

## Academy Testifies on Lifetime Income

**A**CADEMY REPRESENTATIVES testified on Sept. 15 before the U.S. Treasury and Labor departments that employers should be required to offer a guaranteed lifetime income option in defined contribution retirement plans.

"We support a requirement that some form of guaranteed lifetime income be one of the investment or distribution options offered in tax-qualified individual account plans," said Noel Abkemeier, a member of the Academy's Life Products Committee and a consulting actuary for Milliman in Williamsburg, Va. He testified on behalf of the committee along with Academy Senior Pension Fellow Frank Todisco.

Abkemeier said that actuaries support the requirement, provided that it "is accompanied by a clear set of regulations that will allow for their effective implementation at reasonable cost and without subjecting plan sponsors to undue fiduciary risk." He pointed out that the guaranteed lifetime income could be in the form of either an annuity or a guaranteed withdrawal program. In addition, these guarantees could be provided not only within plans but also after funds have been rolled out of a plan.

The actuaries opened their remarks by reinforcing the value of lifetime income options, a central theme of the Academy Pension and Life practice councils' May 2010 joint [written response](#) to the agencies' request for information on the subject.

"From an actuarial perspective, we recognize that lifetime income arrangements protect against longevity risk, the risk of people outliving their financial resources," Todisco said. "Lifetime income arrangements are also economically efficient, since it is significantly less expensive to pool longevity risk through a lifetime income arrangement than to self-insure the risk by accumulating assets to last until a very old age."



Noel Abkemeier (left) and Frank Todisco testify before the U.S. departments of Labor and Treasury.

He added that lifetime income options also can help retirees better budget their financial resources and reduce money management responsibilities at the most advanced ages.

### Safe Harbors, Disclosures, and More

Abkemeier also addressed safe harbors for the selection of lifetime income issuers or products.

"Safe harbors should be expanded in order to facilitate plan sponsors offering a broad range of options, thereby broadening consumer choice concerning lifetime income products," he said, adding that extending safe harbors to other lifetime income options in addition to annuities also would broaden consumer choice.

SEE **ACADEMY TESTIMONY**, PAGE 9

## Academy Meets With Administration Officials to Discuss Health Reform Implementation

**O**FFICIALS FROM THE OBAMA ADMINISTRATION invited Academy representatives to meet with them on Sept. 14 for a detailed discussion on implementation of health reform measures. Health Practice Council Vice President Al Bingham and Senior Health Fellow Cori Uccello, along with council members Donna Novak, David Shea, and Tom Wildsmith

and Academy staff members Craig Hanna and Heather Jerbi, met with senior White House health policy experts and representatives from the U.S. Department of Health and Human Services. During the meeting, the actuaries discussed Academy activities related to health reform implementation and answered questions from the administration officials. ▲

5

### Terrorism Risk Insurance

Federal framework needed

5

### Retirement Age Policy

Todisco speaks at Capitol Hill briefing hosted by Urban Institute

6

### NAIC Meeting

Summer meeting in Seattle

8

### IFRS

Statutory accounting and financial reporting

## SEPTEMBER

- 9 Quarterly NAIC webinar
- 16-17 Actuarial Standards Board meeting, Washington
- 20-21 Casualty Loss Reserve Seminar (Academy, CAS, CCA), Lake Buena Vista, Fla.
- 22 PBA implementation seminar (Academy, SOA), Chicago **Sold Out**
- 30 Council of U.S. Presidents meeting, Mont-Tremblant, Quebec, Canada

## OCTOBER

- 1-2 North American Actuarial Council meeting, Mont-Tremblant, Quebec, Canada
- 5 "Overview of the Dodd-Frank Act" webinar (Academy)
- 5 Academy Board of Directors meeting, Washington
- 9-13 IAA meeting, Vienna, Austria
- 17-20 ASPPA annual conference, National Harbor, Md.
- 17-20 SOA annual meeting, New York
- 18-21 NAIC fall meeting, Orlando, Fla.
- 21 The Best of "Up to Code" webcast (Academy, ASPPA, CAS, CCA, SOA)
- 24-27 CCA annual meeting, Rancho Mirage, Calif.

## NOVEMBER

- 1-4 Life and Health Qualifications Seminar, Arlington, Va.
- 7-10 CAS annual meeting, Washington
- 8 Academy annual meeting, Washington
- 17-18 P/C Loss Reserve Opinion Seminar, Chicago
- 18-21 NCOIL annual meeting, Austin, Texas

## DECEMBER

- 2 Webinar on ASOP No. 41 (Academy, ASPPA, CAS, CCA, SOA)
- 7 Academy Executive Committee meeting, Washington
- 9-10 ASB meeting, Washington

To continue receiving the *Update* and other Academy publications on time, remember to make sure the Academy has your correct contact information. Academy members can update their member profile at the member log-in page on the Academy [website](http://www.actuary.org/update/index.asp).

Links to documents underlined in blue are included in the online version of this issue at [www.actuary.org/update/index.asp](http://www.actuary.org/update/index.asp)

# Academy NEWS Briefs

## 2010 Academy Annual Meeting and Luncheon

**ALL ACADEMY MEMBERS** are invited to attend the [annual meeting](#) and luncheon on Nov. 8 in Washington.

Howard Fineman—one of the nation's foremost political reporters and commentators—will be the keynote speaker. A political correspondent at *Newsweek* for 30 years, Fineman recently was named senior politics editor at the Huffington Post. He was the author of *Newsweek's* "Living Politics" column, and he wrote the 2008 national best-selling book *The Thirteen American Arguments*. An award-winning reporter and writer, Fineman also is an analyst for NBC and its cable networks MSNBC and CNBC. He regularly appears on such programs as "Hardball with Chris Matthews" and "The News with Brian Williams" and reports for "The Today Show" and "Dateline."

The luncheon also will feature the ceremonial transition of President-Elect Mary Frances Miller in succeeding outgoing President Ken Hohman; election of regu-

lar directors to the Academy's board of directors; and the presentation of the Jarvis Farley Service Award and the Robert J. Myers Public Service Award by the Academy.

This year's meeting is being held in conjunction with the Casualty Actuarial Society at the [J.W. Marriott](#) hotel. For more information, see Page 4. ▲



### PROFESSIONALISM WEBCAST

The Council on Professionalism will present "The Best of Up to Code," an Oct. 21 webinar to help actuaries keep their professionalism skills sharp with an in-depth examination of articles that have appeared in the *Contingencies* professionalism column.

Panelists Curtis Huntington and Paul Fleischacker, vice chairpersons of the Actuarial Board for Counseling and Discipline (ABCD), will discuss a number of the Up to Code articles published in *Contingencies* that focus on issues relevant to working actuaries. Participants will be able to submit questions throughout the presentations, and panel-

ists will answer as many as time permits. The webinar is cosponsored by the American Society of Pension Professionals and Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, and Society of Actuaries. For more information and to register, visit [www.actuary.org/upto-code2010.asp](http://www.actuary.org/upto-code2010.asp).

### IN THE NEWS

Academy Senior Pension Fellow **Frank Todisco** was a guest contributor for the Bureau of National Affairs' *Pension and Benefits Daily* on July 6. Todisco wrote about the Pension and Life Practice councils' [response](#) to a request for information from the Treasury and Labor departments regarding lifetime income

options and related [testimony](#) submitted to the Senate Special Committee on Aging for a June 16 hearing. "A guaranteed lifetime income is ... much more cost effective and economically efficient for a retiree than is a lump sum," he wrote.

Academy Senior Health Fellow **Cori Uccello** discussed the Academy Medical Loss Ratio (MLR) Regulation Work Group's May 14 [letter](#) regarding MLR issues to the U.S. Department of Health and Human Services in a July 7 Bureau of National Affairs article. "The fundamental issue with the claims-over-premiums MLR definition ... is the difficulty of arriving at a definition of claims

→ CONTINUED ON PAGE 3

that applies consistently across different types of business models,” the actuaries wrote.

A Jan. 14 Health Practice Council [letter](#) expressing concerns to policymakers regarding MLR requirements was cited in an op-ed by Rep. Dave Camp (R-Mich.) that was published locally in Michigan by the *Midland Daily News* on July 18. The Academy’s critical issues in health care reform [paper](#) on MLR requirements also was cited in an article published on July 21 by the *New England Journal of Medicine*.

In a July 14 SNL Financial article, Academy Senior Life Fellow **Nancy Bennett** discussed how new collateral and margin requirements contained in financial regulatory reform legislation may affect life insurers. Bennett said that the requirements become onerous only if the insurer

is hedging for speculative or income-generation purposes. “Having the counterparties set collateral is already a requirement under the International Swaps and Derivatives Association rules,” she said. “It certainly seems like insurance companies should be able to conduct business as usual on their hedging. The dealers may increase their pricing, which means increased costs are going to find their way to the companies, but I don’t know if, operationally, it really represents such a change.”

Academy Public Interest Committee Chairperson **Tom Terry**, a consulting actuary and president of TTerry Consulting in Chicago, appeared live on CNN to discuss raising the retirement age for Social Security with host Don Lemon on July 18. Terry said that “there is a long-term financial imbalance in the Social Security

system” and that it should be addressed in part “by increasing the retirement age.” Video is available in the [newsroom](#) on the Academy’s website.

Former U.S. Comptroller General David Walker’s keynote address to Academy leaders during the 2010 Academy Summer Summit on July 19 was covered by the Bureau of National Affairs and *Roll Call*. Walker, who headed the Government Accountability Office from 1998 to 2008, is now the president of the Peter G. Peterson Foundation. He is leaving the foundation in October to launch the Comeback America Initiative, which will focus on engaging the public and promoting fiscal solutions, including those outlined in his book *Comeback America: Turning the Country Around and Restoring Fiscal Responsibility*. See the August [Update](#) for coverage of the Summer Summit.

on average live longer than males, meaning females will pay more over the course of their lifetime for the same life insurance benefit. Lankowski’s comments were related to an issue covered in the July [Update](#) regarding the pricing of life insurance in Massachusetts.

[Issues](#) concerning the Community Living Assistance Service and Supports (CLASS) Act, raised by a joint Academy and Society of Actuaries work group that conducted an analysis of the health care provision, were widely cited throughout July. The actuaries’ concerns were cited in a June 24 *Newsday* article, among other publications, and in an op-ed in the *Washington Times* on July 27.

To find out about other actuaries in the news and for external links, visit the Academy’s [newsroom](#).

## DISCIPLINARY NOTICE

(Effective Sept. 2, 2010)

The Disciplinary Committee of the American Academy of Actuaries (Academy), acting in accordance with the Academy’s bylaws and under recommendation from the Actuarial Board for Counseling and Discipline (ABCD), hereby reprimands William Lynn Townsend for materially failing to comply with Precepts 1, 3, and 4 of the Code of Professional Conduct.

- ▶ Mr. Townsend issued actuarial opinions for a client company’s financial statement filings with a state insurance department that did not comply with the state’s asset adequacy analysis and other related requirements. In so doing, he failed to perform his actuarial work with integrity and competence, and in a manner upholding the reputation of the actuarial profession, as required by Precept 1. In addition, his actuarial work product did not satisfy applicable standards of practice relating to asset adequacy analysis and actuarial communications, thereby violating Precept 3. Further, because his actuarial opinions did not comply with applicable state requirements, they were not clear and appropriate to the circumstances and intended audience, in violation of Precept 4.
- ▶ Based on the foregoing violations of the Code of Conduct, Mr. Townsend is hereby reprimanded.

## Academy Life Products

Committee member **Linda Lankowski**, an actuary based in Wilbraham, Mass., discussed risk classification and gender-based pricing for life insurance in a July 26 article in the Springfield, Mass., *Republican*. Lankowski said the issue with unisex pricing is that females

## SPEAKERS BUREAU

Academy Senior Pension Fellow **Frank Todisco** was a panelist during an Urban Institute briefing on Capitol Hill that explored raising the retirement age for Social Security. Audio from the July 14 briefing is available in the [newsroom](#). See Page 5 for additional coverage. ▲

## PROFESSIONALISM BRIEFS

- ➔ **Karen F. Terry**, assistant vice president and actuary at State Farm Mutual Auto Insurance Co. in Bloomington, Ill., has been appointed chairperson of the Committee on Professional Responsibility.

## CASUALTY BRIEFS

- ➔ **Peter Tomopoulos**, manager for Deloitte Consulting in New York, has joined the Academy’s Mass Torts Subcommittee.
- ➔ **Mark Burgess**, principal actuary for Complete Actuarial Solutions in McLean, Va., **David Royce**, vice president of SGRisk in Lyndhurst, N.J., and **R. Scott Cederburg**, director for PricewaterhouseCoopers in Atlanta, have joined the Academy’s Medical Professional Liability Subcommittee.



# American Academy of Actuaries Annual Meeting and Luncheon

**Keynote Speaker**  
**Howard Fineman**  
**Political Reporter and Commentator**

**November 8, 2010**  
**12:15–2:15 p.m.**  
**J.W. Marriott**  
**Washington, DC**

**Open to all Academy members, the 2010 meeting is being held in conjunction with the annual meeting of the Casualty Actuarial Society.**

## **AGENDA**

- > Keynote speaker Howard Fineman
- > Presidential transition
- > Election of new regular directors of the Academy Board of Directors
- > Presentation of the 2010 Jarvis Farley Service Award
- > Presentation of the 2010 Robert J. Myers Public Service Award

## **REGISTRATION**

- > Registration for the Academy Annual Meeting and Luncheon is included in the registration fee for the Casualty Actuarial Society Annual Meeting.
- > Academy members not attending the CAS meeting can purchase tickets for the luncheon online for \$60.
- > Register at <http://www.casact.org>



AMERICAN ACADEMY of ACTUARIES

# Academy Comments on Terrorism Risk Insurance

## Federal Framework Needed for Coverage to Be Readily Available

**THE ACADEMY'S TERRORISM RISK INSURANCE SUBGROUP** recently provided comments to the President's Working Group on Financial Markets in response to its June 17, 2010, request published in the Federal Register. The Terrorism Risk Insurance Program Reauthorization Act of 2007 requires an ongoing analysis and periodic reports to Congress by the President's Working Group on Financial Markets concerning the long-term affordability and availability of terrorism risk insurance. Comments received will be used in the Working Group's analysis and report to Congress, expected later this year.

The request for comments asked for information on a variety of issues, including:

- Key factors that determine the availability and affordability of terrorism risk insurance coverage;
- Key factors that determine the amount of private-market insurer and reinsurer capacity made available for terrorism risk insurance coverage;
- How the current economic atmosphere has affected the availability and affordability of terrorism risk insurance coverage;
- How modeling has improved since 2006;
- How modeling is expected to evolve.

The subgroup noted that the primary insurance cost issue affecting the availability and affordability of terrorism risk insurance

coverage is the potential for a single terrorist attack, using weapons of mass destruction, to cause a huge aggregate loss from a massive number of individual insurance claims. The subgroup posited that some type of federal framework for terrorism risk insurance is necessary for terrorism coverage to be widely and readily available. In the absence of a federal framework for terrorism risk insurance, the uncertainties regarding potential attacks make it likely that premiums for terrorism risk insurance will be high and volatile and that availability of terrorism coverage will be limited. In addition, without a federal framework, coverage such as workers' compensation, which is required for claims made by employees injured in terrorist attacks, will become much riskier for insurers and thus more expensive and/or less available.

The subgroup described the use of modeling in a terrorism risk context, noting that estimates of the potential losses from terrorist events rely on quantitative approaches that have evolved from those used for natural disasters. With little or no historical frequency of loss, however, there is little data on which to model terrorism losses. Many of the modeling outcomes have been provided on a deterministic event basis (i.e., the modeled estimate of damages and losses in the defined event).

—LAUREN PACHMAN

## Todisco Discusses Retirement Age Policy

**ACADEMY SENIOR PENSION FELLOW FRANK TODISCO** reiterated the Academy's position that increasing Social Security's retirement age is an important part of a broader reform of the program and of retirement policy in the United States. His remarks came during a July 14 Capitol Hill briefing hosted by the Urban Institute, where he joined several other panelists to explore how to protect those who cannot work while increasing the retirement age for Social Security.

Todisco's remarks included a review of the Academy's August 2008 public interest advocacy [statement](#), noting that demographic changes since the program's inception account for much of the fiscal imbalance and ought to be a component of an overall package of solutions to bridge that gap. He noted that the Academy's statement was strong on intent but deliberately short on specifics, thus encouraging

a vibrant exchange of views on how high to raise the retirement age, how quickly to do it, whether to increase the earliest retirement age, and other types of changes that might be part of a package of solutions.

Viewing an increase in the retirement age as equivalent to an across-the-board cut in benefits is an oversimplified and incomplete characterization, Todisco told the more than 200 attendees at the briefing. He pointed out that with no change in the retirement age, longevity improvements automatically expand the system by increasing lifetime benefits. In addition, he said, the retirement age serves as a "signal" and raising it would change behavior in a way that would sustain retirement security.

Todisco acknowledged other concerns that have been expressed about raising the retirement age, including the ability to work at older ages in certain occupations, the availability of jobs for older workers, and the unequal distribution of longevity gains among different subgroups of the population. While agreeing that these concerns are important and warrant attention, Todisco said that keeping the retirement age constant is an unnecessarily expensive way to address them. He said that other policy alternatives are available that could be part of an overall package of changes, both inside and outside the Social Security system, that puts Social Security back into long-term balance.

Further emphasizing this idea, Todisco raised the possibility of combining a later retirement age with employment policies that address the quality of work life, as well as combining an increase in the retirement age with modifications to the benefit formula to restructure the program to fit the needs and resources of today's society.▲



# NAIC 2010 Summer Meeting Update

**ACADEMY MEMBERS** from all relevant practice areas were active participants at the National Association of Insurance Commissioners (NAIC) 2010 summer meeting in Seattle August 12-17, speaking at various sessions to update attendees on current Academy activities.

## Health Sessions

Health care reform was the focus of most of the health care sessions at the meeting. One notable difference at this summer's meeting was the presence of protesters. Groups organized outside of the Seattle Convention Center (and in some cases briefly disrupted individual sessions inside) to protest the presence of health insurance lobbyists attending the health meetings.

The Accident and Health Working Group (A&HWG) met on August 13 and adopted its proposed 2011 charges. Academy members Brad Spenny and Bob Yee provided updates on Academy projects that are being overseen by the A&HWG. Spenny, chair of the Academy's Cancer Claims Cost Tables Work Group, stated that his group recommends that the 1985 Cancer Tables be decommissioned. The A&HWG decided not to decommission the tables until a new set of tables is in place and asked the group to keep working toward developing new tables or another suitable solution. Yee presented updates on the work of the Joint Society of Actuaries (SOA)/Academy Long-Term Care Valuation Work Group, as well as the State Long-Term Care Principle-Based Work Group. The Patient Protection and Affordability Act (PPACA) Actuarial Subgroup reported on the progress toward completing the medical loss ratio (MLR) rebate commissions. The subgroup has developed issue-resolution documents on each item to be resolved and has reached preliminary

or final resolution on 64 of 75 issues.

The NAIC's Health Insurance and Managed Care (B) Committee met on August 16 and adopted its 2011 charges. It also adopted a new charge to review the need for a model law or regulation to address producer participation in assisting individuals and small businesses that purchase health insurance inside and/or outside the health insurance exchanges that will be set up by 2014. The Exchanges Subgroup also decided to develop a model law by the fall national meeting that reflects the PPACA requirements.

The Executive Committee/Plenary met on August 17 and overwhelmingly voted to adopt the Medical Loss Ratio (MLR) Blanks Proposal. The PPACA requires insurers to have minimum loss ratios of 85 percent in the large group market and 80 percent in the small group and individual markets. Regulators will review the data submitted by insurers through this "blank" and then calculate the MLR and determine any rebate required under the PPACA.

## Life Sessions

The NAIC's Life and Health Actuarial Task Force (LHATF) met a milestone on Aug. 12 when it adopted an exposure draft for VM-20, [Requirements for Principles-Based Reserves for Life Products](#), which will now undergo field testing with a report due March 31, 2011. The task force will help to promote understanding of the principle-based approach at both the regulator and company/actuary level throughout the field testing process. LHATF also adopted modifications to Actuarial Guidelines 25 and 38.

In addition, LHATF heard presentations from a number of Academy committees and subcommittees on a variety of topics, including:

SEE NAIC MEETING, PAGE 9

## Life and Health Qualifications Seminar

**Nov. 1–4, 2010, Arlington, Va.**

The Life and Health Qualifications Seminar offers state- and country-specific basic education that may not have been provided as part of the Society of Actuaries examination process or acquired through subsequent testing or alternative education.

It also can serve as a basic education refresher or as a source of continuing education for more experienced actuaries.

For more information or to register, visit [www.actuary.org/seminar/](http://www.actuary.org/seminar/).

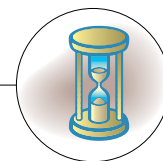
## P/C Effective Loss Reserve Opinions Seminar: Tools for the Appointed Actuary

**Hyatt Regency O'Hare  
Nov. 17–18, 2010 | Chicago**

Following up on last year's success, the Academy's annual seminar on casualty loss reserve opinions again will be divided into two parts. The first day's sessions will cover foundational topics, while the second day will focus on more advanced subjects. Participants may register for either or both days of the seminar. The seminar is presented annually by the Academy's Committee on Property and Liability Financial Reporting.

For more information, visit [www.actuary.org/seminars/casualty/opinion10.asp](http://www.actuary.org/seminars/casualty/opinion10.asp).





## Life Notes

During the Sept. 9 Life Practice Council call, council members discussed recent progress of the Nonforfeiture Improvement Work Group, the council's role with the solvency modernization initiative, and the possibility of holding a fourth webinar in late 2010.

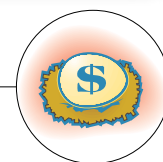
Also on Sept. 9, the Academy hosted a webinar that recapped news and developments from the August NAIC meeting in Seattle. The webinar reviewed the progress of the principle-based approach project, mortality issues, and risk-based capital. ▲

### HEALTH BRIEFS

- ➔ **Tomasz Serbinowski**, an actuary for the Utah State Insurance Department in Salt Lake City, has joined the Academy/SOA Cancer Claim Cost Tables Work Group.
- ➔ **Dan Keating**, chief life and health actuary for the Florida Department of Financial Services Office of Insurance Regulation in Tallahassee, has joined the Academy/SOA Long Term Care Valuation Group.

### LIFE BRIEFS

- ➔ **Stephen Humphreys**, vice president of strategic initiatives for Sun Life Financial in Waterloo, Ontario, has joined the Academy's Life Financial Reporting Committee.
- ➔ **Brian Sprawka**, an actuarial consultant for Towers Watson in Chicago, and Andrew Lin, an actuary in Hoboken, N.J., have joined the Academy's Variable Annuity Practice Note Work Group.
- ➔ **Ross Bowen**, an actuary for Allianz Life Insurance Co. of North America in Minneapolis, has joined the Academy's Life Capital Adequacy Subcommittee.
- ➔ **Colleen Murray**, manager at PricewaterhouseCoopers in Chicago, has joined the Academy's Modeling Efficiency Work Group.
- ➔ **Jason Grosse**, senior actuary, profitability management for Allianz Life Insurance Co. of North America in Minneapolis, has joined the Academy's Economic Scenario Implementation Work Group.



## Response to GASB's Preliminary Views

**T**HE ACADEMY'S PENSION PRACTICE COUNCIL SUBMITTED [comments](#) on Sept. 17 to the Governmental Accounting Standards Board (GASB) in response to the GASB's preliminary views on *Pension Accounting and Financial Reporting by Employers*.

The GASB is an independent organization that establishes and improves accounting and financial reporting standards for U.S. state and local governments. In 2006, the GASB began a research project to examine the standards for accounting for and reporting on the pension benefits that governments provide to their employees. An invitation to comment was issued in March 2009 describing key issues identified during the research project and exploring potential approaches to addressing them. The Pension Practice Council's [response](#) to the 2009 Invitation to Comment on *Pension Accounting and Financial Reporting by Employers* is available online.

On June 16, the GASB issued a preliminary views document containing a set of broad principles and concepts that may lead to changes to the existing standards to improve their effectiveness. The Pension Practice Council submission includes responses from its Public Plans Subcommittee and the Joint Academy/SOA Pension Finance Task Force.

—JESSICA THOMAS



## Comments on Proposed Amendments to IAS 19

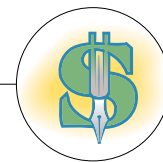
**T**HE ACADEMY'S PENSION ACCOUNTING COMMITTEE submitted [comments](#) to the International Accounting Standards Board (IASB) on Sept. 3, responding to the IASB's exposure draft of proposed amendments to International Accounting Standard 19, *Employee Benefits*.

The Pension Accounting Committee commended the IASB for its well-conceived effort to improve employee benefit accounting and comparability in a limited-scope project. The letter expressed concerns, however, regarding implementation and measurement details, particularly with regard to termination-of-employment curtailments and the handling of administrative expenses. The committee also had concerns about the minimum funding requirement and the disclosures of sensitivities, risk, and multiemployer plans.

In addition to the concerns mentioned above, the comment letter addressed the general actuarial issues raised by the exposure draft and responded to selected questions posed by the IASB. ▲

### PENSION BRIEFS

- ➔ **Jason Tomanda**, consulting actuary for Towers Watson in Arlington, Va., has joined the Academy/SOA Pension Finance Task Force.
- ➔ **Diane Gleave**, senior vice president and actuary for The Segal Co. in New York, has joined the Academy's Multiemployer Subcommittee.



# Future of Statutory Accounting and Financial Reporting

**THE ACADEMY'S FINANCIAL REPORTING COMMITTEE AND RISK MANAGEMENT AND SOLVENCY COMMITTEE** jointly submitted comments in June to the Statutory Accounting and Financial Reporting Subgroup of the National Association of Insurance Commissioners (NAIC) on its discussion document *Primary Considerations*. The paper posed questions on the purpose of a regulatory accounting model, whether the NAIC should incorporate international financial reporting standards (IFRS), and whether regulatory financial statements ought to be used for public purposes.

The committees responded that the “underlying purpose of a regulatory accounting model is to aid insurance regulators in assessing the ability of a company to fulfill its obligations to policyholders and comply with laws and regulations relating to solvency.”

Regarding adopting IFRS, the letter surmised that if IFRS methods for evaluating insurance assets and liabilities become widely recognized as being useful, then it would be appropriate for the NAIC to consider adopting IFRS. But, the Academy stated, “we still foresee a continued need for the NAIC to maintain some form of regulatory accounting guidance” for general principles to a U.S.-specific environment.

On the subject of regulatory financial statements, the letter suggested that the NAIC should reconsider which aspects of an insurer's financial condition belong in the public domain and which aspects should be confidential.

—TINA GETACHEW

## LIFE BRIEFS

- **John Nigh**, an actuary for Aria in Treasure Island, Fla., has joined the Academy's Life Reinsurance Work Group.
- **Lori Helge**, a consulting actuary for Towers Watson in Chicago, has joined the Academy's Life Public Interest Task Force.
- **David Wicklund**, an actuarial advisor for Ernst & Young in New York, has joined the Academy's C3 Life and Annuities Task Force.
- **Chuck Ritzke**, president of Problem Solving Enterprises in West Dundee, Ill., has joined the Academy's Life Products Committee.
- **Randy Tillis**, an actuary for PricewaterhouseCoopers in Chicago, has joined the Academy's Life Public Interest Task Force.
- **Tim Pfeifer**, president of Pfeifer Advisory in Libertyville, Ill., has joined the Academy's Life Products Committee and the Annuity Illustration Work Group.

## RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- **Linda Lankowski**, an actuary in Wilbraham, Mass., has been appointed chairperson for the Academy's newly formed Life Settlements Investment Work Group. **Daniel Zollars**, senior vice president for Coventry First in Fort Washington, Pa., has been appointed vice chairperson. Also joining the group are **Roger Annin**, senior vice president of Lewis & Ellis in Overland Park, Kan.; **Steve Boger**, consulting actuary for Boger & Associates in Palatine, Ill.; **Peter Bondy**, Louisiana legislative auditor in Baton Rouge, La.; **Timothy DeMars**, vice president for Lewis & Ellis in Overland Park, Kan.; **David DiMartino**, assistant vice president and director of planning for Western & Southern Financial Group in Cincinnati; **Scott Morrow**, vice president for Lewis & Ellis in Overland Park, Kan.; **Steven Newman**, actuarial associate for EquiTrust Financial Services in West Des Moines, Iowa; **Cande Olson**, consulting actuary for Actuarial Resources Corp. in Chatham, N.J.; **Larry Rubin**, partner at PricewaterhouseCoopers in New York; **Gabriel Schiminov**, vice president, product development for M Financial Group in Portland, Ore.; **Richard Plano**, senior vice president for Risk Finance, Chartis Insurance in New York; **Winston Hall**, associate actuary for Phoenix Life Insurance Co. in Hartford, Conn.; **Gina O'Connell**, senior vice president of Phoenix Life Insurance Co. in Hartford, Conn.; and **Josh Windsor**, consulting actuary for RSM McGladrey Inc. in New York.
- **Joseph Lebens**, consulting services director for Towers Watson in New York, has joined the Academy's ERM Subcommittee. Others joining the subcommittee are **Shiraz Jetha**, an actuary for the Office of Insurance Commissioner in Olympia, Wash.; **Debbie Schwab**, president of DS Actuarial Associates Inc. in Delray Beach, Fla.; **Poojan Shah**, senior actuarial associate for Allstate Insurance Co. in Northbrook, Ill.; **Malgorzata Jankowiak-Roslanowska**, actuarial manager for Horizon Blue Cross Blue Shield of New Jersey in Newark; **Syed Mehmud**, consulting actuary for Wakely Consulting Group in Englewood, Colo.; and **Mary Bahna-Nolan**, director for PricewaterhouseCoopers in Chicago.
- Joining the Academy's Risk Management and Solvency Committee are **F. Ronald Ogborne III**, senior associate for Mercer in Phoenix; **Lynn Pogas**, actuary, administration for London Life Reinsurance Co. in Blue Bell, Pa.; **Guo Harrison**, vice president and actuary for XL Specialty Insurance in Exton, Pa.; **Ryan Morris**, an actuary for New York Life Insurance Co. in Sleepy Hollow, N.Y.; **Hye-Sook (Erin) Kang**, vice president and actuary for Chubb Group of Insurance Companies in Warren, N.J.; **Michael Lundquist**, senior actuary for ING U.S. Financial Services in West Chester, Pa.; **David Walczak**, a consulting actuary for RSM McGladrey in Minneapolis; and **Ioannis Chatzivasiloglou**, an actuary for Private Insurance Supervisory Committee in Athens, Greece.



## Actuarial Update

### ASSOCIATE EDITORS

William Carroll  
Patrick Collins  
Andrew Erman  
Rade Musulin  
Geoffrey Sandler  
Donald Segal

### EDITOR

Olivia Marshall  
([editor@actuary.org](mailto:editor@actuary.org))

### DESIGN AND PRODUCTION

BonoTom Studio Inc.

### DESIGNER

Paul Philpott

### MARKETING AND PUBLICATION

### PRODUCTION MANAGER

Cindy Johns

## American Academy of Actuaries

### PRESIDENT

Ken Hohman

### PRESIDENT-ELECT

Mary Frances Miller

### SECRETARY

Andrea Sweeney

### TREASURER

John Schubert

### VICE PRESIDENTS

Al Bingham  
Gary Josephson  
Ethan Kra  
Art Panighetti  
Kathleen Riley  
Henry Siegel

### EXECUTIVE DIRECTOR

Mary Downs

### DIRECTOR OF

### COMMUNICATIONS

Mark Cohen

### ASSISTANT DIRECTOR FOR PUBLICATIONS

Linda Mallon

### EXECUTIVE OFFICE

The American Academy of Actuaries  
1850 M Street NW  
Suite 300  
Washington, DC 20036  
Phone 202-223-8196  
Fax 202-872-1948  
[www.actuary.org](http://www.actuary.org)

Statements of fact and opinion in this publication, including editorials and letters to the editor, are made on the responsibility of the authors alone and do not necessarily imply or represent the position of the American Academy of Actuaries, the editors, or the members of the Academy.

©2010 The American Academy of Actuaries. All rights reserved.

Todisco and Abkemeier took questions from Labor and Treasury officials at the conclusion of the panelists' remarks. When asked if default options would encourage the use of guaranteed lifetime income arrangements, they agreed that if employers selected such an arrangement as their retirement plan's default option, its use most likely would increase. The duo also addressed questions from Labor officials related to disclosures. They said that they support disclosing individual account balances as equivalent monthly or annual guaranteed lifetime income amounts. They offered a two-tiered approach, with the most essential disclosures—such as lifetime income streams based on contributions that already have been made—coming first, and more detailed disclosures—such as lifetime income streams based on projected contributions—following later.

Zenaida Samaniego, chief actuary for the Department of Labor, inquired about cost differences between lifetime income options offered through the plan (by the employer) and those offers outside the plan (by a third party). Todisco said both options are likely to face a degree of adverse selection, as people who are in better health typically opt for lifetime income options. The cost of this adverse selection is estimated to be about 10 percent. Abkemeier added that for out-of-plan options, commissions and fees could amount to approximately 4 percent; in-plan options would not face these additional charges. The two actuaries pointed out that for out-of-plan options, where gender-distinct mortality assumptions are used in most states, the difference between female and male rates typically would be approximately 7 percent. ▲

## NAIC Meeting, continued from Page 6

- Reports from the Academy/Society of Actuaries (SOA) Joint Project Oversight Group on the development of a new payout annuity mortality table. Members of the group also delivered a report on mortality tables for preneed insurance, simplified issue insurance, and guaranteed issue insurance.
- The Nonforfeiture Improvement Work Group delivered an update on its activities.
- The Academy Annuity Reserve Work Group's Deposit Fund Subgroup delivered a report on principle-based reserves for deposit-fund contracts.

The Life Insurance and Annuities Committee, the parent group of LHATF, adopted new charges, including the appointment of a new work group to potentially revise the Viatical Settlements Model Regulation (No. 698) if deemed necessary. The second charge is to study recent reports by the Government Accountability Office and the Securities and Exchange Commission on life settlements and determine their effect on state regulation of the life settlement industry.

## Casualty Sessions

Dale Ogden, the vice-chair of the Academy's Committee on Property and Liability Financial Reporting (COPLFR), reported on upcoming Academy activities to the NAIC's Casualty Actuarial and Statistical Task Force. Ogden said that several COPLFR members, including two regulators, plan to participate in a panel discussion entitled "A User's Guide to Writing a Good Actuarial Report" at the September Casualty Loss Reserve Seminar (CLRS) meeting in Orlando. The topic evoked a great deal of interest among advance CLRS registrants, prompting the CLRS com-

mittee to modify its schedule to repeat the session. Ogden also reported that the Academy's Practice Note Subcommittee is at work updating the practice note on casualty loss reserve opinions. Changes will include the addition of material on reserve ranges, communications with audit committees, disclosures of extended reporting reserves, and premium deficiency reserves. The Academy's Opinion Seminar Subcommittee will hold its 2010 seminar on effective loss reserve opinions on Nov. 17 and 18 in Chicago. As a final note, Ogden indicated that a subcommittee of COPLFR is readying the Model Audit Rule Practice Note for publication.

The Academy's Property/Casualty Risk-Based Capital (RBC) Committee provided the NAIC's Property and Casualty RBC Working Group with an update of the RBC underwriting factors in March. In May, following considerable discussion, the Property and Casualty RBC Working Group adopted the updated underwriting risk factors after modification. NAIC's Capital Adequacy Task Force continues to work with industry groups on implementation of an update to the RBC underwriting factors. The Academy has been charged by the Property and Casualty RBC Working Group with reviewing the methodology for calculating the factors.

The NAIC is proposing a data call to investigate the use of credit-based insurance scores and other risk classifications for personal auto insurance. The NAIC's P&C Committee announced its intent to hold a hearing to discuss the proposed risk classification data call and other risk classification tools. The hearing was subsequently scheduled for Sept. 30 in Kansas City, Mo.

—TIM MAHONY, JOHN MEETZ,  
AND LAUREN PACHMAN