Actuarial UPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Capitol Forum Webinar Series Kicks Off With PCORI

THE FIRST WEBINAR of the Academy Capitol Forum: Meet the Experts series set a high bar for future events. On Oct. 16, Gregory Martin, deputy director of stakeholder engagement at the Patient-Centered Outcomes Research Institute (PCORI), spoke about his organization's mission and work. Martin encouraged webinar participants to volunteer their actuarial expertise for PCORI's projects.

Intended to answer the most pressing research questions that could help patients who seek treatment, PCORI supports research that gives patients information they can understand and use as they determine which treatment is right for them. The patient-centered approach tackles questions that matter to patients and their clinical decision makers and that may have been missed in other studies.

"We want to make sure that what we do with our limited funding will make a bit of difference in the world," Martin said. "We always welcome different and diverse expertise in our review panels."

PCORI's focus on comparative clinical effectiveness research (CER) means that much of its work compares two or more health issues and health care services faced or used by patients, caregivers, clinicians, and other stakeholders. The research seeks to provide evidence that can reduce uncertainty and strengthen decision making by answering questions that are currently backed by scant evidence or contradictory information. Many PCORI studies focus on highly prevalent conditions or issues or those that take a great toll on patients, their families, and the health care system.

Actuaries interested in PCORI's work could offer expertise in many areas and for many projects because of their very specific skills. Martin suggests they could look at study methodology, system improvements, and the removal of disparities in the system.

"Actuaries serve a unique, important, and highly valuable role in the system," Martin said. "Analysis of different treatments and options is the business of health care. The work you do for systems, clients, companies, and organizations is so key for helping them understand issues of sustainability, risk to individuals, and risks to companies. Your key areas of expertise are highly valuable for determining

SEE **CAPITOL FORUM,** PAGE 8

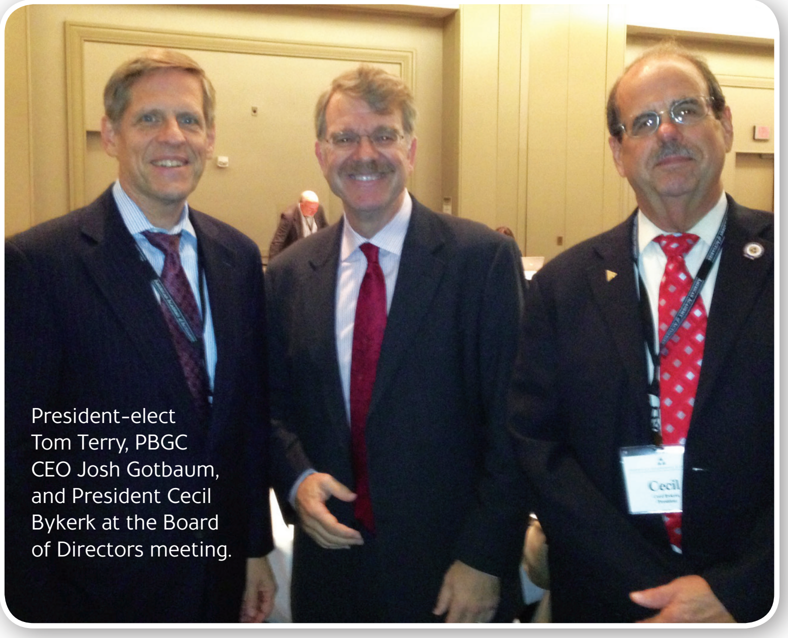
Lifetime Income Gets Noticed

THE ACADEMY'S discussion paper "Risky Business: Living Longer Without Income for Life" received recognition Oct. 1 from someone who knows something about retirement policy. Josh Gotbaum, director of the Pension Benefit Guaranty Corp. (PBGC), lauded the discussion paper and the Academy's work on highlighting retirement security at a meeting with the Academy Board of Directors.

"Your (*Risky Business*) report is a marvelous report," he said. "The world of retirement plans is sufficiently complicated that only people who are in it understand how to change it, and you are in the center of it."

As is Gotbaum. The PBGC employs more actuaries than any other agency

SEE **LIFETIME INCOME,** PAGE 9



President-elect Tom Terry, PBGC CEO Josh Gotbaum, and President Cecil Bykerk at the Board of Directors meeting.

CALENDAR

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 Academy Capitol Forum webinar

15–16 NAAC meeting (Academy), Miami Beach

19 Practice of ERM in the Insurance Industry webinar

21–24 NCOIL Annual Meeting, Nashville, Tenn.

DECEMBER

4 Academy Capitol Forum webinar

11 Executive Committee meeting, Washington

15–18 NAIC Fall National Meeting, Washington

JANUARY 2014

14–15 Academy Board of Directors Meeting, Washington

MARCH 2014

6–9 NCOIL Spring Meeting, Savannah, Ga.

23–26 Enrolled Actuaries Meeting, Washington

29–April 1 NAIC Spring National Meeting, Orlando, Fla.

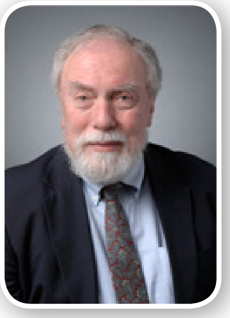
30–Apr 1 Ratemaking and Product Management (RPM) Seminar, Washington

30–Apr 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

Curtis Huntington 1942-2013



CURTIS E. HUNTINGTON died on Oct. 7 in Ann Arbor, Mich., after a long battle with cancer. He was 71.

Huntington was an accomplished actuary who was known and admired by many. He worked tirelessly on behalf of the actuarial profession, promoting ethics and professionalism in the United States and internationally.

"I was privileged to know Curtis for over 25 years, and learned much from him during that time," said Bob Rietz, chairperson of the Actuarial Board for Counseling and Discipline (ABCD). "He demonstrated strong ethics in everything he did, not just professionally. He contributed judgment and gentle humor during ABCD deliberations, facilitating consensus on tough decisions. Curtis' three loves were the actuarial profession, travel, and the University of Michigan, and he did not let his illness lessen his involvement in any of them."

Huntington led two distinguished careers as an actuary. He worked for New England Mutual Life Insurance Co. in Boston from 1967 to 1993, where he was chief auditor, vice president, and corporate actuary at the time of his retirement. He joined the faculty of the University of Michigan in 1993 as a professor of mathematics and director of the Actuarial Mathematics Program and the Financial Mathematics Program. Huntington graduated from the University of Michigan in 1964 with a B.A. in mathematics and obtained a master's degree in actuarial science there in 1965. He obtained his law degree from Suffolk University in Boston in 1976.

He was a member of the Academy, a fellow of the Society of Actuaries, a fellow of the Conference of Consulting Actuaries, and an associated professional member of the American Society of Pension Professionals and Actuaries. He was also a fellow in both the New Zealand Society of Actuaries and the Lebanese Association of Actuaries.

Huntington served on the Academy Board of Directors from 1997 to 2000 and on the ABCD beginning in 2008, including two years as its chairperson and two years as its vice chairperson. He was a long-standing member of the Academy's Council on Professionalism and joined the council's Joint Committee on the Code of Professional Conduct in 2008. Huntington also represented the U.S. actuarial profession as a member of many influential committees of the International Actuarial Association, including Accreditation, Nominations, and Professionalism.

In 2012, Huntington was awarded the Jarvis Farley Service Award for his contributions to the actuarial profession through his numerous volunteer efforts during his career.

"For the past 40-plus years it has been my privilege to serve our profession," he said in a recorded message accepting the award. "The rewards have been countless, but amongst the highest have been the extraordinary number of personal (and enduring) friendships that I have been able to develop and maintain over the years."

THE ACADEMY'S COMMITTEE ON QUALIFICATIONS created this professionalism tool to help actuaries gain a better understanding of which CE requirements apply to them. Full-size copies of this infographic will be made available as handouts at various Academy meetings and posted through a link on its website from the Qualification Standards landing page.

Q. WHICH CE REQUIREMENTS APPLY TO ME?
A. U.S. QUALIFICATION STANDARDS (USQS)

American Academy of Actuaries

www.actuary.org

U.S.-BASED ACTUARIAL ORGANIZATIONS

The USQS apply to members credentialed by any of the U.S.-based actuarial organizations who render actuarial services in the United States.

American Academy of Actuaries (Academy)

American Society of Pension Professionals and Actuaries (ASPPA)/ASPPA College of Pension Actuaries (ACOPA)

Casualty Actuarial Society (CAS)

Conference of Consulting Actuaries (CCA)

Society of Actuaries (SOA)

THE USQS CONTINUING EDUCATION REQUIREMENTS ARE MANDATORY FOR ALL CREDENTIALED ACTUARIES WHO ISSUE STATEMENTS OF ACTUARIAL OPINION (SAOs) RELIED ON IN THE U.S.*

*No matter which other U.S.-based actuarial organization(s) to which you belong

THE USQS INCLUDE:

BASIC EDUCATION

RESPONSIBLE ACTUARIAL EXPERIENCE

CONTINUING EDUCATION

Learn more at:
www.actuary.org/professionalism/faqs-revised-qualification-standards.

USQS EXEMPTIONS

1. Actuaries not issuing SAOs
2. Actuaries issuing SAOs only outside the U.S.

SPECIFIC QUALIFICATION STANDARDS FOR CERTAIN TYPES OF SAOS

Actuaries issuing the following types of SAOs must possess additional, specific qualifications, as outlined in Section 3 of the USQS:

- Statement of Actuarial Opinion, NAIC Life and A&H Annual Statement
- Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement
- Statement of Actuarial Opinion, NAIC Health Annual Statement

CE Hours earned for USQS Specific Qualification Standards (minimum 15 CE Hours directly relevant, of which 6 are organized) activities may apply toward the annual 30 CE Hours requirement.

WHAT ARE THE USQS CE REQUIREMENTS?

American Academy of Actuaries

You must complete at least 30 CE Hours of Relevant Continuing Education each calendar year to comply with the USQS. You may not issue an SAO without completing the requirements for the previous calendar year. Shortfalls can be made up the same year prior to issuing an SAO. Excesses may be carried over for one year.

1 CE HOUR = 50 MINUTES

RELEVANT CONTINUING EDUCATION

You are responsible for determining what CE opportunities will enhance your professional abilities. Continuing Education is considered relevant if it:

Deepens or broadens your understanding of your actuarial work

OR

Expands your knowledge of practice in related disciplines bearing on your work

OR

Facilitates entry into a new area of actuarial practice

MINIMUM CE REQUIREMENTS: 30 CE HOURS, INCLUDING:

6 Hours Organized Activities

3 Hours Professionalism

ORGANIZED ACTIVITIES 6 CE HOURS MINIMUM

- Interaction with professionals from different organizations required
- Conferences, seminars, live attendance at webinars, courses (in-person or online if interactive), outside speakers at in-house meetings, and relevant actuarial committee work acceptable

PROFESSIONALISM 3 CE HOURS MINIMUM

- Studying or reviewing Actuarial Standards of Practice (ASOPs), reviewing and providing input on an Exposure Draft of an ASOP; studying or reviewing the Code of Professional Conduct; and serving on the Actuarial Standards Board (ASB) or a professionalism committee

OTHER RELEVANT CE ACTIVITIES

- Reading actuarial literature, statutes or regulations; reading professionally relevant books, papers, or articles; writing professional papers or articles; listening to actuarial meetings, seminars or conferences; studying for actuarial exams; listening to recordings of webinars

OPTIONAL

BUSINESS AND CONSULTING SKILLS 3 CE HOURS MAXIMUM

- Topics include client relationship management, presentation skills, communication skills, project management, and personnel management

TRACK YOUR CE HOURS ONLINE

Track your CE and EA hours with TRACE, the web-based recordkeeping tool available to actuaries in all practice areas. *Visit **www.actuary.org/trace** for details.*

NAIC Hears From Academy on Long-Term Disability Issues

THE ACADEMY'S Group Long-Term Disability Work Group sent a final report and proposed actuarial guideline on group long-term disability (GLTD) reserves to the NAIC's Health Actuarial Task Force (HATF) on Oct. 3.

The guideline offers detailed instructions for using the 2012 Group Long-Term Disability Valuation Table referenced in the Health Insurance Reserves Model Regulation. The final report describes the work group's approach to and reasons for the proposed amendments to the current model regulation. Noting that for GLTD insurers, "reserves for monthly benefits payable to known ongoing disabled lives represent their most significant liability," the report uses a new valuation standard basis that relies on different assumptions for claim termination assumptions.

Research on this issue began in 2009, with a Society of Actuaries Group Disability Experience Committee (GDEC) study of more than 20 long-term disability (LTD) carriers—about 72 percent of the long-term disability (LTD) industry—and their experience from Jan. 1, 1997, to Dec. 31, 2006, with GLTD termination. The GDEC used these data to produce the GLTD 2008 Experience Table, which was published in June 2011. HATF asked for Academy input in March 2011, which led to the joint Academy/Society of Actuaries Group Long-Term Disability Work Group (GLTDWG) and its work to revise the valuation standard to replace the Commissioner's Group Disability Table 1987.

The GLTDWG focused on several key areas as it updated the LTD valuation standard. Specifically, its proposal would:

- Focus on tabular reserves;
- Focus only on termination assumptions, i.e., not address Social Security and other benefit assumptions;
- Attempt to balance prescribed reserves versus the full, unrestricted use of company experience as the basis;
- Consider the theories and techniques used in other valuation standards (2006 Group Life Waiver of Premium Valuation Table, CGDT87 Table);
- Include discussions of other aspects of reserving that could be useful to valuation actuaries and state regulators;
- Review and simplify the 2008 GLTD Experience Table, as appropriate;
- Determine margins for the 2008 GLTD Experience Table to form the industry experience-based Valuation Table;
- Take carriers' own experience for computation and usage, and determine applicable margins;
- Determine credibility formulas to define the maximum allowed use of own experience;
- Explore floor reserves or other limits on minimum reserves.

Actuaries Get Detailed on Health Care Receivables

ACTUARIES WORKING with health annual statements, specifically the new Exhibit 3A, got a detailed look at new requirements in the Oct. 18 webinar "Health Annual Statement New Exhibit 3A: Health Care Receivables Follow-up Study."

Attendees received information on who is affected by the new Exhibit 3A, specific instructions for its use, and its purpose and past studies. Presenters also discussed health care receivables and pertinent guidance for their use. F. Kevin Russell, chairperson of the Health Care Receivables Factors Work Group, and Susan Mateja, a member of the Health Care Receivables Factors Work Group, presented and answered attendee questions.

Insurers that file the Health Annual Statement (Orange Blank) will be affected by the new Exhibit 3A beginning with the Dec. 31 annual statement. The format of the new exhibit mirrors that of U&I Exhibit Part 2B, the follow-up study on claims. Insurers not affected are those that file Life Accident & Health (Blue Blank), Fraternal (Brown Blank), and Property/Casualty (Yellow Blank).

Mateja covered work group studies on health care receivables, including conflicting and surprising data that make it difficult to get solid numbers for study from 2012 and prior annual statement data.

"As I previously stated, more oversight is needed in filling out our health care receivables exhibits," Mateja said.

Russell went over Exhibit 3A instructions and how the form ties into other parts of the annual statement. Attendees could consult their spreadsheets to follow along with presenter recommendations. Presenters also discussed specific illustrative questions and resources for further information. For example, should the other health care receivables that do not represent offsets to claims be reported on the U&I exhibit Part 2B on line 10, or are they not required to be reported on the U&I exhibit Part 2B because they do not offset those claims?

Russell said his understanding is that the only healthcare receivables that would be excluded from the report referenced above are those shown in footnote A on line 10, which excludes loans or advances to providers that have not yet been expensed.

"Otherwise, my understanding is that all other health care receivables would show up on those lines," Russell said. "The place where the follow-up study to those health care receivables would show up is Exhibit 3A. If you're concerned that somehow when the payments for those receivables get made that they get lost on Part 2B, I think it would be good if you could have some specific examples and send those to the Academy, and we could perhaps look into that further."

ASOPs on Pensions, Modeling Released

OCTOBER SAW A FLURRY OF ACTIVITY from the Actuarial Standards Board (ASB). The ASB adopted a revised version of *ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations* in September. Taking into account comments received on the January 2012 draft, the ASB revised the section on adverse deviation or other valuation issues to state that an actuary may adjust the economic assumptions when valuing plan provisions that are difficult to measure, as discussed in ASOP No. 4. Other revisions include:

- Changes to the Assumptions Used section to require disclosure of each significant assumption;
- Clarification that economic assumptions can be based either on the actuary's estimate of future experience or on the actuary's observations of the estimates inherent in market data, depending upon the purpose of the measurement;
- Changed guidance on the reasonability of an economic assumption from the "best-estimate range" standard;
- Required disclosures of the rationale used in selecting each nonprescribed economic assumption or any changes made to nonprescribed economic assumptions.

ASOP No. 27 applies to any actuarial work product with a measurement date on or after Sept. 30, 2014.

In addition to adopting the revised ASOP No. 27, the ASB released two exposure draft ASOPs. *ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* was released in September with a comment deadline of Jan. 31, 2014. Previous revisions occurred in September 2010 and May 2011, but the new revisions were held until ASOP No. 27 was finalized to ensure consistency.

Some key changes to the proposed revision of ASOP No. 35 include clarifying the language regarding the disclosure of the rationale behind selected assumptions; making the guidelines for a reasonable assumption consistent with the guidelines contained in ASOP No. 27; and adding language to acknowledge that a range of reasonable assumptions is possible. Other changes were made to ensure consistency with other pension-related ASOPs, including *ASOP No. 4, Measuring Pension Obligations*; *No. 6, Measuring Retiree Group Benefit Obligations*; No. 27; and *No. 41, Actuarial Communications*.

Also released for exposure was ASOP No. 38, now titled *Catastrophe Modeling (for All Practice Areas)*. The proposed revision will apply to actuaries in all practice areas performing professional services when selecting or using catastrophe models, whether or not they are proprietary in nature. Comments are being sought on various areas of the ASOP, such as whether it clearly states its intentions or definitions regarding:

- Natural perils, including terrorist acts and pandemics;
- Selection or use of models built specifically to address catastrophes;
- Exemption of design of models;
- Application to all practice areas;
- Level and quality of guidance as the current ASOP No. 38 to property/casualty actuarial work;
- The standard's overall flexibility for new practice developments.

Comments are due by Dec. 30, 2013.

PROFESSIONALISM BRIEFS

- **Patricia Matson**, MAAA, FSA, vice chairperson of the Actuarial Standards Board, spoke on ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, at the Valuation Actuary Symposium on Sept. 23 in Indianapolis.

Developing Risk Appetite Frameworks

THE ENTERPRISE RISK MANAGEMENT COMMITTEE commented on the Financial Stability Board's (FSB) Supervisory Intensity and Effectiveness Group's Consultative Document *Principles for an Effective Appetite Framework*.

The committee agreed that the principles set forth in the paper would enhance supervisory oversight of systemically important financial institutions (SIFIs). The paper addresses FSB goals to develop key elements of an effective risk appetite framework (RAF), such as an actionable risk appetite statement; quantitative risk limits; and responsibilities of the board of directors, senior management, and business lines. The paper also looks at efforts to establish a common nomenclature for terms used within the RAF.

In its comments, the committee suggested areas the FSB might want to address in any updates, including applying the principles to non-SIFIs, considering risk capacity in terms of management and rating agencies, considering larger legal relationships, and understanding a firm's appetite for risk.

Implementing PBR, Long-Term Care

THE ACADEMY weighed in on principle-based reserving (PBR) for life insurance products and long-term care issues at the 2013 Southeastern Regulators Association Conference, Oct. 2-4, 2013, in Nashville, Tenn. Academy Senior Life Fellow Nancy Bennett presented information on the current state of PBR around the country, including its implementation status among insurers and service providers as well as the potential impact on existing business and product design.

She began by discussing the many resources available to insurers, regulators, and others needing more information about PBR requirements: Academy webinars, seminars, ASOPs, practice notes, and presentations. Bennett noted that PBR will require insurers to enhance their modeling systems and valuation procedures, by incorporating more comprehensive documentation and updated experience studies.

Further, Bennett noted that insurers will need to review and potentially enhance their governance procedures covering assumption and margin selection, and model validation and controls. Insurers must evaluate the consistency of PBR models and results with other modeling applications, and prepare for annual audits and periodic state examinations.

Successful implementation will require sufficient resources and training in stochastic modeling and also actuaries with the ability to clearly explain the results to both technical and nontechnical audiences. Service providers such as consultants, external auditors, and software vendors must investigate the ways the new requirements affect their work.

Bennett noted that the valuation requirements apply only to new policies issued after the effective date of the Valuation Manual and that PBR has no impact on in-force reserves. For new business, she said, "the impact of PBR is difficult to predict. But the greatest impact is expected for competitive term products and universal life products with secondary guarantees."

"[For new business] the impact of PBR is difficult to predict. But the greatest impact is expected for competitive term products and universal life products with secondary guarantees."

—Academy Senior Life Fellow Nancy Bennett

On the same day, the Academy's Long-Term Care Committee focused on the complexities of long-term care products and changes in the field. Academy member Dawn Helwig began by discussing long-term care pricing and the many factors that affect rates, such as morbidity, lapse in mortality, and investment income.

"For all companies, lapse, mortality, and investment income have been declining in recent years," Helwig said.

The 50 percent claim rate of those insured by these plans adds to their complexity and leads some to question whether this is truly an insurable market. Statistics show that many major companies have left the market since 2004. Much of the market turmoil comes down to four key factors:

- Lapse rates that are very low, at less than 1 percent;
- Interest rates that are very low, at 3 to 4 percent new money;
- Mortality that is extremely low;
- Morbidity claims that are quite close for some and very high for others.

Helwig also reviewed sales statistics, industry trends, specific pricing examples, and factors affecting profits. Companies that have stopped offering long-term care products cited several reasons for their exit, including low lapse rates, interest rates, and mortality, as well as low or unexpected morbidity. They also were concerned about the profitability of the plans and their ability to get rate increases. Many left the market because they felt that capital was better invested elsewhere with more immediate results.

While wondering if there is a better way to address long-term care needs, Helwig concluded with some overall comments about the industry:

- Premiums have increased, partly from updated lapse assumptions and declining interest rates;
- Rates have stabilized, but there are still significant differences in market premiums;
- Product is capital intensive and still relatively risky;
- Demographics are hard to ignore, and companies will most likely enter or stay in the market accordingly.

LIFE BRIEFS

- **Neil H. McKay**, senior vice president and chief actuary for Allianz Life Insurance Co. of North America in Minneapolis, has joined the Life Capital Adequacy Subcommittee.
- **John R. Miller**, chief actuary for American Equity Investment Life Insurance Co. in West Des Moines, Iowa, has joined the Annuity Reserves Work Group.

Webinar: The Practice of ERM in the Insurance Industry

Nov. 19, 2013

Noon–1:30 p.m. Eastern

REGISTER NOW

Click here to register online

Comments on Form 5500

THE PENSION COMMITTEE sent a letter to the IRS on the mandated electronic filing of Form 5500, noting that the form has many advantages but raises concerns, particularly over transmission errors. The Sept. 23 letter focuses on Schedules SB and MB, which contain the actuarial information for single-employer and multiemployer plans and are prepared and signed by a pension plan's enrolled actuary. The letter cites advantages that electronic filing provides, including reduced error rates, reduced burden of correspondence, fewer resubmissions, and increased speed and completeness with which data become publicly available.

However, plan sponsors often use a separate firm instead of the enrolled actuary's firm to file electronically, which means the enrolled actuary cannot review the transcription for potential errors before it is submitted electronically. Plan sponsors become aware of an error only at a later date when the IRS sends a letter that alleges mistakes in the actuarial valuation results. Correcting these mistakes requires significant time and expense, according to the committee.

The potential for transmittal error calls into question the validity of the information contained in the electronically filed Schedules SB and MB, according to the committee. The letter suggests comparing a sample of the electronic filings with the PDF versions of the Schedules SB/MB forms in the filing packet. If the sample reviews demonstrate an uncomfortable degree of discrepancies, the committee recommends creating a system that allows an enrolled actuary to directly submit those scheduled forms.

Material Events and Current Plan Year Discussed

BECAUSE the meaning of "current plan year" leads to some material events not being disclosed on the annual funding notice (AFN), the Pension Committee on Oct. 3 asked the Department of Labor (DOL) to revisit its interpretation of the term. According to the committee, the lack of disclosure could mislead or confuse participants who read the AFN.

Section 101(F) of ERISA requires that the AFN disclose events that have a material effect on a plan's assets or liabilities during the current plan year. The DOL has interpreted "current plan year" to mean the year in which the notice is distributed, not the year to which the notice relates. To fix this disclosure gap, the committee recommended that the DOL interpret "current plan year" to mean the year to which the AFN relates.

Premium Filing Comments

ON OCT. 2, the Pension Committee expressed strong support for proposed Pension Benefit Guaranty Corp. (PBGC) rules intended to reduce regulatory burdens related to premium filings. The new approach "simplifies and streamlines due dates, coordinates the due date for terminating plans with the termination process, makes conforming changes to the variable-rate premium rules, clarifies the computation of the premium funding target, reduces the maximum penalty for delinquent filers that self-correct, and expands premium penalty relief," according to the PBGC.

CASUALTY BRIEFS

Justin Brenden, an actuary with Third Point Reinsurance in Bermuda, has joined the Casualty Practice Council.

Comments on NAIC Life Capital Proposals

THE ACADEMY'S Life Capital Adequacy Subcommittee sent two comment letters to the NAIC Life Risk-Based Capital (E) Working Group. In an Oct. 11 letter, the subcommittee discussed the issue of whether the asset valuation reserve (AVR) is being double-counted by its use in both risk-based capital (RBC) and asset adequacy analysis. The subcommittee noted that the Academy's C1 Work Group is working closely with the NAIC's IRBC group and will recommend updated C1 and the AVR bond factors to help clear up the confusion regarding the role of the AVR, statutory policy reserves, and RBC. The subcommittee recommended waiting until the NAIC and Academy groups have completed their review before taking further action on this issue.

The subcommittee also weighed in on the NAIC's Life Risk-Based Capital (E) Working Group Exposure Draft relating to additional collateral for transactions with unauthorized reinsurers. The subcommittee pointed out that recoverability of reinsurance should be the key issue, and it also emphasized that the RBC formula should appropriately recognize the risk of default by the reinsurer. The subcommittee asked several questions about the proposal's scope, specific situations that need to be addressed, and RBC relief that would enable it to give more substantive comments on the draft.

Capitol Forum, continued from page 1

what the impact of different studies could mean in the real world as well as the expertise you could bring to a research project itself."

Martin urged participants interested in getting involved to contact him directly or go to the PCORI website to find out more. Currently, the organization is funding 197 projects in 36 states and the District of Columbia, and wants to expand to all states and many more projects. PCORI's research priorities cover the following areas, many of which could benefit from an actuarial perspective:

- Assessing prevention, diagnosis, and treatment options;
- Improving health care systems;
- Communicating and disseminating research findings;
- Addressing disparities;
- Accelerating patient-centered outcomes research and methodological research.

The Academy Capitol Forum: Meet the Experts is a monthly lunchtime series that will feature key figures in areas that interest Academy members, including health care, risk management, financial reporting, pensions and retirement income, and property/casualty, and life insurance. Webinar participants will have a chance to ask questions and get answers.

Upcoming Specials

NAIC and Academy Update: Navigating the International and U.S. Regulatory Environment

Nov. 15, 2013 / Noon–1:00 p.m. Eastern

This webinar will highlight several insurance regulatory developments occurring at the state, federal, and international levels. Panelists will provide an overview of key regulatory organizations involved with implementing these changes, including the International Association of Insurance Supervisors (IAIS), the Financial Stability Oversight Council (FSOC), the G-20 finance ministers, the Financial Stability Board (FSB), and the National Association of Insurance Commissioners (NAIC).

WEBINAR HIGHLIGHTS:

- Developments occurring at the state, federal, and international levels
- Global financial institutions and initiatives
- ComFrame
- Key players

PRESENTERS: Larry J. Bruning, MAAA, FSA; Life Actuary in the Financial Regulatory Affairs Division, NAIC, Jeffrey Schlinsog, MAAA, FSA; Chairperson of the Academy's Financial Regulatory Reform Task Force

MODERATOR: Kris DeFrain, MAAA, FCAS, CPCU; Director of the Research and Actuarial Department, NAIC

Medicaid and Health Outcomes: An Oregon Case Study

Dec. 4, 2013 / Noon–1:00 p.m. Eastern

In 2008, Oregon expanded its Medicaid program to include 10,000 additional residents. Given the number of residents that qualified for the program, Oregon held a lottery to determine who would be added to the Medicare program. This provided researchers an opportunity to study the health outcomes of those who were added to Medicaid compared to those who were not. The study led to some interesting conclusions.

WEBINAR HIGHLIGHTS:

- Overview of the study, including methods, assumptions, and data received
- Examination of the study's results and what they mean
- Exploration of the study's implications, especially what it does and does not tell us about Medicaid expansion

PRESENTER: Katherine Baicker, Ph.D., Professor of Health Economics, Department of Health Policy and Management, Harvard School of Public Health; research associate, National Bureau of Economic Research; and elected member, Institute of Medicine

MODERATOR: Cori Uccello, Academy Senior Health Fellow

Actuarial Update

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IN THE NEWS

Academy members Timothy Nimmer and John Cookson were quoted in the *Yahoo! Finance* article "New Index Measuring Healthcare Data on 60 Million Insured Americans Shows Healthcare Costs Rising 3.5% in the Year to May 2013."

A *Slate* article about states that have rejected Medicaid expansion cited the Academy decision brief "Implications of Medicaid Expansion Decisions on Private Coverage."

The Academy was mentioned in the *LifeHealthPro* article "ACLI Seeks PBR Extension for Small or Low-Risk Life Insurers."

The Academy's work was cited to help debunk myths about longevity risk in an *Iowa Living magazine* story, "Could Assumptions Harm Your Retirement Plan?"

Pension Benefit Guaranty Corp. (PBGC) Director Josh Gotbaum's praise for the Academy's "efforts to promote lifetime income" was the topic of an Oct. 9 posting on the *PBGC Retirement Matters* blog.

LIFE NEWS

Work Group Asks Questions

The Academy's AG 43/C-3 Phase II Work Group sent a letter to the NAIC C-3 Phase II/AG 43 (E/A) Subgroup (NAIC Subgroup) on Sept. 30 about a recent proposed amendment to Actuarial Guideline 43, which proposes modifications to the current Total Return Gross Wealth Ratios in section A5.2 of AG 43. The work group noted several concerns, including equity market characterizations as recently volatile, development of wealth growth ratios, and calibration criteria in relation to statistical distributions.

CASUALTY NEWS

Reinsurance Credit Risk Explored

The Academy's Property/Casualty (P/C) Risk-Based Capital (RBC) Committee provided comments to the P/C RBC Working Group of the National Association of Insurance Commissioners (NAIC) on the Aug. 21 "Discussion Draft—a Proposal for Revising the P&C R3 RBC Factors for Reinsurance Credit Risk," issued by the Reinsurance Association of America.

The committee said that in some ways, the report is consistent with the committee's April 2013 *Report on Reinsurance Credit Risk Charge in the NAIC Property/Casualty Risk-Based Capital*. However, the committee also noted some issues that could benefit from further examination, including the applicability of reinsurance risk factors used by rating agencies, the magnitude of risk charge, and treatment of collateral.

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in the U.S. government. PBGC is tasked with encouraging private pension plans, ensuring the uninterrupted flow of pension benefit payments, and maintaining the premiums it charges at the lowest level consistent with carrying out its obligations. Most important, PBGC will pay a guaranteed level of benefits should a pension plan fail and be unable to pay its obligations.

The concerns around lifetime income explored in *Risky Business* are shared by Gotbaum as the PBGC works to secure sustainable retirement for Americans. Complicated and inflexible legal requirements and the trend toward defined contribution plans make ensuring retirees have sufficient lifetime income a tricky proposition.

"The PBGC is looking for more flexibility and more options in helping to ensure lifetime income," he said. "Employers are abandoning DB plans because they are too expensive and existing rules do not allow them to share costs with their employees, whereas in the public sector, employers can ask employees to split the cost on a tax-deferred basis. Employers are willing to negotiate terms for their plans but want to lessen their exposure to legal liability for their fiduciary duty."

Gotbaum urged the Academy to follow up on its report with more action to help persuade Congress, the PBGC, the Department of the Treasury, and the Department of Labor to allow for more creativity and flexibility in plan designs. He also encouraged the Academy to update *Risky Business* in five years.