Academy Year in Review

Bringing Clarity to the Debate
All things being equal, Academy volunteers prefer to assist in the formulation of public policy by providing independent and objective analysis rather than by taking a position. But sometimes all things aren’t equal. In those situations, Academy volunteers weigh in with reasoned arguments in support of specific action that needs to be taken.
DURING THE PAST 12 MONTHS, the Academy (through the work of its volunteers) has taken a more active stance in a number of key areas. Whether in public statements and testimony or informal advice to policy-makers, the Academy has made its position clear on a number of issues:

- Without some sort of federal backstop such as the Terrorism Risk Insurance Act (TRIA), much of the property and casualty insurance market could be financially incapacitated after a large-scale chemical, nuclear, biological, or radiological attack.
- Any national retirement policy framework must embrace and promote defined benefit pension plans. The passage of pension funding reform was an important first step in that direction, but more needs to be done.
- Medicare faces urgent solvency problems that need to be addressed sooner rather than later.
- Constant evolution in the insurance marketplace requires a more principles-based model for insurance regulation instead of the old reliance on formulas.

Through their activity on these and other issues, Academy volunteers successfully advanced the ongoing development of well-reasoned, intelligent solutions on issues of importance to the profession. Not coincidentally, the Academy’s profile continued to rise in legislative, public policy, academic, and media circles.

POLICY OUTREACH

THE ACADEMY USES A NUMBER of methods to accomplish its goals. In the past 12 months, the Academy published 10 issue briefs in the casualty, health, and pension areas and three professionalism discussion papers. Academy committees and work groups made more than 55 reports and presentations to the National Association of Insurance Commissioners (NAIC) and participated in countless hours of conference calls. Similarly, the Academy posted 44 letters commenting on legislative and regulatory matters.

The Academy used a more informal setting to bring its message to Capitol Hill staff by sponsoring four luncheon briefings: one on funding issues facing Medicare and Social Security, one on Social Security reform, one on rising health care costs, and one in conjunction with the Society of Actuaries (SOA) on retirement risk.

The annual Capitol Hill visits conducted by Academy Health and Pension practice council volunteers expanded this year to include meetings with policy-makers at the White House, Treasury Department, Labor Department, Internal Revenue Service, Government Accountability Office, Congressional Research Service, Congressional Budget Office, Pension Benefit Guaranty Corp., and National Academy of Social Insurance as well as various congressional offices. Separately, members of the Academy’s Risk Management and Financial Reporting Council met with the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, and members of the Council on Professionalism met with the Joint Board for the Enrollment of Actuaries.
Public Interface

As debate on pension reform intensified over the course of the year, Academy Senior Pension Fellow Ron Gebhardtsbauer was the go-to resource on pension issues, appearing several times on PBS “Nightly Business Report,” on National Public Radio’s “Morning Edition” and “All Things Considered,” and on BBC’s World Service radio program “World Business Review.” In the past 12 months, Gebhardtsbauer was quoted in various articles that ran in a number of outlets, including The Wall Street Journal, USA Today, The Washington Post, and The Los Angeles Times.

Other Academy spokespersons also were active. Academy Pension Vice President Donald Segal was interviewed on CNBC’s “Closing Bell” and was quoted in The Washington Post. The comments of Michael McCarter, chairperson of the Academy’s Terrorism Risk Insurance Subgroup, were carried on the Reuters wire and reported in an article in BestWeek. And Academy Mass Torts Subcommittee Chairperson Jennifer Biggs was quoted in a July Financial Times article on federal solutions to the asbestos crisis. On the life side, the Academy’s principles-based project garnered continuing coverage in trade publications such as National Underwriter and on BestWire and was the subject of an article in The Wall Street Journal in May. To help with the growing number of media inquiries, the Academy offered three media training sessions in 2006. The Academy’s official spokesperson program now has trained 42 volunteers, including representatives from the Casualty Actuarial Society and the SOA.

Service to the Profession

Branching Out into New Media, the Academy offered 15 webcasts on life, pension, and professionalism issues for actuaries, regulators, and other policymakers in the past 12 months.

The Academy’s 2006 Spring Meeting in May offered sessions on issues ranging from health savings accounts, insuring against terrorism risk, and the changing professionalism landscape for pension actuaries to developments in the principles-based project. The meeting also featured an open hearing on the Actuarial Standards Board’s standards-setting process and a keynote address by David Walker, comptroller general of the United States and head of the Government Accountability Office. At the same meeting, the Academy honored Richard Foster, chief actuary for the Centers for Medicare and Medicaid Services (CMS), with the 2006 Robert J. Myers Public Service Award.

The Academy’s April C-3 Phase 2 Seminar and September Valuation Actuary Symposium, its Loss Reserve Opinion...
Seminar in October, and the popular Life and Health Qualifications Seminar in November provided focused educational opportunities in different practice areas, as did seminars the Academy co-sponsored with sister organizations, such as the Enrolled Actuaries Meeting and the Defined Benefit Symposium in March, and the Casualty Loss Reserve Seminar in September.

Also in September, the Academy held a leadership meeting to brainstorm on the Academy’s next strategic plan. To help frame deliberations, the Academy released preliminary results of an August membership survey. Attendees also heard Fred Kilbourne, chairperson of the Critical Review of the U.S. Actuarial Profession (CRUSAP) task force, present findings from CRUSAP’s yearlong analysis of the American actuarial profession. CRUSAP, an independent task force funded by the Academy, was established in May 2005 to identify risks and opportunities facing the American actuarial profession and make recommendations for addressing them. A final version of its report and recommendations to the profession will be completed by the end of 2006.

The leadership meeting was wrapped around the Academy’s annual meeting luncheon, which featured the presentation of the 2006 Jarvis Farley Service Award to Frank Irish and marked the transition of Academy leadership with Steven Lehmann succeeding Peter Perkins as Academy president. The keynote speaker was Linda Springer, an actuary who is director of the U.S. Office of Personnel Management.

Incoming Academy President Steven Lehmann, left, presents Frank Irish with the Jarvis Farley Service Award.

Steven Lehmann, left, succeeds Peter Perkins as Academy president at the annual meeting.

Linda Springer speaks at the Academy annual meeting.

2005-2006
Academy Officers

President
Peter Perkins

President-elect
Steven Lehmann

Secretary-Treasurer
John Parks

Vice Presidents
Michael Abroe
Mary D. Miller
David Sandberg
Geoffrey Sandler
Donald Segal
Timothy Tongson


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Note: 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 and/or a quote or attribution from an Academy spokesperson. A pickup is the publication of an Academy news release, media alert, statement, or letter to the editor.

Media Impressions:
54.4 million

Web Impressions:
268 million
Casualty Practice Council

When Congress Voted in December 2005 to extend the Terrorism Risk Insurance Act (TRIA) by two years, it was a significant moment in the Academy’s effort to find a long-term solution for terrorism insurance. But it was by no means an endpoint.

Over the course of several months last fall, the Academy’s Terrorism Risk Insurance Subgroup provided congressional staff with comprehensive analysis of draft versions of TRIA extension proposals. Concerned that differences in separate House and Senate bills couldn’t be reconciled in the rush of business before TRIA expired on Dec. 31, 2005, the Academy issued a statement calling for permanent federal legislation in order to make terrorism coverage widely and readily available. The Academy’s statement came just in time for a significant flurry of congressional maneuvering around TRIA’s future.

After passage of the TRIA extension, the Academy followed up with testimony at a March 29 hearing on terrorism sponsored by the National Association of Insurance Commissioners (NAIC). In April, the subgroup commented at length to the President’s Working Group on Financial Markets for a study of terrorism risk insurance. Those comments were repeatedly referred to in the study, which was released in October 2006. And in June, subgroup members met with the Government Accountability Office (GAO) to discuss terrorism risk insurance in advance of a GAO report that was issued in October. The GAO report also referenced Academy work extensively.

While TRIA was a high-profile issue, the Academy also kept pace on numerous other projects of importance to casualty actuaries:

- In October 2005, the Academy issued a statement critical of a report on medical malpractice insurance emanating from the Center for Justice and Democracy, which had been sent to many state attorneys general. In May, the Academy sent a letter to Congress on the actuarial consequences of two medical malpractice liability reform bills;
- Shortly before the Senate took up asbestos litigation as the first major item on its 2006 agenda, the Academy released a timely new issue brief on the topic;
- Academy representatives met in August with the GAO to discuss various types of weather-related risk and insuring against the risk of a mega-catastrophe.

Finally, for two years in a row, the Academy’s seminar on P/C loss reserve opinions generated such interest that it was expanded to two days. Better yet, the seminar consistently received top reviews from attendees who applauded its value for working appointed actuaries.

Michael McCarter testifies at NAIC hearing on terrorism.

Public Statements

- 10/05 comments to state and federal policymakers on the Center for Justice and Democracy’s report on medical malpractice
- 11/05 practice note on P/C risk transfer analysis for reinsurance
- 12/05 practice note on P/C loss reserve opinions
- 12/05 analysis of proposals to extend TRIA
- 12/05 comments to the Bermuda Monetary Authority about draft guidance on the role of the loss reserve specialist
- 2/06 issue brief, Current Issues in Asbestos Litigation
- 3/06 statement to NAIC on terrorism risk insurance
- 4/06 comments to President’s Working Group on Financial Markets on terrorism risk insurance
- 5/06 letter to Congress on the actuarial consequences of two medical malpractice liability reform bills
- 6/06 letter to NAIC on proposed risk-focused regulatory framework for casualty insurers
- 7/06 letter to NAIC on proposed workers’ compensation large-deductible recommendations
- 7/06 letter to NAIC and NCOIL responding to a joint paper on the NAIC’s proposal for national catastrophe insurance
- 8/06 comments to FASB on bifurcation of insurance and reinsurance contracts
- 9/06 letter to NAIC on prepaid extended reporting endorsements in medical malpractice insurance

Events

- 3/06 Michael McCarter testimony at an NAIC hearing on terrorism
- 9/06 Casualty loss reserve seminar
- 10/06 Seminar on P/C loss reserve opinions

For more information, visit www.actuary.org/casual.asp. Underlined documents are on the Academy website.
sponsored a care and reserves and liabilities. Accounting empy sent a letter to the Government equivalence of prescription drug plans ming in the new landscape created by practice notes for health actuaries work- on pay-for-performance programs, par- with the publication of an issue brief first foray into quality-of-care issues o

2005 trustees reports and updated an solvency challenges facing both other policymakers make sense of the priorities.

Although there were no new major Medicare initiatives to sort through this year, implementation issues related to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) and continuing questions about the program’s solvency remained prioritizes.

To help congressional staff and other policymakers make sense of the solvency challenges facing both Medi- care and Social Security, the Academy sponsored a Capitol Hill briefing on the 2005 trustees reports and updated an earlier issue brief, Medicare’s Financial Condition: Beyond Actuarial Balance. In October 2005, the Academy made its first foray into quality-of-care issues with the publication of an issue brief on pay-for-performance programs, par- ticularly within the Medicare program. The Academy also developed several practice notes for health actuaries working in the new landscape created by MMA, including one on the actuarial equivalence of prescription drug plans and another on Medicare supplement reserves and liabilities. In April, the Academy sent a letter to the Government Accounting Standards Board comment-

ing on a proposed technical bulletin on the Medicare Part D drug program. And the Academy continued to work closely with the National Association of Insurance Commissioners as it develops proposed Medicare Part D risk factors, instructions, and formulas.

Despite all this activity, the Academy didn’t neglect other aspects of health policy. In addition to producing the Medicare-related practice notes, the Academy continued its efforts to update all 1996 practice notes. Revised practice notes released in the past 12 months included ones on long-term disability insurance income, on small-group medi- cal insurance reserves and liabilities, and on statutory reserves for individual disability income insurance.

Finally, in late September, the Academ y released a fact sheet, written in lan- guage accessible to a broad audience, on the dangers of secondhand smoke. The fact sheet garnered considerable press interest, particularly in states where proposed smoking bans were on the November ballot, and it prompted an official at the Centers for Disease Control and Prevention to contact the author, Academy Senior Health Fellow Cori Uccello, to discuss the economic implications of chronic disease.

### Public Statements

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<td>issue brief</td>
<td>Pay-for-Performance: Rewarding Improvements in the Quality of Health Care</td>
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<td>10/05</td>
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<td>Small-Group Medical Insurance Reserves and Liabilities</td>
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<td>12/05</td>
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<td>12/05</td>
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<td>Health Coverage Issues: The Uninsured and the Insured</td>
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<td>3/06</td>
<td>practice note</td>
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<td>Actuarial Equivalency for Plan Sponsors Accepting a Retiree Drug Subsidy Under the Medicare Drug Benefits</td>
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<tr>
<td>4/06</td>
<td>letter</td>
<td>to GAO on proposed technical bulletin on Medicare Part D retiree drug subsidy</td>
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<td>letter</td>
<td>to Senate leaders analyzing small-business health insurance legislation</td>
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<td>5/06</td>
<td>updated issue brief</td>
<td>Medicare’s Financial Condition: Beyond Actuarial Balance</td>
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<tr>
<td>5/06</td>
<td>letter</td>
<td>to FASB on proposed changes in financial accounting standards for OPEBs</td>
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<td>6/06</td>
<td>presentation</td>
<td>to NAIC on principles-based long-term-care valuation</td>
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<td>8/06</td>
<td>letter</td>
<td>to Citizens’ Health Care Working Group on its interim recommendations for improving health care</td>
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<td>8/06</td>
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<td>Group Long-Term Disability Income Insurance</td>
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<td>8/06</td>
<td>letter</td>
<td>to NAIC on Medicare supplement transition issues</td>
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### Events

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<tr>
<td>11/05</td>
<td>Capitol Hill briefing on rising health care costs</td>
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<td>Capitol Hill visits to congressional offices, the Treasury and Labor departments, the CRS, and the CBO</td>
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<td>5/06</td>
<td>Capitol Hill briefing on Medicare and Social Security</td>
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<tr>
<td>6/06</td>
<td>participation in FASB roundtables on accounting for pension and other post-retirement benefits</td>
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For more information, visit [www.actuary.org/health.asp](http://www.actuary.org/health.asp). Underlined documents are on the Academy website.
**Public Statements**

10/05 practice note on various reinsurance reserve credit issues
10/05 letter to NAIC on actuarial guideline ABC
11/05 letter to FASB on FAS 141
12/05 report to NAIC on work of Variable Annuity Reserves Work Group
12/05 presentation to NAIC by the Life Reserves Work Group (LRWG) on 20-year-term modeling results
12/05 hangout on life reserve estimates to accompany LRWG presentation to NAIC
12/05 letter to SEC on the treatment of equity-indexed annuities
12/05 memo from LRWG to New York Insurance Department about discount rates
12/05 presentation to NAIC by SVL2 Steering Committee
12/05 update to NAIC on work of the LRWG
12/05 draft model regulation on life reserves
12/05 draft actuarial guideline on life reserve valuation assumptions
12/05 draft actuarial guideline on life reserve documentation and disclosure requirements
12/05 draft actuarial guideline on life reserve assumption margins
3/06 report to NAIC on modified conservatism
3/06 report to NAIC on principles-based valuation for standard life products
3/06 presentation to NAIC on the work of the Regulatory Interface, Governance, and Peer Review Work Group
3/06 comments to NAIC on a New York principles-based reserve memo
3/06 report to NAIC on modeling principles-based reserves for 20-year level-premium term insurance
3/06 presentation to NAIC on 20-year term margin examples and accompanying spreadsheet
3/06 report to NAIC on considerations in applying principles-based reserving to in-force blocks
3/06 report to NAIC on life reserves aggregate margins
3/06 comments to NAIC on changes made to actuarial guideline VACARVM
3/06 survey for the NAIC on use of C-3 Phase 2 instructions
3/06 updated version of enhanced C-3 Phase 1 RBC interest-rate generator
3/06 project timeline by Academy/SOA Preferred Mortality Project Oversight Group
3/06 report to NAIC defining the principles in the principles-based approach
3/06 update to NAIC on the Academy’s current principles-based work
4/06 report to NAIC on principles-based reserves for universal life with secondary guarantees
5/06 comments to NAIC on total adjusted credit provisions in proposed life RBC instructions
5/06 comments to NAIC on proposed life RBC instructions
6/06 presentation to NAIC on the SVL2 presentation to LHAT on the principles-based project
6/06 updated draft actuarial guideline on principles-based life reserving
6/06 updated draft actuarial guideline on life reserve assumption margins
6/06 updated draft actuarial guideline on life reserv- ing disclosure
6/06 report to NAIC on areas where additional actuarial judgment guidance is needed in principles-based reserving
6/06 update to NAIC on Academy-SOA preferred mortality study project
6/06 report to NAIC on results of survey about proposed actuarial guideline VACARVM
6/06 interim report to NAIC on the ACL’s proposed preferred mortality table
6/06 presentation to NAIC by LRWG on updated draft model regulation
6/05 questions for NAIC Principles-Based Regulation Working Group
6/06 report to NAIC on variable annuity revenue-sharing agreements for mutual fund services
6/06 summary of results from C-3 Phase 2 survey
6/06 presentation to NAIC on applying the principles-based approach to valuation and capital requirements
6/06 report to NAIC on GPVAD vs. GPV approach to life reserving
6/06 report on a principles-based methodology for calculating reserves for immediate and nonvariable deferred annuities
6/06 recommendations to NAIC on principles-based valuation review

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**THE ACADEMY’S WORK** on risk-based capital (RBC) C-3 Phase 2 instructions achieved a significant milestone when its recommendations were adopted by the National Association of Insurance Commissioners (NAIC) in October 2005. But the Academy’s work on encouraging a principles-based approach to regulation has just begun.

Throughout the course of the past 12 months, the Academy’s principles-based initiative moved forward on a variety of fronts. Consider:

- Members of the Life Financial Soundness/Risk Management Committee are working on a new approach to the Standard Valuation Law with reserving and solvency methods that are principles-based.
- The Variable Annuity Reserve Work Group has developed a reserve methodology for variable annuity products that uses the C-3 Phase 2 approach.
- The Life Reserves Work Group continues its work developing a principles-based approach to determining reserves for all life products, including a model regulation and two possible actuarial guidelines for the valuation of reserves.
- The Annuity Reserves Work Group is developing principles-based reserve requirements for all nonvariable annuity products.
- The Experience Subcommittee is working with the Joint SOA/Academy Preferred Mortality Project Oversight Group on the development of a new valuation table process to support a principles-based framework.
- The Governance Group has completed a recommended actuarial guideline for the independent review requirements of principles-based reserves.
- The Valuation Law and Manual Team is developing content and structure for an NAIC Valuation Manual to facilitate the uniform application and updating of reserve standards.

And that’s just in the area of reserves. In January, the Academy unveiled enhanced pre-packaged scenarios and an updated interest-rate generator for capital adequacy. Work has also begun on developing C-3 RBC requirements for life products; on crafting consistent principles-based reserve and capital recommendations to ensure that different segments of insurance business have a common platform for projecting economic scenarios and creating a consistent stochastic methodology for calculating RBC and reserves; and on creating capital requirements for nonvariable annuity products.

To keep actuaries and regulators up to speed on this dizzying array of activities, the Academy began in January to hold regular webcasts on principles-
 Leaders of the Life Practice Council’s principles-based initiative convene at the summer NAIC meeting.

Pension Practice Council

AFTER MONTHS OF NEGOTIATION, compromise, and political maneuvering, the House and Senate passed the Pension Protection Act of 2006 in August. When President Bush signed the measure into law shortly thereafter, it marked a milestone in Academy pension reform efforts that had ramped up considerably in the past year.

In the fall of 2005, while differing pension reform bills were making their way through Congress, the Academy’s Pension Committee prepared an analysis of provisions in the various bills. Responding to requests from congressional staffers, that analysis was updated in February, and Senior Pension Fellow Ron Gebhardtsbauer provided continuing behind-the-scenes technical assistance to lawmakers and congressional staff throughout the spring and summer. Following passage of the law in August, the Academy hosted a meeting of actuaries and other employee benefits experts to discuss guidance issues for input to federal agencies working on its implementation. The Academy also joined with the American Society of Pension Professionals and Actuaries, the Conference of Consulting Actuaries, and the Society of Actuaries to sponsor a series of educational webcasts for pension professionals on different aspects of the new law.

While pension reform consumed much of the attention this year, the Academy didn’t neglect other issues of
importance. In May, the Academy was one of the first stakeholders to protest a Department of Energy decision to eliminate reimbursements to contractors for the cost of providing defined benefit (DB) pension plans for new employees. A month later, the DOE reversed its policy for at least a year in order to study the matter further. The Academy engaged in ongoing discussions with the Government Accounting Office about its November report on cash balance plans and with the Financial Accounting Standards Board about its projects to reconsider accounting for pensions and other post-employment benefits. The Academy also continued to press the Internal Revenue Service for guidance on Circular 230 revisions.

During the year, the Academy offered a Capitol Hill briefing on basic elements of Social Security in April and a May briefing on the 2006 trustees reports on Medicare and Social Security. In June, the Academy co-sponsored a Capitol Hill briefing with the SOA to present findings from a survey of how people understand and manage retirement risk. The Academy also published issue briefs this year on longevity and retirement policy, on the use of stochastic models in analyzing Social Security solvency, and on the importance of DB plans in national retirement policy.

**Public Statements**

10/05 letter to IRS requesting technical advice on Circular 230
10/05 updated issue brief, Social Security Benefits: Changes to the Benefit Formula and Taxation
10/05 issue brief, A Guide to the Use of Stochastic Models in Analyzing Social Security
11/05 letter to GAO commenting on its report on cash balance plans
11/05 analysis of multi-employer issues in pension funding reform legislation
12/05 letter to the editor of the Financial Times on the role of actuaries in pension accounting
2/06 letter to the editor of the Economist about the U.S. actuarial profession
2/06 letter to FASB commenting on its project to reconsider accounting for pension and other benefits
3/06 letter to Moody’s on its proposed rating methodology for companies with multi-employer DB plans
3/06 updated analysis of pension funding reform bills
4/06 issue brief, Longevity and Retirement Policy: Modernizing America’s Retirement Programs to Keep Pace with Longevity
4/06 letter to GASB on its proposed technical bulletin on Medicare Part D
4/06 letter to SEC on a proposed executive compensation disclosure rule
5/06 updated issue brief, An Actuarial Perspective on the 2006 Social Security Trustees Report
5/06 analysis, Keeping Employers Responsible for Their (and Only Their) Pension Promises
5/06 letter to GAO about its cash balance report
5/06 letter to IRS about its annual business plan
5/06 letter to secretary of energy about DOE policy on reimbursing contractors’ pension plans
5/06 letter to FASB on proposed changes in financial accounting standards for pensions
7/06 issue brief, The Value of Defined Benefit Plans
8/06 revised letter to IRS seeking technical guidance on Circular 230
8/06 letter to editor of The Wall Street Journal pointing out inaccuracies in article about pension reform changes
8/06 letter to editor of Wall Street Journal contesting an editorial concluding that public-sector workers are better served by DB plans
9/06 letter to various agencies on revisions to Schedule B

**Events**

1/06 meeting with GAO
2/06 Capitol Hill visits to the White House, congressional offices, Treasury and Labor departments, the IRS, GAO, CRS, PBGC, and NASI
4/06 Capitol Hill briefing on Social Security
5/06 Capitol Hill briefing on Social Security and Medicare trustees reports
6/06 participation in FASB roundtables on accounting for pensions and other post-retirement benefits
6/06 Capitol Hill briefing with SOA on retirement risk
9/06 series of weekly webcasts on pension reform (in conjunction with ASPPA, CCA, and SOA)

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

**Risk Management and Financial Reporting Council**

**In addition to monitoring** risk management and financial reporting issues affecting multiple practice areas, the Academy’s Risk Management and Financial Reporting Council also devoted a lot of time this year to keeping tabs on emerging international regulatory initiatives and domestic efforts to establish some form of federal insurance regulation.

In March, the Academy sent a letter to the International Actuarial Association (IAA) commenting on a preliminary exposure draft of a practice guideline on the disclosure of insurance risk information under international financial reporting standards. In July, the Academy commented to the IAA on draft documents released by the International Association of Insurance Supervisors on asset liability and insurer solvency.

In the area of federal regulation of insurance, the Academy commented in July to the Senate Banking Committee recommending that any new federal insurance bill include a provision creating an Office of the Actuary. The Academy’s letter was timed to coincide with an opening hearing on the National Insurance Act of 2006, which would create an optional federal charter regulatory system for life and property/casualty insurance by allowing insurers to choose regulation at either the state or the federal level. In its letter, the Academy urged the creation of an Office of Chief Actuary to supervise the actuarial and solvency requirements of federally regulated insurance companies. In a similar vein, the Academy wrote to the chairmen and ranking members of the House Committee on Financial Services and the House Judiciary Committee to suggest that a bill to streamline regulation of multi-state surplus lines insurance be revised to include actuaries in the definition of qualified risk manager.

The Financial Reporting Committee continued its pattern of meeting annually with various accounting and auditing stakeholders. At a meeting with representatives of the Financial Accounting Standards Board (FASB) in October,
Public Statements

10/05 presentation at a FASB forum on phase 2 of the IASBS insurance contracts project
10/05 letter to NAIC on revisions to the Financial Condition Examiners’ Handbook
1/06 comments to FASB on the treatment of liabilities and assets with uncertainties in financial reporting
3/06 letter to IAA on proposed practice guideline on insurance risk disclosure
7/06 letter to Senate Banking Committee recommending that any federal insurance legislation include a provision creating an office of the actuary
7/06 letter to the IAA about draft IAS documents on asset-liability management
7/06 letter to the IAA about draft IAS documents on insurer solvency assessment
8/06 letter to FASB on insurance bifurcation and risk transfer accounting issues
9/06 letter to Congress on the legislative definition of a qualified risk manager

Events

10/05 participation in FASB Insurance Industry Forum
4/06 meeting with AICPA

For more information, visit www.actuary.org/professor.asp. Underlined documents are available on the Academy website.

In the past year, the Academy greatly expanded its presence in cyberspace as part of continuing efforts to encourage and strengthen U.S. actuarial professionalism. Almost 300 actuaries participated in the Council on Professionalism’s free November 2005 webinar that focused on effective communication with clients, employers, regulators, and others (as well as the implications of not communicating effectively).

Building on that success, the Academy joined with the Conference of Consulting Actuaries in 2006 to offer a series of webcasts on a variety of professionalism topics, including a February webinar on the Code of Professional Conduct, a March webinar on the Morris Report on the U.K. actuarial profession, a May webinar on letters of engagement, a June webinar on activities of the Joint Board for the Enrollment of Actuaries, and a July webinar on professionalism peer review.

At the same time, the Academy didn’t neglect more traditional methods to reach out to actuaries on professionalism. One of its older educational initiatives, the annual Life and Health Qualifications Seminar, continued to be a popular option, with the November 2005 seminar attracting a record 78 attendees. The Academy also published discussion papers on peer review, materiality, and the actuary’s role in model selection and applications. Similarly, in January, the Academy published a second exposure draft of proposed changes to the Qualification Standards for Prescribed Statements of Actuarial Opinion, which apply to all practice areas. The draft was developed in response to comments received on the first exposure draft and took a very different approach to continuing education. Instead of calling for actuaries to take 24 hours of continuing education over a rolling two-year period, for instance, the exposure draft would require actuaries to obtain a significantly greater number of hours but would also offer far more flexibility in determining what activities qualify as continuing education. The comment period on the exposure draft ended in July, and the Academy’s Committee on Qualifications is currently sorting through the responses.
ASB

THE ACTUARIAL STANDARDS BOARD, which is separate from but housed at the Academy, serves the actuarial community and the public by codifying generally accepted actuarial practice through the issuance of actuarial standards of practice (ASOPs).

Since October 2005, the ASB has exposed a number of proposed and revised ASOPs and adopted several revised ASOPs. The ASB also hosted a two-hour information-gathering session at the Academy’s May 16 spring meeting to elicit feedback on its general procedures and on the ASOPs. Chaired by ASB Chairperson Cecil Bykerk, the open hearing featured discussions on several issues, including how to define generally accepted practice and the role of the ASB in maintaining and restoring trust in the profession. Lawrence Sher, ASB vice chairperson, and Robert Miccolis, a member of the ASB, joined Bykerk in representing the ASB at the open hearing.

ABCD

THE ACTUARIAL BOARD for Counseling and Discipline (ABCD), which is separate from but housed at the Academy, 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, 2006, the ABCD had 17 inquiries in process, compared with 16 at the same time in 2005. Of those 17 cases, three are scheduled for a hearing; six are awaiting investigation; six are suspended; one is pending final disposition; and one is awaiting more information from the complainant, the subject actuary, or others.

Of the five cases resolved through September 2006 by the ABCD, one was dismissed; one was dismissed with guidance; and three resulted in counseling following an investigation.

Through September, the ABCD received 21 voluntary requests for guidance.

For more information, visit www.abcdboard.org

ASB PUBLICATIONS

1/06 final revision of ASOP No. 16, Compliance with the NAIC Life Insurance Model Regulation
8/06 third exposure draft, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions
8/06 fourth exposure draft, Selection and Use of Asset Valuation Methods for Pension Valuations
8/06 exposure draft of proposed revision of the deviation clause in actuarial standards of practice
8/06 exposure of proposed repeal of ASOP No. 16, Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans

For more information, visit www.actuarialstandardsboard.org. Underlined documents are available on the ASB website.

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Clockwise from left, ABCD members Edward Burrows, Frank Irish, William Falk, Lawrence Johansen, Michael Toothman, Julia Philips, Carol Sears, and Linda Bell