

# Actuaries Educate at NAIC Summer Meeting

## Academy Covers Key Member Issues

**T**HE VALUE OF THE ACADEMY'S WORK assisting the nation's insurance regulators was on display throughout the National Association of Insurance Commissioners (NAIC) summer meeting, Aug. 22-27 in Indianapolis. Academy members made no fewer than a dozen presentations on casualty, health, life, and actuarial professionalism issues and presented extensively at the Center for Insurance Policy and Research (CIPR) Summit on Aug. 27.

### Professionalism

Professionalism was a hot topic at many conference sessions, particularly at the NAIC Joint Qualified Actuary (A/B/C) Subgroup open session on Aug. 23. Academy members were a guiding voice explaining to regulators the current professionalism activities of the Academy, including the Actuarial Board for Counseling and Discipline (ABCD), the Actuarial Standards Board (ASB), and the Committee on Qualifications. Academy representatives were invited to update the three primary NAIC task forces on the U.S. Qualification Standards, recently exposed actuarial standards of practice (ASOPs), including the ASOPs on principle-based reserving (PBR) and health care filings, and counseling and discipline activities.

On Aug. 23, Academy President Cecil Bykerk emphasized the central role of professionalism in the Academy's mission at a meeting of the Joint Qualified Actuary (A/B/C) Subgroup. He reminded regulators of the venue



Academy President Cecil Bykerk addresses participants at the NAIC summer meeting.

created by the Academy for continuing and frank dialogue with regulators (through NAIC professionalism breakfasts and webinars) on issues that matter to them. (See story below.) Also at the meeting, the NAIC subgroup presented to the three NAIC task forces a discussion draft report outlining a range of options to fulfill its charges, which were to recommend a definition of "qualified actuary" and recommend a definition of and process to address "inappropriate or unprofessional" actuarial work. Each task force agreed

SEE NAIC, PAGE 7

# Academy Takes Conversation With Regulators to the Next Level

**A**T THE NAIC PROFESSIONALISM BREAKFAST ON AUG. 24, the Academy added greater depth to its dialogue with regulators by responding in detail to many difficult questions related to the actuarial profession posed directly by regulators. Representatives of various Academy disciplines continued the open dialogue and outreach with regulators that was begun almost a year ago.

"There are lots of areas where we can focus on education," said Karen Terry, vice president for professionalism, who heads the Academy's Council on Professionalism (COP).

Joining Terry as panelists were Academy President Cecil Bykerk; Cande Olsen, vice president of the Life

Practice Council and member of the COP Task Force on Discipline; Patricia Matson, vice chairperson of the Actuarial Standards Board (ASB); John Purple, member of the Actuarial Board for Counseling and Discipline (ABCD); Curtis Huntington, member of the ABCD; Keith Passwater, member of the Committee on Qualifications; and Sheila Kalkunte, Academy assistant general counsel.

The two-hour breakfast was divided into two parts: an initial response to and discussion of submitted regulator questions followed by continued dialogue and one-on-one discussions in small groups. In wide-ranging yet specific

SEE PROFESSIONALISM, PAGE 8

2

### PBGC

Academy issue brief confirms deficit.

2

### Academy Election

Online voting open until Sept. 16.

4

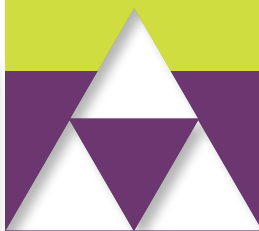
### Financial Reporting

Webinar explores detailed ACA-related questions.

6

### U.S. Qualification Standards

More than 70 comments on revisions are available online.



## SEPTEMBER

15-17 Casualty Loss Reserve Seminar, Boston

19 Post-NAIC Update/PBA Webinar

24-25 Life PBR: The New Valuation World Seminar, Indianapolis

## OCTOBER

1 CUSP meeting, Washington

1-2 Academy Board of Directors meeting, Washington

20-23 CCA Annual Meeting, San Antonio

20-23 SOA Annual Meeting, San Diego

31 Professionalism Webinar

## NOVEMBER

3-6 CAS Annual Meeting, Minneapolis

4 Academy Annual Meeting and Awards Luncheon, Minneapolis

11-14 2013 Life and Health Qualifications Seminar, Arlington, Va.

13-14 P/C Effective Loss Reserve Opinions Seminar: Tools for the Appointed Actuary, St. Louis

15-16 NAAC meeting (Academy), Miami Beach, Fla.

21-24 NCOIL Annual Meeting, Nashville, Tenn.

## DECEMBER

11 Executive Committee meeting, Washington

15-18 NAIC fall national meeting, Washington

## JANUARY 2014

14-15 Academy Board of Directors Meeting, Washington

## MARCH

6-9 NCOIL Spring Meeting, Savannah, Ga.

23-26 Enrolled Actuaries Meeting, Washington

29-April 1 NAIC Spring Meeting, Orlando, Fla.

30-April 1 Ratemaking and Product Management (RPM) Seminar, Washington

30-April 4 ICA 2014 (International Congress of Actuaries), 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](#).

# Academy NEWS Briefs

## Confirming PBGC Deficit

**A** NEW ACADEMY ISSUE BRIEF concludes that the Pension Benefit Guaranty Corp.'s (PBGC) \$29.1 billion deficit is real. In [Perspectives on the PBGC Single-Employer Deficit](#), the Pension Committee determined that the methods and assumptions used by the PBGC produce a "reasonable representation" of the agency's unfunded liability.

Multiple factors could influence the size of the deficit going forward, with interest rates, actual return on assets, and underwriting experience being the most influential factors. Several tables in the issue brief show the effect of different interest rates on reported liabilities, asset values, and the estimated deficit. Rising interest rates could lower the deficit but would not cause it to disappear. Stable or declining interest rates actually could perpetuate the deficit.

Are changes needed immediately? Not necessarily, according to the issue brief. Substantial premium increases are in place now, and charging current plans for past losses could cause more plan sponsors to stop providing pensions. Another approach may be more beneficial: "A premium structure correlated with the risk the plans pose to the system would encourage sponsors to fund plans better and lessen the risk associated with potential terminations."

Accordingly, this premium structure would:

- ➔ Reflect the risk current plans pose to the insurance system;
- ➔ Cover the cost of potential future terminations;
- ➔ Reward well-funded plans with lower premiums.

Larger economic forces that undermined underwriting and required the PBGC to take over more and larger faltering plans contributed to the deficits and underlie the unpredictability of future liabilities. Factoring in a given plan's risk would help balance these unknowns without penalizing appropriately funded plans. However, the PBGC should investigate new sources of income to fund the deficit—an idea explored in the Academy's 2012 issue brief [Examining the PBGC Premium Structure](#). ▲

### Post-NAIC Update/ PBA Webinar

Join the Academy's Life Practice Council Sept. 19 for an overview of the NAIC meeting and progress on principle-based reserving (PBR), which is now being adopted by the states.

Learn more and [register here](#).

## Academy Regular Director Elections Opened Aug. 26

**A**S ACADEMY MEMBERS KNOW through multiple announcements in earlier issues of the *Update*, repeated requests in *This Week*, and on the Academy website home page and election center, from February through July, the Nominating Committee sought nominations for regular director positions to be made directly to it and/or through a petition process. After the Nominating Committee announced its slate of regular director candidates on July 5, a petition process was announced for anyone who wanted to contest the slate by submitting additional names. No petitions were filed, as was reported on Aug. 2.

There are four highly qualified candidates for the four regular director positions. All Academy members are encouraged to vote to show their interest and support in the work of the Academy.

Beginning Aug. 26, members could vote for four regular directors. Members should have received either an e-mail with information to vote electronically or, if they do not have a usable e-mail address, a paper ballot via regular mail. The e-mail was sent from the Academy's election vendor, Intelliscan ([elections@intelliscaninc.net](mailto:elections@intelliscaninc.net)). Voting is open until Sept. 16, and members can learn more about the candidates and the election process at the [Academy Board Election Center](#). ▲

## IN THE NEWS

Senior Pension Fellow Donald Fuerst was quoted in a Bankrate.com [article](#) in which he recommended solutions to the Social Security shortfall and advocated making changes soon. His May 23 congressional [testimony](#) on Social Security was [cited](#) in a *Press & Guide* (Dearborn, Mich.) story about the complexity of Detroit's bankruptcy.

Cori Uccello was quoted in a *Reuters* [article](#) about health care costs under the Affordable Care Act that was featured in *The Denver Post*, *The Morning Call* (Allentown, Pa.), and Yahoo!

The Pension Practice Council's [issue brief](#) on the 80 percent pension funding standard was cited in a Bloomberg article, "[Public Pensions Up 12% Get Most in 2 Years as Stocks Soar.](#)"

The Academy told *Life-HealthPro* that health premium oversight should include strong actuarial representation in an [article](#) speculating about pending

health insurance exchange coverage prices.

The Academy Pension Committee's [letter](#) to the Department of Labor regarding development of proposed regulations for the pension benefit statement requirements was [linked](#) on BenefitsLink.com.

Vita Advisors' [blog posting](#) on health insurance risk management referenced the Academy's public policy practice note "[Large Group Medical Insurance Reserves, Liabilities, and Actuarial Assets](#)" as a resource for reserve setting for health insurance.

The Pension Committee's issue brief "[Perspectives on the PBGC Single-Employer Deficit](#)" was mentioned by [MarketWatch](#) and the [Sacramento Bee](#). ▲

## Get Ready for ICA 2014

Actuarial organizations around the world are invited to help promote ICA 2014. [Click here](#) to find out more about registration and events.



# Life & Health Qualifications Seminar

Nov. 11-14, 2013  
Key Bridge Marriott  
Arlington, Va.

Limited seating. Register today.

## ▲ PROFESSIONALISM COUNTS

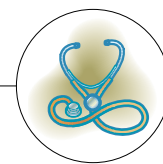
### What does the "C" in the ABCD really mean?

Counseling is not a form of discipline. It is one of the Actuarial Board for Counseling and Discipline (ABCD) options for an actuary whose work or conduct has been the subject of a complaint. Counseling is conducted on a confidential basis. It is a way to encourage actuaries to enhance the quality of the professional services they perform without subjecting them to the discipline process.

During the investigation of a complaint, the ABCD may determine that a material violation of the Code of Professional Conduct has not occurred. However, depending on the particular circumstances, the ABCD may require the subject actuary to undergo counseling. The purpose of this counseling is to help the actuary make better professional decisions in the future.

The ABCD usually conducts its counseling sessions face to face to better assist the actuaries in determining how to resolve a problem that is affecting their work or conduct. Counseling is done by one or two ABCD members and occurs at a convenient location. An actuary will learn the specific shortcomings of his or her work or conduct and which portions the ABCD believed were the most deficient. Hopefully, the actuary also will understand why the work or conduct did not meet the profession's standards.

Though counseling is conducted on a confidential basis and is not a disciplinary action, the ABCD will keep a record of the counseling and can consider that record if further questionable conduct or practice is brought to the ABCD's attention about the same actuary. ▲



## Financial Reporting Gets Complicated Under ACA

**A**NALYSIS OF HOW THE AFFORDABLE CARE ACT (ACA) will affect financial reporting requirements often leads actuaries to more questions than answers. On Aug. 22, participants in an Academy [webinar](#) on the subject had an opportunity to ask about some very technical aspects of their work as well as hear experts speak to general considerations as ACA gets rolling. Those who missed this give-and-take can listen [here](#).

Laurel Kastrup, chairperson of the Health Practice Financial Reporting Committee (HPFRC), and Darrell Knapp, a member of HPFRC, began by discussing the committee's [white paper](#), which reflects ACA-related regulations, generally accepted accounting principles (GAAP), and statutory accounting guidance as of March 2013. They spoke about the financial reporting uncertainty tied to unexpected customer behavior, which differs from issuer pricing projections and additional volatility from an increased need for actuarial estimates in financial reporting.

“For both reporting and settlement, the ACA risk adjustment mechanism is a much more complex system and will cause some

additional difficulties and considerations,” Knapp said.

Some of these difficulties can be traced back to the complexity of a brand-new program, issues with balance sheet and income statement year-to-year compatibility, and concerns with issuer-to-issuer comparability.

“For both reporting and settlement, the ACA risk adjustment mechanism is a much more complex system and will cause some additional difficulties and considerations.”

— Darrell Knapp (HPFRC)

Knapp went into great detail on the ways premium-stabilization programs—risk adjustment, reinsurance benefits, and risk corridors—will affect financial statements. The ACA's newness creates many challenges.

“There is expected to be such change in the market in 2014 with new entrants coming in and coming out that there is no expectation of continuity of enrollment between the baseline of 2013 and 2014,” he said.

Kastrup and Knapp also presented detailed information on new taxes and fees,

advanced payments, and existing actuarial liabilities before answering participant questions.

“It's all intertwined,” Kastrup said. “You need to be aware of many changes and take them into account with trends and comparability from period to period.” ▲

## Proposed IRS Rule Explored in MV/AV Exposure Draft

**T**HE ACADEMY'S MV/AV PRACTICE NOTE WORK GROUP has released an [exposure draft](#) of its practice note that addresses determinations of minimum value (MV) and actuarial value (AV) under the Affordable Care Act (ACA). The practice note focuses on plan designs that may not be accommodated by the MV and AV calculators and for which adjustments may need to be made and certified by an actuary.

Actuaries who work with health insurance plans, including those who provide an independent actuarial certification, will find “significant conceptual and mathematical overlap between the AV required for individual and small-group determination of ‘metal values’ and the MV requirements for large-group plans, as well as large and small-group self-insured plans.”

The practice note analyzes these similarities as well as key differences. Similarities involve the variables in new plan designs and resource demand and the calculations for an overall “standard” population and varying plan designs. Differences involve benefit plans, covered populations, underlying data, and required thresholds.

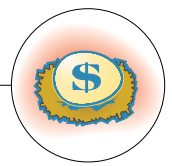
Other circumstances covered in the practice note include actual adjustments for non-standard plan designs when the calculator contains the necessary data and when it does not, use of the MV safe harbor guidelines, and actuarial reports and certification language. The practice note also presents an illustrative example of how to calculate an adjustment to the AV of a plan. Comments should be submitted by Sept. 30. ▲

## Large-Group Medical Practice Note Released

**A**NEW PRACTICE NOTE from the Academy's Large Group Medical Business Practice Note Work Group explores 30 key questions facing the valuation actuary. Drawn from several NAIC regulations and Actuarial Standards Board (ASB) actuarial standards of practice, the questions cover a range of issues related to reserve levels and other actuarial assets and liabilities for large-group medical insurance coverage, GAAP accounting, and

statutory accounting. The practice note does not focus on liability estimation for self-funded employer groups.

Several related health insurance product practice notes are available for valuation actuaries, including the [General Considerations](#) practice note for health insurance product lines valuation issues not covered in the new practice note and the [Small Group Medical Insurance Reserves and Liabilities](#) practice note. ▲



## Academy Continues Congressional Conversation on Longevity

**F**OLLOWING HIS **MAY 23 TESTIMONY** to the House Ways and Means Subcommittee on Social Security, Senior Pension Fellow Don Fuerst [responded](#) to a letter with additional questions from the subcommittee's chairman. Fuerst addressed specific questions related to his testimony that Social Security's retirement age influences when someone decides to stop

working. The questions covered increasing the retirement age versus reducing the benefit, changing the early eligibility age, and changing actuarial reduction factors. In his letter, Fuerst reiterated that "adjusting Social Security benefits for life expectancy should be a critical part of any changes to resolve the deficit between future benefits and future income." ▲

## Acting Now Matters for Social Security

**T**HERE IS NO BETTER TIME than the present to shore up Social Security's long-term financial soundness, according to the Academy's [assessment](#) of the 2013 Social Security Trustees Report. Data in the [report](#) show that the trust fund's exhaustion date has not changed—by 2033 the trust fund will be depleted with available funds to pay out approximately three-quarters of the benefits going forward. The report also shows that after 2016, the Disability Insurance trust fund will be unable to pay full benefits.

The issue brief notes several advantages to acting now. First, future beneficiaries will have time to adjust to any changes

to their expected benefit and to plan accordingly as opposed to facing sudden shortfalls that they cannot address in other ways. Additionally, adjustments put in place now will need to be less drastic and can be phased in over several generations of retirees. Both options will help restore public confidence in the program.

Eliminating the projected deficit now would require a change equivalent to increasing the payroll tax rate by 2.66 percentage points or decreasing the benefit for all current and future beneficiaries by 16.5 percent. ▲

## Lifetime Income Additions Proposed

**O**N **AUGUST 7**, the Pension Committee [commented](#) to the Department of Labor on proposed regulations requiring that lifetime-income illustrations be added to pension benefit statements. The committee analyzed issues such as assumed rate of investment return, inflation-adjusted annuity conversions, drawdown illustrations, projected retirement ages, insurance loads for annuity conversions, mortality assumptions for annuity conversions, and administrative concerns.

Other recommendations focused on ways to streamline statements and clarify information presented:

- Require annual statements only;
- Publish tables of conversion factors;
- Permit the rounding of results;
- Include a statement about the impact of interest rates on annuitization results. ▲

### PENSION BRIEFS

- **Jim Whelpley**, a health actuary with Rael & Letson in Foster City, Calif., has joined the Joint Committee on Retiree Health.
- **Bruno Caron**, chief executive officer and founder of Survival Sharing Inc. in New York, has joined the Lifetime Income Risk Joint Task Force.

### Casualty Loss Reserve Seminar

Sept. 15–17

[Attend](#) this seminar to stay current with industry developments and learn from expert analysis of innovation in reserving. Participate in professionalism sessions to understand compliance.

Meet Me in St. Louis  
for the 2013 Seminar on  
P/C Effective Loss Reserve  
Opinions!

Nov. 13–14, 2013  
Hilton St. Louis Airport

Deepen your expertise in  
writing and preparing P/C loss  
reserve opinions.



# Comments Available on U.S. Qualification Standards Revisions

**T**HE COMMENT PERIOD for potential revisions to the U.S. Qualification Standards (QS) closed on July 31, and more than [70 comments](#) were received. Before this recent review period, it had been more than five years since actuaries and the public had been asked for their input on the QS. The QS are promulgated by the Academy and apply to members of all five U.S.-based actuarial organizations.

The committee had been particularly interested in hearing about the following areas:

- Requirements for new and evolving practice areas;
- Continuing education (CE) minimums and maximums;
- Expansion of the reach of the QS, from actuaries who issue Statements of Actuarial Opinion to actuaries who provide Actuarial Services as defined in the Code of Professional Conduct;
- Updates to the requirements set forth in Section 3 of the QS relating to the NAIC statements of actuarial opinion;
- Requests from the public and particularly regulators as to whether any other areas should be included in the Specific

Qualification Standards to heighten qualifications for actuaries issuing certain filings;

- Carryover requirements for CE credits.

Comments can be accessed on the website until final action on revisions is taken. The Committee on Qualifications is currently reviewing all comments and other input received from regulators to consider whether to recommend to the Academy Board of Directors that the QS be revised and opened to exposure to the public. ▲

## PROFESSIONALISM BRIEFS

- On Aug. 5, **John Gleba**, a member of the Academy's Council on Professionalism, delivered a presentation, "U.S. Qualification Standards and Select Actuarial Standards of Practice," at a plenary session of the Farm Bureau Actuarial Conference in Williamsburg, Va. Approximately 70 life and property/casualty actuaries from across the country attended the session.

# American Academy of Actuaries Annual Meeting and Luncheon

Hilton Minneapolis • Monday, November 4, 2013

Held this year in conjunction with the Casualty Actuarial Society Annual Meeting

**Keynote Speaker: Stephen J. Dubner, co-author of *Freakonomics* and *Superfreakonomics***

[Click here for more details.](#)



AMERICAN ACADEMY  
of ACTUARIES

to expose the draft paper for written comments until Sept. 27.

Academy Vice President for Professionalism Karen Terry, ASB Board Vice Chairperson Patricia Matson, and ABCD member Curtis Huntington delivered a presentation on actuarial professionalism in a panel format to the Life Actuarial Task Force the same day. At the Health Actuarial Task Force, Matson and Cande Olsen, vice president of the Life Practice Council and member of the Council of Professionalism’s Task Force on Discipline, spoke about ASOPs relevant to health actuaries and discussed aspects of the discipline and counseling process.

ABCD member John Purple used his time during the Casualty Actuarial and Statistical (C) Task Force (CASTF) meeting to clear up a common misconception—that corrective action within the actuarial profession begins and ends with disciplinary action. “This year, we had six new cases reported to us but 42 requests for guidance,” Purple said. “Most of what we do is respond to requests for guidance.” Purple was joined by Keith Passwater, a member of the Committee on Qualifications, who provided information about the committee’s recent solicitation to the public for comments on the qualification standards.

**CIPR Summit**

At the CIPR Summit on Exploring Insurers’ Liabilities, Mike Angelina, vice president for casualty issues, offered an actuarial perspective at three different sessions that covered issues surrounding [current liability reporting](#), [general property/casualty issues](#), and strategies going forward. As he spoke on the importance of measuring and understanding liabilities, Angelina provided background on reserves and their volatility and said reserves “remain the largest risk on a company’s balance sheet.” His next presentation built on this background as he talked about the role actuaries inside and outside a company play in determining its liabilities.

David Neve, vice chairperson of the Academy’s Life Practice Council, [participated](#) in the life panel that covered the evolution toward PBR, issues with internal modeling, and implementation issues.

**Lifetime Income and Other Presentations**

Academy Senior Life Fellow Nancy Bennett [presented](#) to the ERISA Retirement Income (A) Working Group on one of the Academy’s signature initiatives: lifetime income. Bennett gave an overview of the Academy’s paper “[Risky Business: Living Longer Without Income for Life](#),” including its focus on what can be done to help current and future retirees understand and manage their lifetime income needs.

She updated regulators on the Academy’s [Lifetime Income Initiative](#) and its focus on addressing the actuarial and public policy aspects of lifetime income and raising awareness of longevity, longevity risk, and related issues. Bennett discussed possible approaches to mitigate lifetime income risk. She also summarized the Academy’s comments to the Department of Labor’s proposed rule to add lifetime income values to retirement statements.

Regulators heard from Academy members about the work of several practice councils and their work groups. Volunteers representing the Academy’s Life Practice Council reported on a variety of projects, including:

- The Life Reserves Work Group’s proposed amendments to the Valuation Manual clarifying the modeling of policy loan cash

flows in the deterministic and stochastic reserve calculations. The Life Actuarial (A) Task Force adopted the amendment;

- The Life Experience Subcommittee’s work on the 2014 Valuation Basic, Guaranteed Issue/Simplified Issue and Preneed tables;
- The work of the Aggregate Margin Task Force, Variable Annuity Reserve Work Group, Nonforfeiture Modernization Work Group, and the Modeling Efficiency Work Group on its Modeling Efficiency Survey;
- The Actuarial Opinion and Memorandum Regulation Subgroup’s work on ways to improve actuarial communications with regulators, including consolidating and eliminating redundant information from actuarial reports, and using templates and hyperlinks in actuarial memoranda.

Volunteers from the Academy’s Health Practice Council reported on council activities, including:

- The work of the Academy/SOA Cancer Claim Cost Tables Work Group, the State Long-Term Care Principle-Based Work Group, the Long-Term Care Credibility Monograph Work Group, and the Long-Term Care Terminations Work Group;
- The Academy/SOA Group Long-Term Disability Work Group report (gaining a citation from Mark Birdsall, chief actuary at the Kansas Insurance Department, who praised the work group for its “outstanding” job producing a clear and useful report).

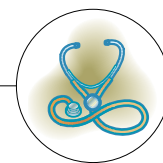
Additionally, the Casualty Practice Council was involved in key activities. Academy Vice President of Casualty Mike Angelina delivered a presentation on the Academy’s process for approving member qualifications to sign NAIC P&C statements of actuarial opinion at the CASTF’s Aug. 24 meeting. ▲

**RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS**

- **Richard D. Farrell**, senior manager for KPMG LLP in Atlanta, has joined the International Accounting Standards Task Force.
- **Marc F. Oberholtzer**, principal with PricewaterhouseCoopers LLP in Philadelphia, and **Ralph S. Blanchard III**, vice president and actuary for Travelers Insurance Companies in Hartford, Conn., have joined the Reinsurance Committee.
- **Thomas Hartl**, assistant professor of actuarial mathematics at Bryant University in Smithfield, R.I., has joined the ERM Committee.

**Get a Head Start on Reserving in a Principle-based World**

Life PBR—The New Valuation World (Sept. 24–25 in Indianapolis): [Register now](#) for this interactive seminar, which will combine instructor-led training with small-group discussions on the practical application of the principle-based reserving mechanics as outlined in VM-20. Principle-based reserve experts will discuss the latest developments, including the new PBR Actuarial Standard of Practice and PBR practice note—both expected to be completed this year.



## Actuarial Update

### COMMUNICATIONS REVIEW COMMITTEE

Stephen Rosen, Chairperson  
Jenna Farriss  
Paul Fleischacker  
John Gleba  
Ken Hohman  
Gareth Kennedy  
Barbara Lautzenheiser  
Tonya Manning  
Bob Meilander  
Geoffrey Sandler  
Debbie Schwab  
Chet Szczepanski

### EDITOR

Julia Goodwin  
editor@actuary.org

### DESIGN AND PRODUCTION

BonoTom Studio Inc.

### DESIGNER

Paul Philpott

### PUBLICATIONS AND MARKETING

#### PRODUCTION MANAGER

Cindy Johns

## American Academy of Actuaries

### PRESIDENT

Cecil Bykerk

### PRESIDENT-ELECT

Tom Terry

### SECRETARY

Stephen Rosen

### TREASURER

Art Panighetti

### VICE PRESIDENTS

Mike Angelina  
Maryellen Coggins  
John Moore  
Cande Olsen  
David Shea  
Karen Terry

### EXECUTIVE DIRECTOR

Mary Downs

### DIRECTOR OF COMMUNICATIONS

Charity Sack

### 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

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.

©2013 The American Academy of Actuaries. All rights reserved.

# Uccello Presents at Synthesis Project

**THE ROBERT WOOD JOHNSON FOUNDATION SYNTHESIS PROJECT** webinar on risk adjustment featured Senior Health Fellow Cori Uccello, who discussed risk-sharing mechanisms and risk-sharing provisions in the Affordable Care Act (ACA). She provided an overview of risk adjustment, reinsurance, and risk corridors and talked about their role in the ACA, including additional considerations surrounding their use.

### HEALTH BRIEFS

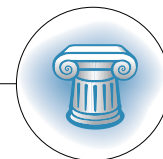
➔ **Peter J. Da Silva**, corporate vice president and actuary for New York Life Insurance Co. in Austin, Texas, has joined the LTC PBA Work Group.

Among other topics, she noted the need for risk-sharing mechanisms to be implemented in practical ways that reflect data availability and limit administrative burdens and cost. “It’s all about striking the balance,” she said. They should also be coordinated with each other and with other insurance market provisions.

However, risk-sharing mechanisms alone won’t prevent adverse selection problems. Uccello suggested that marketing restrictions, discriminatory plan design prohibitions, and provider network adequacy requirements could help prevent insurers from avoiding high-cost individuals. “It may be appropriate to consider additional provisions,” she said.

An audio recording of the presentation, as well as webinar materials, is available by registering [here](#). ▲

## PROFESSIONALISM NEWS



# ASOP No. 8 Exposure Draft Released

**A N EXPOSURE DRAFT** that revises ASOP No. 8 has been released by the Actuarial Standards Board (ASB). “[Regulatory Filings for Health Benefits, Health Insurance, and Entities Providing Health Benefits](#)” includes revisions to reflect the significant changes in the rate-filing and rate-review process associated with the ACA.

Actuaries reviewing regulatory filings either as peer reviewers or as regulatory actuaries will find

updated information for their work and clarifications related to standard and additional definitions in the guidance. New sections on legal and regulatory requirements, rating calculations, and rating factors have been included as well.

Actuaries may earn continuing education and professionalism credits for reviewing exposure drafts of ASOPs and commenting on them under the U.S. Qualification Standards. The comment deadline is Oct. 15, 2013. ▲

## Professionalism, continued from Page 1

conversations, participants talked about questions related to:

- ➔ Actuarial standards of practice (ASOPs), including issues such as the prescriptive or nonprescriptive nature of ASOPs and suggested changes to regulatory ASOPs;
- ➔ Regulators’ perceptions of actuarial work, including ways to deal with sloppy work that does not necessarily violate the Code of Professional Conduct, refusal of filing actuary to respond to regulator requests for qualifications, and pressure on filing actuaries from their principals;

- ➔ ABCD complaint procedures, such as providing sufficient information to complainants about the case they referred to the ABCD and use of the ABCD for counseling;
- ➔ Regulatory actuaries and their role in reviewing the profession’s work (and how to deal with the issues they face in these roles);
- ➔ Definition of a “qualified” actuary and the importance of continuing education;
- ➔ Suggested potential changes to the U.S. Qualification Standards in connection with specific qualification standards. ▲