

2004

RECORD

AMERICAN ACADEMY of ACTUARIES

ACADEMY YEAR IN REVIEW

Missions Accomplished

In many ways, it's been a year for the record books. Since the publication of the 2003 Record last October, the Academy has posted some remarkable accomplishments.

Consider: Academy-sponsored opportunities for continuing education grew in number and popularity, with the November 2003 Life & Health and the September 2004 C3 Phase 2 seminars selling out weeks beforehand. The Academy's media profile continued to rise, sparked by significant placements in the *New York Times*, the *Washington Post*, the *Wall Street Journal*, and the *Economist*. The result: 45.1 million media impressions (combined readers, viewers,

and listeners) in the past 12 months. And the Academy expanded its outreach to other organizations, including meeting with members of the newly created Public Company Accounting Oversight Board (PCAOB).

As good as all this sounds, it gets better. The Academy's Spring Meeting 2004: An Academy Forum, which featured 31 sessions devoted to exploring areas where actuarial practice, professionalism, and public policy intersect, drew a record number of attendees to Washington in May. In the spring, the Academy published election guides on Social Security, Medicare, and the uninsured, which were distributed to policy-makers, journalists, and voters. And membership in the Academy, for the first time in its 39-year history, expanded to over 15,000 members.

Continued growth in size and influence certainly helped the Academy this year as it pursued its core missions. But so did an increasing spirit of cooperation between the Academy and other actuarial organizations.

When Standard & Poor's released a report to the media in November harshly criticizing actuaries for problems with loss reserves in the property/casualty insurance business, the Academy worked with the Casualty Actuarial Society to rebut unsubstantiated and erroneous assertions in the report and to open up a dialogue with S & P on the issue. As a result, a subsequent report released by S & P in May took a more balanced view of actuaries, acknowledging that estimating loss reserves is difficult.



Medicare Chief Actuary Rick Foster receives a standing ovation following his spring meeting remarks.

Building on this cooperation, CAS representatives in August participated in the Academy's successful media training program, which over the past two years has trained more than two-dozen actuaries to serve as Academy spokespersons on a wide variety of issues.

The Academy also took the lead for the profession in May when it briefed the PCAOB, an oversight body created in 2002 by Sarbanes-Oxley, on the role actuaries play in the audit process for publicly traded companies. And in collaboration with the CAS, the Society of Actuaries (SOA), and the Canadian Institute of Actuaries, the Academy submitted comments in October to a consortium of accounting groups on a draft framework for implementing an effective enterprise risk management system.

Working with the Conference of Consulting Actuaries (CCA), the Academy sponsored a DB symposium following the 2004 Enrolled Actuaries meeting that brought actuaries and other retirement professionals together to discuss ways to strengthen national retirement security. The Academy's 2004 annual meeting broke new ground as a jointly sponsored event with the CCA in Hawaii. In addition to recruiting keynote speaker Sen. Don Nickles (R-Okla.),

the Academy developed a full slate of concurrent sessions for the program. At the meeting, the Academy and the CCA also announced a joint task force to explore strategic alliances between the two organizations with the goal of improving services and reducing costs. Similarly, the Academy co-sponsored a seminar on the illustration actuary with the SOA in May and a casualty loss reserve seminar with the CAS in September.

On the international level, the Academy took the lead for



2004 Myers Award winner Haeworth Robertson, left, is congratulated by Barbara Lautzenheiser, Robert Myers, and Robert Wilcox.

U.S. actuaries in responding to a request for information from Sir Derek Morris, who is investigating the U.K. actuarial profession in the wake of the failure of Equitable Life to pay out as expected on annuities. In September, the Academy sent a letter on behalf of the U.S. profession pointing to its public policy activities as evidence of the profession's commitment to public service and describing U.S. standard-setting and discipline procedures. And in November, new Academy President Robert Wilcox met with Morris at the International Actuarial Association meeting in Washington to discuss the U.S. profession's commitment to serving the public interest.

The U.S. profession was also the focus of a draft revision of the qualification standards proposed in May by the Academy's Council on Professionalism. The revision, which would significantly expand the scope of the standards, could have a significant effect on continuing education requirements for many actuaries if it is approved. And the Academy continued to file friend of the court briefs on cases that affect actuarial practice, filing a brief in March on a California lawsuit about the division of surplus in certain disability policies. The Academy's brief addressed the integrity of the Actuarial Standards Board's processes in developing actuarial standards of practice.

As it has in past years, the Academy again honored individual actuaries who have made contributions to the common good through service to the government and to the profession. Walt Rugland was the winner of the 2003 Jarvis Farley Award for service to the profession, presented to him at the Academy's 2003 annual meeting in October. Haeworth Robertson received the 2004 Robert J. Myers Public Service Award at the spring meeting.

2003-2004

Academy Officers

President

Barbara Lautzenheiser

President-Elect

Robert Wilcox

Secretary-Treasurer

Peter Perkins

Vice Presidents

Jan Carstens

Donna Claire

Burton Jay

Ken Kent

Jan Lommele

Robert Rietz



From left, Ron Gebhardtbauer, Ken Kent, Don Segal, and Christine Mahoney after meeting with a White House official in February.

Oct. 2003-Oct. 2004 Media Relations

Placements	196
Interviews	78
Media inquiries	41

Media Outlet Placements

Daily newspapers	36
Trade media	31
Magazines	11
Web	115
Television	2
Radio	1

Total Media Impressions

45,941,748

Public Statements

- 10/03** statement for a South Carolina House Judiciary hearing on medical malpractice
- 11/03** [response](#) to S&P report on actuaries and casualty reserve issues
- 12/03** [issue brief](#), *Actuarial Opinions in Property/Casualty Insurance*
- 12/03** [practice note](#) for statements of actuarial opinion on P/C loss reserves
- 1/04** [letter](#) to the NAIC on workers' comp deductible study
- 3/04** [letter](#) to NAIC on deferred tax assets and deferred tax liability treatment in RBC
- 3/04** [letter](#) to NAIC on workers' compensation rate filing
- 3/04** [letter](#) to the U.S. Senate on asbestos litigation problems
- 3/04** [letter](#) to U.S. Senate on medical malpractice reform
- 4/04** [letter](#) to NAIC on 2003 medical malpractice congressional testimony
- 5/04** [letter](#) to U.S. House on medical malpractice reform
- 5/04** [monograph](#), *P/C Terrorism Insurance Coverage: Where Do We Go Post Terrorism Risk Insurance Act?*
- 5/04** [letter](#) to NAIC on extra-contractual liabilities in P/C annual statements
- 5/04** [letter](#) to FASB on AICPA paper on risk transfer in short-duration contracts
- 6/04** [report](#) to NAIC on factor updates in P/C RBC
- 7/04** [letter](#) to Rep. Michael Oxley (R-Ohio) on adding group life coverage to TRIA
- 7/04** [report](#) to NAIC on large-deductible workers' compensation policies
- 8/04** [comments](#) to FTC on credit scoring
- 8/04** [report](#) to NAIC on P/C RBC trend tests

When Standard & Poor's released a report in November 2003 fingering actuaries for the difficulty of analyzing P/C insurers' earnings, the Academy moved quickly to respond. In less than two days and working in conjunction with the Casualty Actuarial Society (CAS), the Academy issued a press release alerting the media to the fact that many of the assertions in the S&P report were inaccurate and unsubstantiated.

But the work didn't stop there. Within two weeks of the release of the S&P report, an Academy/CAS delegation met with S&P staff in New York, opening up a dialogue that resulted several months later in a subsequent S&P article that took a more balanced view of actuaries.

At the same time, the Academy began actively communicating to the profession on problems with loss reserves in the P/C business. The Committee on Property and Liability Financial Reporting (COPLFR) unveiled its issue brief on how loss reserve opinions work at the NAIC winter meeting. And at the spring NAIC meeting, Academy President Barbara Lautzenheiser and Andrea Sweeny, chairperson of COPLFR, participated in a roundtable discussion on the issue with representatives of S&P.

While all this activity was occurring on one front, the Academy was also involved in a number of other issues of importance to casualty actuaries. The Casualty Practice Council held two educational Capitol Hill briefings for congressional staffers and other policy-makers: an April briefing on the status of asbestos litigation and a June briefing on terrorism's effect on workers' compensation insurance. In conjunction with the latter, the Academy released a new monograph examining the effect of the Terrorism Risk Insurance Act (TRIA) of 2002 on current market condi-

tions and whether the insurance industry can provide needed terrorism coverage if TRIA is allowed to expire.

The Academy also kept busy on the state level. In October, Medical Malpractice Subcommittee Chairperson James Hurley testified on medical liability reform before South Carolina's House Ju-



Rich Hofmann, standing, fields policy-makers' questions at TRIA briefing.

diary Tort Reform Ad Hoc Study Committee. Concerned about requirements in a new California Department of Insurance form for actuarial statements of opinion on workers' compensation rates, the Academy voiced its reservations in a letter to the California insurance commissioner. Similarly, the Academy sent a letter in May to the Financial Accounting Standards Board commenting on an American Institute of Certified Public Accountants paper on risk transfer in short-duration contracts.

Events

- 3/04** Capitol Hill visits to congressional offices, the GAO, and the Treasury Department
- 5/04** Capitol Hill [briefing](#) on asbestos litigation
- 6/04** Capitol Hill [briefing](#) on speed-to-market and price-control issues
- 6/04** Capitol Hill briefing on TRIA and workers' compensation insurance
- 9/04** Casualty loss reserve seminar

For more information, visit www.actuary.org/casual.htm. Underlined documents are on the Academy website.

The Casualty Practice Council held two Capitol Hill briefings for congressional staffers and other policy-makers: an April briefing on the status of asbestos litigation and a June briefing on terrorism's effect on workers' compensation insurance.

Oct. 2003–Oct. 2004

Public Statements

10/03 [letter](#) to COSO about its enterprise risk management framework

10/03 [letter](#) to IASB on its proposal for international accounting standards for insurance contracts

12/03 [letter](#) to PCAOB chairman nominating Richard Robertson to PCAOB advisory group

12/03 [progress report](#) to NAIC on developing trend tests for P/C and health RBC

3/04 [letter](#) to the IAA on insurer solvency assessment report

3/04 [addendum to letter](#) to IAA on insurer solvency assessment report

5/04 [letter](#) to NAIC about a proposed risk assessment mechanism

7/04 [letter](#) to NAIC on positions for fair value discussions with the IAIS

7/04 [letter](#) to IAA on the IAIS draft supervisory standard for suitable forms of capital

9/04 [letter](#) to FASB on proposed guidance for measuring fair value

Events

3/04 meeting with AICPA Insurance Experts Panel

5/04 meeting with PCAOB Office of Chief Auditor

6/04 Capitol Hill [briefing](#) on speed-to-market and price-control issues

7/04 meeting with SEC Office of Chief Accountant

9/04 participation in FASB Fair Value Measurement Roundtable

For more information, visit www.actuary.org/financial.htm.

[Underlined](#) documents are on the Academy website.

Reflecting the efficiency of its new structure, the Risk Management and Financial Reporting Council greatly expanded the Academy's working relationship with significant groups.

The new name says it all. In November, the Academy decided to change the structure and name of the Financial Reporting Council to more accurately reflect its growing breadth of activities.

Under the new structure, the council's Financial Reporting Committee coordinates and develops Academy work on domestic and international financial reporting issues. The council's Risk Management and Solvency Committee focuses on risk management and solvency issues.

Reflecting the efficiency of the new structure, the council this year greatly expanded the Academy's working relationship with significant groups. In May, Academy members met for the first time with the new Public Company Accounting Oversight Board (PCAOB), the oversight body for firms that audit publicly traded companies that was created in 2002 by Sarbanes-Oxley. The meeting not only allowed the Academy to brief the PCAOB on the role actuaries play in the audit process but also gave Academy representatives a sense of the priorities and near-term goals of the PCAOB as it begins to create and adopt audit standards. In July, representatives of the council met for the first time with

a group from the Securities and Exchange Commission's Office of the Chief Accountant, focusing on three main topics: casualty loss reserve estimates, international accounting standards, and pension disclosures.

Meetings with other groups more familiar to the Academy continued as well. Academy members met with the Financial Accounting Standards Board (FASB)

in November to share views on domestic and international accounting standards initiatives, including the IASB insurance contracts project and pension accounting issues. In September, the council represented the Academy at FASB's fair value measurement roundtable.



Bob Anker, left, and Pat Teufel discuss implications of Sarbanes-Oxley at the Academy's spring meeting.

And in March, the council coordinated the annual meeting between a delegation from each of the Academy's practice councils and the American Institute of Certified Public Accountants' Insurance Experts Panel.

The council also coordinated comments from the Society of Actuaries, the Casualty Actuarial Society, and the Canadian Institute of Actuaries on a draft framework for implementing an effective enterprise risk management system that was proposed by a consortium of accounting groups, the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Similarly, the council oversaw the Academy's response to a proposal from the International Accounting Standards Board for accounting standards for insurance contracts, collating input from the Academy's Health, Life, and Casualty Practice councils.

Finally, the council, in conjunction with the Academy's Casualty and Life Practice councils, held a June educational briefing for Capitol Hill staffers and other policy-makers on speed-to-market and price controls as elements of insurance regulatory reform.

Public Statements

With the passage of the Medicare Modernization Act late last year, policy-makers turned their attention to the details of implementation and regulation—a thorny area where actuarial insight is increasingly valued.

While the ink was still drying on the new law, the Academy was at work preparing an issue brief highlighting Medicare's long-term financing problems. The issue brief, which incorporated the Academy's analysis of the findings of the 2004 Medicare Trustees' Report, was published in March. In June, the Academy published another issue brief examining financial issues for state Medicare programs growing out of the new Medicare law. And in July, the Academy formed a work group, under the direction of Senior Health Fellow Cori Uccello, to coordinate its comments on draft regulations implementing the new law as they are developed by the Centers for Medicare and Medicaid Services (CMS). The work group has so far submitted three comment letters to CMS and is currently involved in follow-up discussions. More important, CMS has turned directly to the Academy for assistance with technical issues related to the new law. In related action, the Academy corresponded with the Treasury Department about the integration of health savings accounts created by the new law into individual and group health products.

To help inform and sharpen public debate on both Medicare and the issue of the uninsured, the Academy developed two election guides for voters to use in evaluating candidates' positions. Published in April, the guides were also sent to candidates, members of Congress, federal agencies, policy-makers, and journalists.

And Academy members took their message straight to the source in February during the Health Practice Council's

annual Capitol Hill visits to congressional staff, the Congressional Budget Office, the Congressional Research Service, and the Labor Department. In two days of meetings, Medicare dominated the conversation, with discussions about those lacking health insurance coming in second.

In the area of the uninsured, the Academy published an issue brief on the topic in November and supplied a statement to a house hearing in March. In related action, the Health Practice Council sponsored a May Capitol Hill briefing on association health plans and published a monograph in January on consumer-driven health plans.

Finally, Tom Wildsmith, vice chairperson of the Committee on Federal Health Issues, testified in July at a House subcommittee hearing on the use of genetic information.

Despite all the activity on the federal front, the Academy was also busy working on the state level, sending reports to the NAIC in June on potential regulatory solutions for the closed block problem and on risk-based capital factors in long-term care insurance. Earlier in the year, the Academy reported to the NAIC on loss ratio curves and refund benchmarks in Medicare supplement insurance, and on the possible reserve impact of proposed changes in the statutory valuation standards for long-term care insurance.



Tom Wildsmith, left, testifies at a House hearing about the use of genetic information.

- 11/03** [issue brief](#), *Health Coverage Issues: The Uninsured and the Insured*
- 11/03** [letter](#) to NAIC on RBC treatment of active life reserves
- 11/03** [report](#) to NAIC on proposed changes in valuation standards
- 1/04** [monograph](#), *The Impact of Consumer-Driven Health Plans on Health Care Costs*
- 3/04** [election guide](#), *Election 2004: A Guide to Analyzing the Issues—Questions Candidates Should Answer About...Americans Without Health Insurance*
- 3/04** [statement](#) for House hearing on the uninsured
- 3/04** [report](#) to NAIC on Medicare supplement plan loss ratios
- 3/04** [updated issue brief](#), *Medicare's Financial Condition: Beyond Actuarial Balance*
- 3/04** [statement](#) for House Ways and Means Committee hearing on 2004 Medicare Trustees Report
- 3/04** [letter](#) to IRS on HSA provisions in new Medicare law
- 4/04** [election guide](#), *Election 2004: A Guide to Analyzing the Issues—Questions Candidates Should Answer About...Medicare Reform*
- 4/04** [letter](#) to FASB on accounting and disclosure requirements related to the Medicare Modernization Act
- 4/04** [letter](#) to GASB on accounting for other post-employment benefits
- 5/04** [slides](#) from Capitol Hill briefing on AHPs
- 5/04** [report](#) to NAIC on individual insurance regulation
- 6/04** [issue brief](#), *Medicare Modernization Act: Financial Issues for State Medicaid Programs*
- 6/04** [report](#) to NAIC on long-term care RBC
- 7/04** [draft practice note](#), *Actuarial Certification of Rates for Medicaid Managed Care Programs*
- 7/04** [testimony](#) to House Education and the Workforce Subcommittee hearing on genetic testing
- 9/04** [report](#) to NAIC on long-term care RBC
- 9/04** [guide](#) for NAIC on using the rate-filing model

Events

- 3/04** Capitol Hill visits to congressional offices, the CBO, the CRS, and the Labor Department
- 5/04** Capitol Hill briefing on association health plans
- 7/04** Tom Wildsmith testimony on genetic testing to the House Education and the Workforce Subcommittee
- 9/04** Co-leadership with CMS of forum on bidders' data set for prescription drug plans

For more information, visit www.actuary.org/health.htm.

Underlined documents are on the Academy website.

Public Statements

- 10/03** [report](#) to NAIC on annuity standard nonforfeiture law's impact on reserves
- 10/03** [report](#) to NAIC on revisions to Actuarial Guideline 34
- 10/03** [draft](#) annuity nonforfeiture model regulation
- 11/03** [supplement](#) to C3 Phase 2 report
- 12/03** [addendum and appendices](#) to C3 Phase 2 report
- 12/03** [updated draft](#) annuity nonforfeiture model regulation
- 12/03** [draft](#) actuarial guideline on valuation of reserves for variable annuities
- 12/03** [report](#) to NAIC recommending implementation of C3 Phase 2
- 3/04** [comments](#) to NAIC on calculating RBC preferred stock asset risk
- 3/04** [recommended changes](#) in RBC requirements for interest rate risk
- 3/04** [report](#) to NAIC on variable annuity reserves
- 3/04** [practice note](#) on AICPA Statement of Position 03-1
- 3/04** [report](#) to NAIC on deficiency reserve
- 3/04** [report](#) to NAIC on nonforfeiture improvement
- 3/04** [draft](#) model regulation on annuity nonforfeiture
- 6/04** [report](#) to NAIC on variable annuity reserves
- 6/04** [report](#) to NAIC recommending implementation of C3 Phase 2 RBC
- 6/04** updated C3 Phase 2 [project](#)
- 6/04** [draft model regulation](#) on annuity nonforfeiture implementation
- 7/04** [letter](#) to Rep. Michael Oxley (R-Ohio) on adding group life coverage to TRIA
- 9/04** [comments](#) to NAIC on strategic directions in enterprise risk management
- 9/04** [report](#) to NAIC on progress of Academy's Universal Life Work Group
- 9/04** [report](#) to NAIC on variable annuity reserves
- 9/04** [draft model regulation](#) on annuity nonforfeiture implementation
- 9/04** [report](#) to NAIC on RBC requirements for variable annuities

Events

- 5/04** Illustration actuary seminar
- 6/04** Capitol Hill [briefing](#) on speed-to-market and price-control issues
- 9/04** C3 Phase 2 seminar

For more information, visit www.actuary.org/life.htm.
Underlined documents are on the Academy website.

Life Council

AMERICAN ACADEMY of ACTUARIES

In September, the Academy presented its C3 Phase 2 project to a standing-room-only crowd of actuaries and regulators attending a two-day Academy seminar on the topic. It was a culminating moment for Academy volunteers who have spent months developing recommendations to the NAIC on statutory reserves and risk-based capital (RBC) for variable annuities.

In the project, Academy volunteers developed RBC factors for an alternative methodology for guaranteed minimum death benefits and similar reserve factors for variable annuities. Preceding those efforts was the development of 10,000 pre-packaged asset class scenarios for stochastic cash-flow projections of variable annuities that the Academy developed as part of its initial recommendation to the NAIC to implement C3 Phase 2.

Both aspects of this mammoth project moved forward earlier in September when the NAIC exposed the Academy's recommendations for comment. It is anticipated that they will be adopted at the winter meeting for implementation at the end of 2005.

Although the project has been ongoing for several years, its progress toward passage by the NAIC highlights a growing enthusiasm by regulators for using a principles-based approach in revising the standard valuation law to bring it into accordance with international accounting and regulatory standards.

While C3 Phase 2 has consumed much of the attention, the Academy proceeded with a number of other projects for the NAIC this year. In July, the Acad-



Tom Campbell talks about C3 Phase 2 at the Academy's spring meeting.

emy formally presented the NAIC's Life and Health Actuarial Task Force with a version of its draft model regulation on annuity nonforfeiture implementation. It is hoped that the model regulation will be approved at the NAIC's winter meeting for an effective date of year-end 2005.

In the area of financial reporting, the Academy completed a practice note in March on AICPA Statement of Position 03-1: Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts. And the Academy's Life, Financial Reporting, and Casualty Practice councils joined forces in June to present a Capitol Hill briefing on speed-to-market and price controls that attracted more than 50 congressional staff and other policy-makers.

So as to enhance continuing education opportunities for actuaries, the Life Practice Council and the Council on Professionalism worked together to stage the increasingly popular Life and Health Qualifications Seminar in November and coordinated with the Society of Actuaries in May to co-sponsor a seminar on the illustration actuary.

The progress of C3 Phase 2 parallels a growing enthusiasm by regulators for using a principles-based approach in revising the standard valuation law.

When Congress this year passed the Pension Funding Equity Act, replacing the 30-year Treasury bond rate with a rate based on amounts conservatively invested in long-term corporate bonds, members of the Academy's Pension Practice Council were justifiably elated. After all, the Academy had been at the forefront of several years of effort to find a long-term replacement rate. But even before the measure was signed into law in early April, the Academy had expanded its focus to a larger goal: the reform and rejuvenation of this country's private pension system.

Earlier in the year, Senior Pension Fellow Ron Gebhardtshauer previewed Academy thinking on pension reform at a January Capitol Hill briefing sponsored by the Senate/House Steering Committee on Retirement Security and the Retirement Savings Network and at a March international forum on retirement security in Belgium.

The topic arose frequently when the Pension Practice Council went to Capitol Hill in February to visit congressional staff and representatives of the Government Accounting Office, the Pension Benefit Guarantee Corp., the Congressional Research Service, the Treasury Department, and the White House. It was also the subject of a Defined Benefit Symposium that the Academy and the Conference of Consulting Actuaries convened at the end of the 2004 Enrolled Actuaries Meeting in March.

In April, Ken Kent, the Academy's vice president for pension issues, testified before the House Education and the Workforce Subcommittee on Employer-Employee Relations. In his testimony, Kent discussed reform principles that were published in a February draft paper developed by the Academy's Pension Committee. These principles will be printed this fall in an Academy white paper on minimum funding rules for single-employer pension plans. The paper outlines eight principles that should be

considered in efforts to revamp the current funding rules, and it offers examples of changes to the rules that would achieve the goal of each principle.

Because it was an election year, Social Security reform resurfaced as an important issue. To help inform and sharpen public discussion, the Academy published an election guide in February that was widely distributed to candidates, members of Congress, federal agencies, policy-makers, journalists, and other interested parties. The guide includes a brief background on six of the major reforms discussed in recent years and provides a series of questions to be posed to candidates who make reform proposals.



Ken Kent testifies at a House hearing on pension reform.

The guide was followed up by two informational Capitol Hill briefings for congressional staffers and other policy-makers. An April briefing focused on Social Security reform proposals that don't involve individual accounts, and at a May briefing, Academy experts discussed reform proposals involving individual accounts. The Academy also updated 11 of 13 issue briefs on Social Security to reflect the current state of the debate.

The Academy was also the host of another Capitol Hill briefing, held in February in conjunction with the Society of Actuaries, to unveil the results of two surveys on retirement plan preferences and on risk and the process of retirement.

Oct. 2003–Oct. 2004

Public Statements

- 10/03** [comments](#) to Sen. Evan Bayh (D-Ind.) on legislation affecting multiemployer plans
- 10/03** [letter](#) to FASB on financial disclosure proposals for pensions and post-retirement benefits
- 10/03** [updated issue brief](#), *Social Security Individual Accounts: Design Questions*
- 11/03** [letter](#) to Congress asking for action on pension discount rate
- 12/03** [letter](#) to Congress asking for action on pension discount rate
- 12/03** [letter](#) to Social Security trustees about measuring unfunded obligations
- 12/03** [letter](#) to IRS on using the RP-2000 mortality tables
- 12/03** [letter](#) to FASB on the effects of the Medicare Prescription Drug Act
- 1/04** [updated issue brief](#), *Assumptions Used to Project Social Security's Financial Condition*
- 1/04** [updated issue brief](#), *Means Testing for Social Security*
- 1/04** [updated issue brief](#), *Social Adequacy and Individual Equity in Social Security*
- 2/04** executive [summary](#) of draft paper on pension funding principles
- 2/04** [election guide](#), *Election 2004: A Guide to Analyzing the Issues—Questions Candidates Should Answer About... Social Security Reform*
- 3/04** [letter](#) to Senate staffers on multiemployer provisions in H.R. 3108
- 4/04** [updated issue brief](#), *An Actuarial Perspective on the 2004 Social Security Trustees Report*
- 4/04** [updated issue brief](#), *Changes to the Benefit Formula and Taxation of Benefits*
- 4/04** [testimony](#) for a House hearing on pension reform
- 4/04** [letter](#) to ASB on proposed introduction to ASOPs
- 4/04** [letter](#) to ASB on proposed revision of data quality standard
- 4/04** [letter](#) to FASB on accounting and disclosure requirements (FSP 106b) related to Medicare Modernization Act
- 4/04** [letter](#) to GASB on accounting for other post-employment benefits
- 5/04** [paper](#) on maximum funding rules
- 5/04** [letter](#) to House subcommittee members accompanying paper on maximum funding rules
- 5/04** [letter](#) to CRS on cash balance plans report
- 5/04** [letter](#) to Sen. Tom Harkin (D-Iowa) on relative value regulations
- 6/04** [letter](#) to FASB on share-based payments (stock options) exposure draft
- 7/04** [updated paper](#) on pension funding and accounting fundamentals
- 7/04** [comments](#) on an IASB draft on financial reporting for multiemployer plans
- 9/04** [letter](#) to Joint Board on proposed regulatory revisions
- 9/04** [letter](#) to FASB about valuing employee stock options

Events

- 1/04** Ron Gebhardtshauer [presentation](#) for Retirement Savings Network and Senate/House Steering Committee on Retirement Security briefing
- 2/04** Capitol Hill [briefing](#) on retirement needs and risks
- 2/04** Capitol Hill visits to congressional offices, the GAO, the PBGC, the CRS, the Treasury Department, and the White House.
- 3/04** Ron Gebhardtshauer [presentation](#) at international forum on retirement security
- 4/04** Capitol Hill [briefing](#) on Social Security reform
- 4/04** Ken Kent testimony on pension reform to the House Education and the Workforce Subcommittee
- 5/04** Capitol Hill [briefing](#) on Social Security reform

For more information, visit www.actuary.org/pension.htm.
[Underlined](#) documents are on the Academy website.

Oct. 2003–Oct. 2004

Public Statements

11/03 response to S&P report on actuaries and casualty reserve issues

3/04 amicus brief to California Superior Court in *Willens v. Northwestern Mutual Life Insurance Co.*

5/04 draft proposed revision of the qualifications standards

7/04 discussion paper, *The Application of Principles and Practices*

7/04 2003 professionalism report

9/04 letter to Joint Board on proposed regulatory revisions

9/04 comments responding to U.K. review of the actuarial profession

Events

11/03 Life and Health Qualifications Seminar

For more information, visit
www.actuary.org/professi.htm.

Underlined documents are on the Academy website.

Responding to rising scrutiny of the actuarial profession by litigators, legislators, and regulators, the Academy this year further diversified the means by which it delivers its message of actuarial professionalism.

When Standard & Poor's released an inflammatory report in November on problems with loss reserves in the property/casualty insurance business, the Academy quickly developed a press release pointing out the report's shortcomings.

As part of its ongoing effort to reinforce and improve actuarial standards, the Academy in May published an exposure draft of a revision to the qualification standards that would significantly expand the scope of the standards. If approved, the new qualification standards could have a profound effect on continuing education requirements for many actuaries.

In July, the Academy released a discussion paper for actuaries working in new practice areas or undertaking nontraditional actuarial work for which no applicable standards exist. The paper, while non-binding, offers some insights and practical suggestions as to how an actuary might exercise professional judgment in

the absence of an applicable standard.

In a similar effort, the Academy updated its applicability guidelines to assist actuaries in determining which standards need to be reviewed and satisfied when completing a professional service. The guidelines, which are organized by practice area and list the various categories of work that actuaries typically perform in each area, will be released in November 2004.

Continuing to defend the profession in the legal arena, the Academy submitted a March friend of the court brief in *Willens v. Northwestern Mutual Life Insurance Co.*, a California lawsuit about the division of surplus in certain disability policies. The Academy's brief addressed the integrity of the Actuarial Standards Board in developing actuarial standards of practice.

In September, the Academy responded on behalf of the U.S. actuarial profession to a request for comments from Sir Derek Morris, who is investigating the U.K. actuarial profession in the wake of the failure of Equitable Life to pay out as expected on annuities.

Finally, demand for the Academy's annual Life and Health Qualifications Seminar continued to grow, with the 2003 three-day seminar drawing a sellout crowd for the first time.

ABCD

The ABCD serves the five U.S. actuarial organizations by considering complaints concerning possible violations of the Code of Professional Conduct and responding to inquiries from actuaries about their professional conduct.

As of Sept. 30, 2004, the ABCD had 18 active inquiries, compared with 15 at the same time in 2003. Of those 18 cases, two have been decided and are awaiting dissemination of the decision, five have been scheduled for a hearing but not yet heard, five are pending an investigation, and six are awaiting more information from the complainant, the subject actuary, or others. Of the six cases resolved in 2004 by the ABCD, four were dismissed by the chairperson and vice chairpersons of the ABCD, one was dismissed by the whole ABCD following an investigation and hearing, and one was dismissed with guidance by the whole ABCD.

So far this year, the ABCD has received 34 voluntary requests for guidance.

ASB

The Actuarial Standards Board serves the actuarial community and the public by codifying generally accepted actuarial practice through the issuance of actuarial standards of practice (ASOPs). Since October 2003, the ASB has exposed a number of proposed, revised, and new ASOPs. The ASB has also developed and exposed a new introduction to the ASOPs to replace the preface that was repealed in October 2003. In related action, the Academy's Council on Professionalism is working information from the old preface into a new discussion paper, *Structural Framework of U.S. Actuarial Professionalism*.

ASB Publications

10/03 second exposure draft, *Determining Health and Disability Liabilities Other than Liabilities for Incurred Claims*

10/03 second exposure draft, *Selection and Use of Asset Valuation Methods for Pension Valuations*

10/03 exposure draft, *Introduction to the Actuarial Standards of Practice*

10/03 exposure draft of a revision of ASOP 23, *Data Quality*

10/03 exposure draft of a revision of ASOP 38, *Using Models Outside the Actuary's Area of Expertise (All Practice Areas)*

12/03 second exposure draft of a revision of ASOP 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements (All Practice Areas)*

3/04 new ASOP 42, *Determining Health and Disability Liabilities Other than Liabilities for Incurred Claims*

3/04 revised ASOP 1, *Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*

6/04 exposure draft of a revision of ASOP 19, *Appraisals of Casualty, Health, and Life Insurance Entities*

9/04 exposure draft of a revision of ASOP 8, *Regulatory Filings for Health Plan Entities*

9/04 exposure draft of a revision of ASOP 12, *Risk Classification for All Practice Areas*

9/04 second exposure draft of a revision of ASOP 11, *Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance*

9/04 revised ASOP 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*