counsel and director of professionalism; Sheila Kalkunte, Academy assistant general counsel; Darrell Knapp, chairperson of the Academy's Health

Practice Financial Reporting committee; Esther Milnes, former general chairman of the SOA's Education and Examination committees; Craig Morrow, member of the Life Capital Adequacy Subcommittee; Sheldon Summers, current chairperson of the Academy's Reinsurance Work Group; Bill Thompson, member of the SOA faculty for the Fellowship Admissions Course and the Associateship Professionalism Course; and me, current chairperson of the Life and Health Qualifications Seminar Task Force.

The seminar is the culmination of a full year's planning effort from task force members and Academy staff. Other task force members are Bernard Rabinowitz and F. Kevin Russell. The Academy's legal assistant Rita Winkel handled the on-site operations. Winkel and Academy counsel Kit Pardee also played a substantial role in the seminar planning. ▲

D. Joeff Williams is chairperson of the Life and Health Qualifications Seminar Task Force and a consultant with Actuarial Management Resources Inc. in Winston-Salem, N.C.



[PENSION NEWS]

Pension Protection Act Under Scrutiny

THE ACADEMY SENT A LETTER to the House Committee on Ways and Means on Nov. 1 recommending technical corrections to the Pension Protection Act (PPA) of 2006.

The letter, signed by Thomas Terry, the Academy's vice president for pension issues, and James Verlautz, chairperson of the Academy's Pension Committee, addressed benefit restrictions on single-employer defined benefit pension plans — Section 436 of the Internal Revenue code created by the passage of PPA in 2006. It was in response to a request by the House Ways and Means Committee.

According to the letter, the new law places counterproductive timing demands on plan sponsors by requiring "final" certifications by the first day of the 10th month of the plan year, instead of after the completion of the plan year. Terry and Verlautz contend that not only

might final valuation data be incomplete at that point, thus forcing the actuary to base the calculations on estimated liabilities, but final audited asset values may not be available by that time either.

The letter says that additional flexibility is needed to permit plan certifications to be made with the actuary's best-estimate numbers and to help avoid unnecessary benefit accrual freezes.

As an alternative, the letter recommends clarifying the acceptability of "best-estimate certification" using best available data as of the first day of the 10th month of the plan year and that it be subject to the "no harm, no foul" rule of the proposed regulations. Also, the letter suggests that the final certification deadline should be moved to the last day of the plan year and that the law should allow for the inclusion in the adjusted funding target attainment percentage of

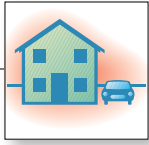
any contributions "to correct any shortfall based on the final funding target versus the prior best estimate." Finally, the letter specifies that in cases of partial or full lump-sum restrictions, the process be made similar to that for payouts to restricted accelerated payments for top-25 employees (Internal Revenue Code regulation 1.401(a)(4)-5(b)(3)).

The Academy has offered to testify at any hearings the committee may hold on issues related to PPA.

Along with this letter, the Pension Committee sent a more detailed letter to the Internal Revenue Service in late November addressing similar topics.

Verlautz and Terry wish to thank the following individuals for their contributions to this letter: Brian Donohue, Larry Sher, Heidi Rackley, John Moore, Don Segal, Ken Steiner, and Bill Sohn.

—SAMUEL GENSON



Discussion, Case Studies Highlight Opinion Seminar

BY DALE OGDEN

THE ACADEMY HELD ITS THIRD ANNUAL SEMINAR on effective property/casualty loss reserve opinions Oct. 17-18 at the O'Hare Airport Hilton Hotel in Chicago. The limited-attendance seminar, led by a faculty of Academy members, instructed experienced actuaries by gathering and presenting the regulations and standards governing statements of actuarial opinion and related documents required by the National Association of Insurance Commissioners (NAIC). At the same time, the seminar provided a forum for sharing ideas and experiences among opining actuaries.

In the initial sessions of the seminar, the faculty presented to the attendees the specific requirements and disclosures surrounding the preparation of opinions. Regulators from various states pointed out the critical points they look for and the issues they commonly encounter in the opinions, the actuarial opinion summaries, and the supporting actuarial reports. One important thing attendees learned was that regulators believe the overall quality of opinions has improved significantly over the past few years.

In other sessions, attendees discussed when and how to disclose significant risks of material adverse deviation. Finally, in the last two sessions of the seminar, participants explored ways of dealing with difficult or unusual circumstances and — a new feature this year — worked through several case studies.

Members of the presenting faculty included Charles Cook, a member of the Academy's Casualty Practice Council and its Council on Professionalism; Nicole Elliott, a member of the Academy's Property and Casualty Risk-Based Capital Committee; Tom Ghezzi, Joseph Herbers, Robb Luck, Robert Wainscott, and me, all members of the Academy's Committee on Property and Liability Financial Reporting (COPLFR); Rich Marcks, a member of the Academy's Risk Transfer Subgroup; Mary D. Miller, a member of the Academy's Casualty Practice

Council; and Chet Szczepanski, a member of the Academy's Property and Casualty Risk-Based Capital Committee and Terrorism Risk Insurance Subgroup.

Attendance was again limited to about 50 participants each day, which allowed all presentations to be conducted in an open format with questions and discussion during each session. Participants pointed to these discussions, some of them quite spirited, as an especially valuable part of the seminar. Underlining the continued value of the discussions is the fact that 15 of the registered participants also attended last year's seminar (and 10 have attended each year since its 2005 inception). Approximately 25 percent of the actuaries in the U.S. who signed statements of actuarial opinion in

2006 have attended the seminars.

Each participant left with a USB flash drive and a loose-leaf notebook containing the seminar presentations and various reference documents to use in preparing opinions. Drafts of the 2007 guidance letters prepared by the NAIC's Casualty Actuarial Task Force were also distributed. The Academy's 2007 *Statements of Actuarial Opinion on P&C Loss Reserves* practice note will be released later this month.

Comments from seminar participants were overwhelmingly positive, and the Academy is planning to offer the seminar again next fall. ▲

Dale Ogden is a member of COPLFR and president of Dale F. Ogden and Associates in San Pedro, Calif.

HEALTH BRIEFS

- ▶ Joining the Academy's Health Practice Council are **John Bertko**, an actuary in Flagstaff, Ariz., and **Shari Westerfield**, actuary, financial regulatory services, for Blue Cross Blue Shield Association in Chicago. Bertko is the new chairperson of the Health Practice International Task Force, and Westerfield is the new chairperson of the State Health Committee.
- ▶ Joining the Academy's State Mandated Coverage Task Force from Assurant Health in Milwaukee are **Kevin Borchert**, vice president, product development, and **Steve Dziedzic**, vice president and product actuary, brokerage.
- ▶ **James Braue**, director of UnitedHealth Group in Hartford, Conn., has joined the Academy's State Health Committee.
- ▶ **Roger Burton**, an actuary with Healthcare Actuaries in Bothell, Wash., and **Don Henson**, a senior consultant with Buck Consultants in Secaucus, N.J., have joined the Academy's Health Practice Financial Reporting Committee.

LIFE BRIEFS

- ▶ **Nichimen Au**, an actuary for KPMG in Atlanta, has joined the Academy's Life Capital Adequacy Subcommittee.
- ▶ **Todd Erkis**, a senior consultant for Towers Perrin in Philadelphia, is the chairperson of the Academy's newly formed Life PBA Practice Note Work Group. Other members are **Neville Charles**, assistant vice president and valuation actuary for Lincoln Financial Group in Greensboro, N.C.; **Arnold Dicke**, principal with AADicke Consulting in Studio City, Calif.; **Alice Fontaine**, president of Fontaine Consulting in Cedar Park, Texas; **Kristin Kuhn**, executive director, actuarial valuation, USAA Life Insurance Co. in San Antonio; **Kenneth Lem**, senior vice president and actuary for the Knights of Columbus in New Haven, Conn.; **Shawn Loftus**, vice president, modeling and analysis, USAA Life Insurance Co. in San Antonio; **Esther Milnes** of Chatham, N.J.; **Dave Neve**, second vice president and corporate actuary for Principal Financial Group in Des Moines, Iowa; **Karen Rudolph**, a consulting actuary for Milliman in Omaha, Neb.; and **Alan Sturm**, an assistant vice president for New York Life Insurance Co. in New York.

Versatility of ABCD Reflected in Revamped Homepage

THE WEBSITE FOR THE ACTUARIAL BOARD FOR COUNSELING AND DISCIPLINE (ABCD) has been redesigned to make it a more useful resource — and to help dispel the misperception that disciplinary cases are the sum and total of the ABCD's work.

“We devote a lot of effort to individual guidance and educational outreach,” said Julia Philips, the ABCD member who led the website redesign effort. “We want actuaries to know they can ask us for help when they're facing an ethical dilemma, and we want actuarial groups to know they can ask an ABCD representative to speak at one of their meetings. We think the website makes it easy for actuaries to ask for guidance or request a speaker.”

- ▶ Along with a brand-new look, the revamped site:
 - ▶ Provides a simple way to request confidential help with a professional problem. The site explains the guidance process and offers phone and online options for requesting guidance.
 - ▶ Helps actuaries learn more about the members of the ABCD. Brief biographical summaries are provided for ABCD members, along with members' phone numbers and/or e-mail addresses. A visitor to the website can use this information if, for example, he or she wants to directly request guidance from an

ABCD member who is an expert in a certain practice area or has a similar background.

- ▶ Invites speaker requests. The new site explains how to request a speaker from the ABCD, offers an example of a typical ABCD presentation, and includes a new mailbox for making speaker requests.
- ▶ Explains how the complaint process works, both from the perspective of someone filing a complaint and of someone who is the subject of a complaint.
- ▶ Includes a new page for professional standards. This page consists of quick links to Actuarial Standards of Practice, the Qualification Standards, and the Code of Professional Conduct.
- ▶ Facilitates quick access to important resources. Pages load quickly, navigation is more intuitive, content is clearly organized, and a Google search engine has been added.
- ▶ Offers new technical enhancements. For example, visitors have a choice of three text sizes, and the site is easily accessible in various browsers and on various devices.

To see the new ABCD site, visit www.abcdboard.org. Or just go to the Academy [website](#) and click on the “ABCD” link in the left column.

—ANNE ASPLEN

DO YOU KNOW AN ACTUARY WHO HAS MADE AN OUTSTANDING PUBLIC SERVICE CONTRIBUTION? The Academy is looking for nominations for the 2008 Robert J. Myers Service Award.

The award, named for the former chief actuary of Social Security, recognizes candidates with a single noteworthy public service achievement or those who have devoted careers to public service. The nominee may be a current or former government employee, the employee of an organization whose primary focus is government work, or an unpaid volunteer working at a philanthropic organization. Public work completed by a paid consultant, by a member of an actuarial committee, or by someone who is an officer of an actuarial organization is ineligible.

You may send in a nomination by filling out and mailing or faxing the form below. Or e-mail your nomination to Rita Winkel, the Academy's legal assistant (winkel@actuary.org). Nominations are due by Feb. 15, 2008.

I nominate the following actuary for the 2008 Robert J. Myers Public Service Award: _____

How did this individual's public service make outstanding contributions to the public good?
(Use a separate sheet of paper if necessary.)

Please print your name and telephone number (optional). Thank you.

Name _____

Work phone _____

Mail your nominations to: American Academy of Actuaries, Attn: Rita Winkel, 1100 17th Street, NW, 7th Floor, Washington, DC 20036

Or fax it to: 202-872-1948



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