

Aging Securely: Academy Forum Set for October on Capitol Hill



THE ACADEMY will hold a Capitol Hill briefing on aging issues on Oct. 23 for public policymakers and stakeholders in Washington. “Aging Securely: An Actuarial Forum on Financial and Health Care Retirement Challenges,” is part of the Academy’s Aging Securely initiative.

The three-hour briefing will feature Academy volunteers who will focus on the issues surrounding aging—

including lifetime income, Social Security, long-term care, and health policy—and will highlight the Academy’s efforts on these issues.

It will include the release of the Academy’s new interactive Social Security Game, and the release of several Academy papers on lifetime income and long-term care. Look for more details in *This Week* and a full report in the October *Actuarial Update*. ▲

Capitol Steps to Highlight Gala Dinner at Annual Meeting and Public Policy Forum

THE ACADEMY CONTINUES to release new details for the educational sessions at its [Annual Meeting and Public Policy Forum](#), to be held Nov. 12-13 in Washington. Sessions will offer public policy and professionalism content relevant to all actuarial areas of practice, and practice-specific content on topical casualty, health, life, and pension practice, and professionalism issues.

As the agenda has been updated, the Academy has increased the estimated continuing education (CE) credits that will be available. The agenda will now enable attendees to earn up to 11.1 organized-activity CE credits (depending on area of practice), 1.5 hours of business skills CE credits, and up to 4.2 hours of professionalism CE credits.

The well-known and highly regarded Washington-based political satire troupe Capitol Steps will perform at the Gala Dinner on Thursday, Nov. 12. Other program additions include a plenary session on “Protecting the Solvency of U.S. Insurers,” with panelists from the Board of Governors of the Federal Reserve System and the NAIC.

April Choi, Ellen Kleinstuber, Patricia Matson, and Lisa Slotznick will be recognized on Nov. 12 as recipients of the **2015 Outstanding Volunteerism Awards**, which honor Academy volunteers who have made a single, noteworthy volunteerism contribution in the previous year that is above and beyond what is reasonably expected of an Academy volunteer.

Shawna Ackerman, the Academy’s vice president for casualty issues, will moderate a session on price optimization, and Jim McGinnitie, the Academy’s new senior



fellow for property/casualty, will moderate a panel on the changing automobile market.

The health care innovation session will feature panelists from the Center for Medicare & Medicaid Innovation and the Patient Centered Outcomes Research Institute, who will provide overviews of their respective organizations and highlight projects they are undertaking with

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Academy Representatives Visit China, Europe

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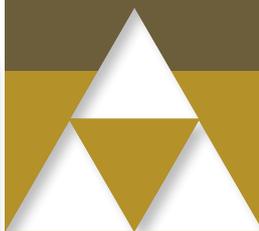
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International Health Care Webinar Draws Global Interest

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Professionalism Counts: Time for a CE Check



NOVEMBER

4 Webinar: Exploring Global Health Care Cost Drivers: Canada and Chile

9-12 Life and Health Qualifications Seminar, Arlington, Va.

10 Webinar: Alternatives for Pension Cost Recognition

12-13 Academy Annual Meeting and Public Policy Forum and 50th Anniversary Gala, Washington, D.C.

DECEMBER

1-2 Seminar on P/C Effective Loss Reserve Opinions, Philadelphia

9 Professionalism Webinar: Facing a Dilemma? The ABCD Can Help

Academy NEWS Briefs

Representing the U.S. Actuarial Profession Globally

China

IN AN INTERESTING juxtaposition, just as Chinese President Xi Jinping was visiting the United States in September, Academy representatives were visiting China.

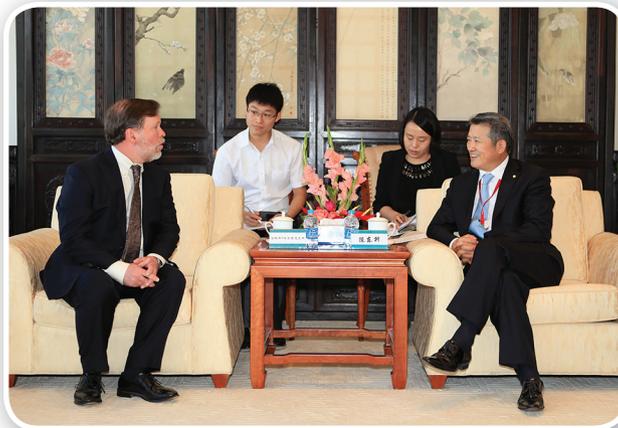
At the invitation of the Chinese Actuarial Association (CAA), Academy President-elect Tom Wildsmith and Executive Director Mary Downs attended the CAA's 16th Annual Conference in Beijing on Sept 22- 23. The CAA specifically asked the Academy to attend in order to learn from the Academy, as the U.S. national association, how standards affecting actuaries are established in the United States.

In addition to the conference, which was well attended by Chinese actuaries, CAA President Chen Dongsheng and Secretary General Wang Zheng held a separate meeting with the Academy representatives. During that meeting, Wildsmith gave them an overview of the history and purpose of the Academy in the United States, and information about our professionalism bodies and activities in establishing and maintaining the qualifications for actuarial competency across all practice areas for actuaries who practice in the United States.

In describing the self-governing nature of U.S. actuarial profession, Wildsmith began with how the Academy was created to provide a systematic approach to actuarial accreditation that would be recognized across practice specialties by U.S. state and federal officials. He also provided information about the structures, established through the Academy, for the development of standards of practice, conduct, and qualifications—as well as the disciplinary system to enforce those standards. Noting that professionals in the United States are expected to provide benefits to society, Wildsmith explained how these structures were vital to the recognition of U.S. actuaries as a profession.

Europe

Representatives of the Academy also traveled to Bucharest, Romania, for the annual meeting of the Actuarial Association of Europe (AAE), Sept.



Academy President-elect Tom Wildsmith (left) talks with CAA President Chen Dongsheng (right) during their meetings in Beijing in late September.

23-25. Ken Hohman, the Academy's international secretary, William Hines, vice president for risk management and financial reporting issues, and Craig Hanna, director of public policy, attended as observers at the invitation of the AAE's leadership.

The comprehensive program included discussions of insurance and pension regulation, actuarial professionalism and education, investment and risk management challenges, and social security programs across jurisdictions. The AAE is the association of actuarial organizations from countries of the European Union, and the meeting was an opportunity for the Academy representatives to explore areas of common interest and differences in viewpoints on current public policy and professionalism concerns.

The Academy's relationship with AAE provides an opportunity to share with the European profession the U.S. profession's perspectives on current and emerging international regulations and unique professionalism developments, and to explore whether there can be collaborative efforts on issues of mutual interest.

The Academy has been focusing greater attention on comparative approaches to policy challenges across jurisdictions by featuring the experience of its members who practice in international settings. For more information on some of these efforts, please visit the Academy's [International page](#). ▲

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information.

Academy members can update their member profile at the member login page on the Academy [website](#).



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ANNUAL MEETING

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Additional Session Details Announced

Nov. 12, 9:00-10:00 a.m.

Plenary/Panel Discussion: "The Shape of the Story—How Top Journalists Cover Actuarial Beats"

Tom Wildsmith, Academy president-elect, moderates a discussion with top journalists on how they cover "actuarial beats." Panelists include Christopher Flavelle, editorial writer, *Bloomberg View*; Frank Klimko, associate editor, *BestWeek*; and Joanne Kenen, health editor, *Politico*.

Nov. 12, 3:15-5:15 p.m.

Plenary: Protecting the Solvency of U.S. Insurers

Panelists representing the Board of Governors of the Federal Reserve System and the NAIC discuss protecting the solvency of U.S. insurers. This session includes two panels — "The Future of Risk Management Tools" and a "Capital Standards Overview."

Earn CE Credit

By attending the entire Annual Meeting and Public Policy Forum, the agenda will enable attendees to earn up to:

- 11.1 organized activity continuing education credits, depending upon your area of practice,
- 1.5 hours of business CE credits, and
- 4.2 hours of professionalism CE credits.

Honor Your Distinguished Colleagues

Join us as the Academy presents its highest awards to two distinguished Academy members:

- On Nov. 12, **Michael Boerner** will receive the **Robert J. Myers Public Service Award** in recognition of his extraordinary contribution to the public good through service with the Texas Department of Insurance and exceptional leadership at the NAIC.
- On Nov. 13, **Andrea Sweeny** will receive the **Jarvis Farley Service Award** in recognition of her longtime Academy volunteer service integral to numerous projects benefiting the U.S. actuarial profession.

Hosted in the spectacular Renaissance-style halls of the National Museum of Women in the Arts, the Academy's 50th Anniversary Gala Dinner will offer a feast in the company of your peers as the Academy commemorates public policy and professionalism milestones of significance to the U.S. actuarial profession—and the dedicated and visionary Academy members who made them possible.

Gala

50TH ANNIVERSARY CELEBRATION NATIONAL MUSEUM FOR WOMEN IN THE ARTS

THURSDAY, NOVEMBER 12TH, 6:30 PM



The Washington-based political satire troupe the Capitol Steps will provide the entertainment at the Gala Dinner.

The reception and Gala Dinner are included in the two-day registration fee. Tickets may be purchased separately for guests.

Myers, Farley Award Winners Announced

THE ACADEMY ANNOUNCED THE WINNERS of its highest awards to two distinguished Academy members. [Michael Boerner](#) will receive the Robert J. Myers Public Service Award, which honors an actuary who has made an exceptional contribution to the common good, and [Andrea Sweeny](#) will receive the Jarvis Far-

ley Service Award, which honors an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service.

The awards will be presented at the Academy's Annual Meeting and Public Policy Forum, Nov. 12-13 in Washington. ▲

International Health Care Webinar Draws Global Interest

WITH ATTENDEES FROM MORE THAN 19 COUNTRIES, the Academy's Health Practice International Committee and the International Actuarial Association's Health Section hosted the third webinar in their joint series on international health care costs in early September.

Similar to prior webinars in the series, the webinar—which focused on [Australia and Singapore](#)—included panel discussion on the health care financing systems of those countries and the ways both have worked to identify and address drivers of health care cost growth.

The Singapore portion of the webinar was presented by Alvin Fu, a member of the Singapore Actuarial Society and senior vice president and head of group insurance marketing at Great Eastern Life Singapore. He served as chairperson for the Singapore Actuarial Society Health & Retirement Conference 2014 and was co-chairperson for the Health Insurance Conference 2012.

Fu provided background on Singapore's aging population and the statistics around health expenditures, life expectancy, mortality, and medical inflation. He also illustrated the multiple layers of health care financing that achieves the country's universal coverage, and explored the challenges facing the country's health care system, including the aging population, rising inflation, increase in chronic conditions, and resource limitations.

Australian participants were Candice Ming and Stuart Rodger, both members of the Institute of Actuaries of Australia and both with Deloitte, focusing on health and health finance issues.

They characterized the structure of Australia's health care system as a mix of public and private sector health service providers

and a range of funding and regulatory mechanisms, national health insurance with universal coverage and free access to public hospitals, no-charge treatment of a public patient in a public hospital by a doctor appointed by the hospital, and subsidization for primary care medical services and for a high proportion of prescription medicines. The speakers noted that the complexity of the country's health care system makes it difficult to isolate and contain costs; however, they highlight the various levers within the system that they use to address cost growth.

[Slides and audio](#) are available to Academy members on the webinar page. The next webinar in the series, scheduled for Nov. 4, will feature presentations from Canada and Chile. ▲

OPM SEEKS CANDIDATE FOR RETIREMENT SYSTEM'S BOARD OF ACTUARIES

The U.S. Office of Personnel Management is seeking a candidate to serve on the Board of Actuaries of the Civil Service Retirement System. The board is composed of three actuaries who are members of the American Academy of Actuaries and who are qualified to provide advice and recommendations on matters relating to defined benefit retirement plans. The board generally meets on an annual basis in Washington, D.C. Interested candidates should email a description of their background and qualifications to actuary@opm.gov. ▲

Contingencies Wins Design Award

CONTINGENCIES, the Academy's bimonthly magazine, won an Excel Award from Association Media & Publishing for the [May/June 2014](#) cover story, "Black Warrior: A Buffalo Soldier Looks Back." The award was a bronze medal in the design category for the story, which was excerpted from the book *Black Warriors: The Buffalo Soldiers of World War II*.

The book was written by longtime Academy member Ivan J. Houston, who enlisted in the U.S. Army in 1943 at the age of 17 and was a member of Combat Team 370 of the U.S. 5th Army's 92nd Infantry. The team, also known as the Buffalo Soldiers, was the only African-American division to fight in Europe in World War II. ▲

Academy Election Concludes

ACADEMY MEMBERS voted for four candidates for open regular director positions on the Academy Board of Directors, as voting wrapped up Sept. 21. The new directors will be [Elizabeth Brill](#), [Alice Fontaine](#), [Laurel Kastrop](#), and [Allen Schmitz](#).

Brill, Kastrop, and Schmitz will serve three-year terms that will expire in 2018. Fontaine will serve the remaining one year

of a three-year Board term expiring 2016 that is being vacated on Nov. 12, the date the Academy's annual meeting in Washington begins.

For more information about the Nominating Committee guidelines, how candidates were selected, and other election details, please visit the Academy's online [Election Center](#). ▲

IN THE NEWS

A *New York Times* [story](#) on political efforts to change the Affordable Care Act's redefinition of the small group market directly cited the Academy's nonpartisan analysis from the [issue brief](#), *Potential Implications of the Small Group Definition Expanding to Employers with 51-100 Employees*. The story was reprinted by [CNBC](#), [MSN](#) and numerous other outlets. Produced by the Academy's Individual and Small Group Markets Committee, the issue brief was also used as a source in reporting on this issue by the *Pittsburgh Post-Gazette*, the (Fort Worth) *Star-Telegram*, and more than two dozen other newspapers. A subscriber-only *PoliticoPro* story regarding proposed legislation being considered by a congressional panel that would give states the option to expand or not to expand their small group markets also cited the issue brief.

The Academy's analysis that most plans should have the objective of accumulating assets equal to 100 percent of a relevant pension obligation was a central point in an *Arizona Republic* [editorial](#) urging action to address funding of public-employee pension plans.

A subscriber-only *InsuranceERM* story, "Revealing the risk from climate change" provided a [detailed analysis](#) of the Actuaries Climate Index (ACI), a large-scale, joint effort between several North American actuarial organizations, including the Academy, the Casualty Actuarial Society, the Society of Actuaries, and the Canadian Institute of Actuaries. The story noted that once completed, ACI data will "help inform the insurance industry and the general public on changes in the frequency of extreme weather over recent decades."

The Center on Budget and Policy Priorities cited Academy [comments](#) to the trustees of the Social Security System and the Social Security Advisory Board in a [research paper](#) examining the 2015 trustees report.

Senior Health Fellow Cori Uccello was quoted by *International Private Medical Health Insurance Magazine* in a story on the Academy's [issue brief](#), *Drivers of 2016 Health Insurance Premium Changes*. Other outlets that cited the issue brief this month were [Georgia Health News](#), the [Tele-graph](#) (Macon, Ga.) and the [Rome News-Tribune](#) (Rome, Ga.).

The Health Practice Council's Feb. 24 [letter](#) to Health and Human Services Secretary Sylvia Mathews Burwell was [cited](#) on [healthinsurance.org](#), which examined premium subsidies for participants in Utah's health insurance marketplace.

Senior Health Fellow Cori Uccello's [written testimony](#) on potential implications of expanding the small-group definition to companies with 51-100 employees to the U.S. House Energy & Commerce Subcommittee on Health hearing on affordable health care was [posted](#) in BenefitsLink.com's *Health & Welfare Plans* newsletter.

The Actuarial Standards Board was mentioned in a Workers' Compensation Institute [blog](#) post summarizing discussion of the NAIC's draft [Price Optimization White Paper](#) at the Aug. 14 meeting of the NAIC's Casualty Actuarial and Statistical Task Force.

The September 2015 [edition](#) of *Health Insurance Underwriter* magazine reprinted the Academy [issue brief](#), *Medicare at 50: Is It Sustainable for 50 More Years?*

Taxnotes.com [reported](#) on the Academy's [recent comments](#) to the IRS and Treasury Department regarding proposed regulations on suspensions of benefits under the Multiemployer Pension Reform Act of 2014 in a subscriber-only story, "Chamber of Commerce Seeks Clarity in Regs on Suspension of Benefits."

The Academy's independent analysis was [mentioned](#) in a *Palm Beach Post* (Fla.) opinion piece that calls for greater transparency in how flood insurance premiums are formulated under the National Flood Insurance Program.

The *News-Herald* (Southgate, Mich.) [cited](#) the Academy's [issue brief](#), *The 80% Pension Funding Standard Myth*, in a story on a local public pension funding matter.

The announcement of Mary Jo Hudson's election as an Academy special director was [posted](#) in BenefitsLink.com.

BenefitsLink.com's *Health & Welfare Plans Newsletter* also [posted a link](#) to the Academy's [issue brief](#), *Social Security Disability Program: Shortfall Solutions and Consequences*. ▲

Recently Released

THE SEPTEMBER/OCTOBER ISSUE of [Contingencies](#) includes the cover feature, "Our Nation's Neglected Infrastructure"; a story reflecting on the paths four actuaries followed to top executive positions in global insurance and financial services companies; a look at how new vehicle technology is changing the casualty market; a book review of the landmark *Social Security Works!*; how best to communicate longevity risk; and an examination of how the Annual Meeting and Public Policy Forum will help members stay current on the public policy developments affecting actuarial practice.

The September issue of [HealthCheck](#) includes coverage of Academy presentations at the NAIC Summer National Meeting last month in Chicago, including updates by several long-term care work groups; a writeup of the Sept. 2 webinar co-hosted by the Academy's Health Practice Council and the International Actuarial Association; legislative and regulatory updates, including from the Centers for

Medicare & Medicaid Services and the Internal Revenue Service; and coverage of several Academy health care issue briefs in the news.

The Fall 2015 issue of [Enrolled Actuaries Report](#) includes a look at a recently decided federal appeals court ruling on ERISA plans; the Academy's testimony at a Sept. 10 IRS hearing regarding suspension of benefits under the Multiemployer Pension Reform Act of 2014; a recap of the Academy's issue brief on Social Security's financial condition; IRS's release of 2016 mortality tables; a new issue brief on alternatives for pension costs recognition; and the Lifetime Income Risk Joint Task Force's comments on proposed regulations defining fiduciaries and conflict of interest.

The Fall 2015 issue of [Retirement Account](#) reviews recent Academy pension and Social Security issue briefs; the Actuarial Standards Board's July public hearing on public pensions; and regulatory matters including suspension of benefits, the Department of Labor's fiduciary rule, and the IRS's mortality tables. ▲

Time for a CE Check

As 2015 moves toward the fourth quarter, you may want to verify how many continuing education (CE) credits you've earned so far this year. Each year, actuaries signing statements of actuarial opinion in the United States must complete at least 30 hours of relevant CE. Of those 30 hours, at least 6 hours must be from organized activities and 3 hours must be on professionalism topics. CE hours earned on general business skills are capped at 3 per year.

One option for earning CE hours is attending the Academy's [Annual Meeting and Public Policy Forum](#), where, depending on your area of practice, you can earn up to 11.1 hours of organized activity CE, 1.5 hours of business CE, and 4.2 hours of professionalism CE.

At the Academy, we frequently receive questions about what counts as organized activity. The ability to interact with actuaries from other organizations is the key to determining whether a particular activity is considered organized. Seminars, webinars, and committee work usually counts as organized activity because participants can interact with actuaries from other organizations. Listening to a webinar recording or self-studying through an e-module, however, does not count as organized activity, because you cannot ask questions or interact with other actuaries. Hours earned attending sessions at the Academy's annual meeting would count as organized activities because participants will be able to ask questions and enter into discus-

sions with speakers and fellow audience members.

Professionalism CE covers topics such as the Code of Professional Conduct, actuarial standards of practice (ASOPs), the Qualification Standards, and actuarial discipline. You can earn professionalism CE by reviewing the Code, ASOPs, and the U.S. Qualification Standards, as well as by serving on a professionalism-related board or committee. Seminars, courses, and webinars on professionalism topics may also be counted.

You may be wondering whether CE from a single event can count as both organized and professionalism CE. The answer is yes, but you cannot double-count the hours. For instance, if you attend the professionalism plenary at the Academy's annual

meeting, you may count the 2.7 hours earned under professionalism *and* under organized activity, but you will have earned only 2.7 hours overall, not 5.4 hours.

The Academy's annual meeting offers up to 11.1 hours of organized activity CE credit, but, as you may have noticed, only 6 hours are needed each year. Here we have a bit of good news: Those extra 5.1 hours may be counted as general CE, or, if you have 30 hours of CE for 2015 without counting those 5.1 hours, you may roll them over into next year and get a head start on your organized activity CE for 2016.

For more CE information and examples, see the [U.S. Qualification Standards](#) and FAQs on the [U.S. Qualification Standards](#). ▲

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PROFESSIONALISM NEWS



Academy Representatives Address Regional Actuarial Forums

ON SEPT. 22, Committee on Qualifications Chairperson Keith Passwater and Academy President Mary D. Miller provided an overview of actuarial professionalism, including the Code of Conduct, the Actuarial Board for Counseling and Discipline (ABCD), and the Academy's development of a qualification attestation form, to the Blue Cross Blue Shield Association Actuary Forum in Chicago. On Sept. 21, Passwater and ABCD liaison and staff attorney Brian Jackson gave a similar presentation in Indianapolis to the Actuaries Club of Indiana, Kentucky, and Ohio.

Also this month, William Hines, vice president of risk management and financial reporting issues, provided senior actuaries at John Hancock Financial with "A Look at Ethics and Professional-

PROFESSIONALISM BRIEFS

➔ **William Hines** has joined the Council on Professionalism.

ism" on Sept. 18 in Boston. The presentation included an interactive discussion of hypothetical case studies of ethical dilemmas that actuaries might face.

Actuarial Standards Board member Christopher S. Carlson co-presented "Professionalism in a Reserve Setting" at the Casualty Loss Reserve Seminar in Atlanta on Sept. 10. ABCD Chairperson Janet Fagan participated in a panel discussion on "ABCD Case Studies" at the Casualty Loss Reserve Seminar the same day. ▲

Letters From Early Academy Leaders Still Resonate

IN HONOR OF OUR 50TH ANNIVERSARY, throughout this year we are reprinting communications from early Academy presidents. This month's selection is excerpted from the 1973 Yearbook, in which Robert J. Myers discusses the Academy's continuing efforts on accreditation, the numerous cooperative engagements with other actuarial organizations, and the emerging need to provide regulators and legislators with technical assistance on actuarial matters—a charge that Myers identifies as possible only because of actuaries' dedication to objectivity and independence.

During the past year the American Academy of Actuaries has been involved in considerable activity in the area of its primary purpose—accreditation of actuaries and development of public recognition of the necessity for qualified actuaries in their fields of professional competence. Much of this work has gone on in such a manner that the results are not easily discernible.

Progress in the accreditation area has been steady, although somewhat slower than we would all hope to achieve. This is so because accreditation involves legislative or regulatory actions, and these tend to move quite slowly in the normal course of affairs, particularly when they affect a long-range issue that is not in need of immediate attention.

In each area we are attempting to have membership in the Academy accepted as evidence of an individual's being a "qualified actuary." The state may establish standards for qualifications for individuals who are not members of the Academy. Exclusiveness in this respect, we are told, is impossible because of legal and constitutional questions—that is, because it involves the restriction of the right to earn a living solely because one is not a member of a private organization—although, in the final analysis, this is a question for each state (or other authority) to decide.

The Academy is playing a very significant and necessary role in the accreditation area and in certain other fields where action on its part seems to be suitable, desirable, or essential. Important in this respect, too, have been the several joint committees that have been created with the other recognized actuarial bodies on the North American continent—namely, the Joint Actuarial Committee on Financial Reporting and the Joint Committee on Review of Education and Examinations, which were created previously, and the Joint Committee on Profes-

sional Conduct, which has just been inaugurated this year.

Despite these numerous activities of the Academy, I deeply believe that it should, as soon as possible, get into one other field of activity—namely, that of providing a means for furnishing unbiased *technical* services to governmental legislative and administrative bodies, government agencies, and the like that are developing new laws or regulations or are administering enacted laws or regulations. Such services, when requested, could be furnished by a committee especially designated for these purposes, with appropriate subcommittees for specific subjects or specialties as they might be needed. The members of this committee would serve in their individual professional capacities and not on behalf of their employers.

There may be the difficulty that those needing these services will have some doubt as to the professional independence of the actuaries who would be involved, but I am convinced, from my close association with, and observation of, the actuarial profession over many years that its members possess such independence. It is my deep conviction, from actual observation of a number of instances in this area in the recent past, that this kind of activity is both feasible and possible. In this way, actuaries can contribute even further to the economic and social well-being of the country.

Robert J. Myers

Robert J. Myers was the chief actuary for the Social Security Administration from 1947 to 1970. He was instrumental in the design and funding of the Social Security system and was described by Sen. Daniel Patrick Moynihan as "national treasure." In recognition of his many years of extraordinary public service, the Academy created the Robert J. Myers Public Service Award in 1994.

LAST CALL FOR PAPERS

In light of the Academy's ongoing focus on policy issues affecting an aging population—longevity risk, retirement security, long-term care, and public program sustainability—the Academy supports a new [call for papers](#) from the Institute and Faculty of Actuaries (IFoA), the professional association for actuaries in the United Kingdom.

The IFoA is soliciting research proposals related to a series of key policy questions focused on two actuarial themes: the aging of the population and the effect of the changing eco-

nomics landscape on financial health. Given the global nature of these two major themes, proposals are being accepted from research-led organizations in the academic, not-for-profit, and public and private sectors within and outside of the U.K.

The Academy encourages members to consider this call for papers to further the prominence of the profession's independent and objective perspective on these critical actuarial and policy questions. The [submissions deadline](#) is Oct. 5.



Task Force Submits Comments on Price Optimization White Paper

THE ACADEMY'S PRICE OPTIMIZATION TASK FORCE submitted a [comment letter](#) to the NAIC's Casualty Actuarial and Statistical (C) Task Force (CASTF) providing input on the CASTF's *Price Optimization White Paper*, which was exposed at the NAIC's summer national meeting in August.

The CASTF paper, the goal of which is to provide some background on price optimization, identify potential benefits and drawbacks of the practice of price optimization, and present options for state regulators to respond, where appropriate. The paper was revised and reissued on Sept. 24 in response to the comments that were received during its most recent exposure. ▲

CASUALTY BRIEFS

- ➔ **Kevin Christy, Chet Szczepanski, Tom Botsko, Katrine Pertsovski, Pat Woods, and Zhuo Yang** have joined the Automobile Insurance Committee.
- ➔ **Gordon Hay, Tom Botsko, Alejandra Nolibos, Michael Laufer, and Ernest Wilson** have joined the Financial Soundness/Risk Management Committee.
- ➔ **Marios Argyrou** has joined the Property and Casualty Risk-Based Capital Committee.
- ➔ **Kevin Christy** and **Joe Herbers** have joined the Terrorism Risk Insurance Subcommittee.

Automobile Insurance Committee Submits Comments to FIO

THE AUTOMOBILE INSURANCE COMMITTEE [submitted comments](#) to the Federal Insurance Office (FIO) on proposed methods to monitor auto insurance affordability.

In its comments, the committee agrees that an appropriate measure of affordability of automobile insurance would be to compare an average premium to average income, and that optional comprehensive and collision coverages should not be included in this calculation.

But it says that "compulsory" coverages also should be included, to the extent available, and therefore recommends that personal injury protection be included in jurisdictions where such coverage is mandatory.

Typical insurance data is compiled on an exposure, automobile-year basis, whereas income data might not necessarily be available on a comparable basis. As such, adjustments may be required to make both sets of data comparable, the committee's comments state.

The committee also cites its concerns relative to the proposed working definition of affordable personal auto insurance, where FIO proposes to "presume that personal auto liability insurance is

P/C Opinion Seminar

*Dec. 1-2, Philadelphia
Wyndham Historic District*

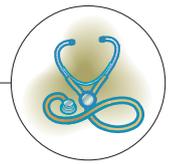
Actuaries who prepare or sign NAIC annual statements of actuarial opinions on property/casualty loss reserves, or assist in preparing them, should plan to [attend this seminar](#).

affordable if, for affected persons, the affordability index is less than or equal to two percent of household income."

The committee says it cannot speculate on the appropriateness of the 2 percent threshold and recommends that FIO carefully evaluate this standard when data become available. This is only one single measure, and using it alone may be ill-advised because it could oversimplify the complex task of defining "affordability." ▲

HEALTH BRIEFS

- ➔ **Adam Reese** has joined the Health Practice Council.
- ➔ **Ray Len, Juan Herrera, and Sarkis Daghlian** have joined the Individual and Small Group Markets Committee.
- ➔ **Donna Novak** has joined the Medicare Subcommittee and the Medicaid Subcommittee.
- ➔ **Bethany Axtman, Jinn-Feng Lin, and Linda Peach** have joined the Risk Sharing Subcommittee.
- ➔ **Rodger Yan** has joined the Medicaid Subcommittee.
- ➔ **Dale Yamamoto, Steve Abbs, and Jim Hall** have joined the Active Benefits Subcommittee.
- ➔ **Perry Kupferman, Larry Rubin, and Zenaida Samaniego** have joined the LTC Reform Subcommittee.
- ➔ **Pete Miller** has joined the Cancer Claims Cost Table Work Group.
- ➔ **Eric King** has joined the LTC Valuation Work Group.
- ➔ **Gregory Fann and Sarkis Daghlian** have joined the Premium Review Work Group.
- ➔ **Rebecca Owen, Vince Granieri, Dylan Ascolese, and Austin Barrington** have joined the Disease Management/Prevention Work Group.



Academy Provides Testimony to Congress on Small-Group Definition

SENIOR HEALTH FELLOW CORI UCCELLO provided [written testimony](#) on the potential implications of expanding the small-group definition to companies with 51-100 employees to the House Energy & Commerce Committee's health subcommittee for a hearing on affordable health care.

The testimony, submitted Sept. 9, notes that in the current health insurance market, small employers are those employing up to 50 employees, but for plan years beginning in 2016, the Affordable Care Act (ACA) will expand that definition to include employers with up to 100 employees.

As groups with 51-100 employees renew or newly purchase coverage, they must abide by the rules and regulations governing the small group market, including those related to benefit coverage, actuarial value, and premium rating restrictions, and small-group rules apply to fully insured plans, whether they are purchased through or outside of the Small Business Health Options Program marketplace.

When considering the small group redefinition, it's important to consider the potential effects, not only on the groups sized 51-100, but also on those sized 1-50. This statement examines how the rules applying to groups sized 51-100 will change and what that means for insurance offerings in the small group market.

Specifically, the Academy found that:

➔ Many employers and employees will be affected by the change in the small group definition. Among employers offering coverage, employees in groups sized 51-100 comprise roughly 30 percent of

employees in groups sized 1-100.

➔ Groups sized 51-100 will face more restrictive rating rules, which will increase relative premiums for some groups and reduce them for others.

➔ Groups sized 51-100 will face additional benefit and cost-sharing requirements, which could reduce benefit flexibility and increase premiums.

➔ The more restrictive rating and benefit requirements could cause more groups sized 51-100 to self-insure, especially among those whose premiums would increase under the new rules.

➔ If adverse selection occurs among groups sized 51-100, premiums for groups sized 1-50 could increase.

Additional federal limitations on the allowable rating variables that begin to apply to the 51-100 market in 2016 include:

➔ *Age.* Premiums for the group can reflect its age distribution, but the age rating factors are prescribed and may not vary for adults by more than a ratio of 3 to 1. That is, the rate for a 64-year-old cannot be more than three times the rate for a 21-year-old. Currently, issuers' age factors often reflect up to a 5-to-1 ratio or higher.

➔ *Geography.* Geographic regions within the state are prescribed and may be significantly different than the regions currently used by issuers.

➔ *Tobacco use.* Premiums may be increased to reflect tobacco use but not by more than 50 percent.

➔ *Family size.* At most, three children under the age of 21 within a family may be charged a premium. Additional children receive coverage at no additional charge. ▲

Work Group Submits Comments to CCIIO on URRT and Rating Methodology

THE PREMIUM REVIEW WORK GROUP sent a letter to the Center for Consumer Information and Insurance Oversight (CCIIO) with suggested changes to the unified rate review template (URRT) and rating methodology.

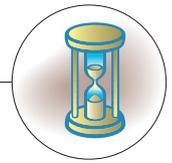
The work group outlined suggested changes to URRT and rating methodology that could result in a more user-friendly form and process. In general, it recommended that the CCIIO undertake a periodic review of the URRT to determine and document whether each component is still required for rate filing and review purposes.

To the extent possible, it recommends providing explicit instructions on what should and should not be included in each line of the URRT, including ensuring consistency between aggregated data inputs/results (Worksheet 1) and plan-level data inputs/results (Worksheet 2)—meaning the URRT should not compare

items from the corresponding worksheets unless they are supposed to be the same.

It also recommends that the guidance for mapping plans from the experience period to the projection period and plans from the current period to the projection period be synched with the uniform modification rules, and that those be updated and released early enough to allow comments and modification or clarification in the instructions based on feedback received.

And as part of the actuarial memorandum, the letter recommends that CCIIO require the minimum and maximum rate increase across the issuer's filed plans be provided, without aging, based on a single population, preferably the current population. This is a requirement of Part II if there is a threshold increase, and is valuable for reviewers, the work group wrote. ▲



Life Practice Council Submits Comments on Principle-Based Reserving

THE LIFE PRACTICE COUNCIL [submitted comments](#) to the NAIC's Principle-Based Reserving Implementation (EX) Task Force on its "*Substantially Similar Terms and Provisions*" to Determine the Valuation Manual Operative Date exposure draft.

The Sept. 16 letter states that while the LPC supports the process outlined in the proposal—which it believes appropriately defines a way to determine whether a state's adoption of the Standard Valuation Law (SVL) has "substantially similar terms and provisions" to the Model Law—it offered further comments on the key issues recommended for further discussion.

Those key issues included the meaning of the phrase "substantially similar terms and provisions" in the SVL will be interpreted such that an objective third party would agree, while suggesting the

task force consider an outcome-based definition of "substantially similar"; i.e., terms and provisions are "substantially similar" if they would likely result in minimum reserve levels that are similar to, and procedures that are not materially different from those prescribed by the SVL and Valuation Manual.

It also said the LPC supports the five general steps in the determination process, and that the task force evaluation would be conducted in line with the details identified for Step 3. Its comments on the issues that the task force may want to discuss include addressing the question of whether the task force should have pre-agreed decisions about specific situations being "substantially similar."

The LPC believes that "pre-agreed decisions pose some risks in that they would not cover every situation leading to the deviations in the terms and provisions." ▲

Illustrations Work Group Publishes Practice Note Addendum

THE ILLUSTRATIONS WORK GROUP [published an addendum](#) to the practice note, *Actuarial Standard of Practice (ASOP) No. 24: Compliance with the NAIC Life Insurance Illustrations Model Regulation*, to reflect the recently adopted Actuarial Guideline 49.

The addendum includes practice note definitions, including ASOP No. 24, Actuarial Guideline (AG) 49 and NAIC Life Insurance Illustrations Model Regulation #582; and an overview as to what is a reasonable process to follow when applying the AG, ASOP, and model to the Disciplined Current Scale testing for an illustrated policy. ▲

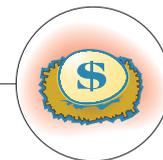
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Academy Testifies at IRS Hearing

ELI GREENBLUM, vice president for pension issues, represented the Pension Practice Council (PPC) at a Sept. 10 IRS [hearing](#) in Washington regarding suspension of benefits under the Multiemployer Pension Reform Act of 2014.

Greenblum presented the council's position on this issue, laid out previously in an Aug. 18 [comment letter](#) on proposed regulations sent by the PPC and the Multiemployer Plans Subcommittee to the IRS and U.S. Treasury Department. The letter was co-signed by Steven Rabinowitz, chairperson of the subcommittee.

Greenblum asked the IRS to consider whether some items required in the proposed regulations might not be necessary for determining whether an application should be approved or denied, and offered suggestions on annual plan sponsor determinations,



suspension not materially in excess of the level necessary to avoid insolvency, reasonable actuarial assumptions, and on initial value of plan assets.

For example, he said, while the PPC and the subcommittee understand why a reviewer would be interested in the sensitivity of the projections to various adverse investment returns and employment levels, it is not clear how this information would contribute to an approval decision.

“Such sensitivities will likely show projected insolvency, given the limitation that suspensions must not materially exceed the level necessary to avoid insolvency,” Greenblum said, while “the same concern applies to the projection of funded percentage, except in cases where this projection is necessary to demonstrate compliance with ... the proposed regulations.” ▲

Task Force Submits Comments on Proposed Labor Fiduciary Rule

THE LIFETIME INCOME RISK JOINT TASK FORCE [submitted comments](#) to the Department of Labor on proposed regulations defining fiduciaries and conflict of interest.

“Financial preparation for retirement has two phases—accumulation and decumulation,” the letter says. While the financial press has focused on accumulation for retirement preparedness, “decumulation is equally important for retirement security and merits greater attention, particularly as larger numbers of Americans in the baby boomer generation move into retirement,” it says.

“An adviser should be required to advise on a broad range of decumulation strategies and products when providing advice to individuals ... relevant to the individual's goals, requirements, and current circumstances,” the letter says.

A “requirement to discuss a broad range of options should exist regardless of the adviser's ability or inability ... to provide any specific strategy or sell any specific product, and is necessary in light of the intertwining of the accumulation and decumulation phases needed to secure lifetime income,” it adds.

The proposed rule is heavily focused on when advice creates a fiduciary responsibility and on the appropriateness of compensation. The stated intent of the guidance is to protect consumers and help them to better manage retirement savings, and while that guidance is not specified as to applying to accumulation or decumulation, it provides an opportunity to give prominent recognition to the need to advise on lifetime income needs during the decumulation phase after the individual has retired and in the transition from accumulation to decumulation.

The Proposed Best Interest Contract Exemption would create

LIFE BRIEFS

- ➔ **Bruce Fuller** has joined the Life Financial Reporting Committee.
- ➔ **Brian Lessing Fuller** has joined the Life Illustrations Work Group.
- ➔ **Dan Adams** has joined the SVL Interest Rate Modernization Work Group.

a requirement that the totality of retirement investing be considered when particular investment advice is provided. Investment advice must be provided not just in relation to a single investment but rather within the context of the entire investment portfolio and the totality of retirement income needs. This requires recognition of appropriate vehicles to create lifetime income when providing investment advice. This recognition of lifetime income needs should apply at all times, particularly when the individual is approaching or in retirement, the letter states.

The task force also recommends the Department of Labor have educational material—and perhaps an interactive tool on its website—to reinforce whatever information an adviser provides on managing lifetime income.

Such material “should include information on lifetime income risks, which is essential for individuals to gain a better appreciation of their retirement income planning and management needs,” the letter states, adding that “advisers should be required to direct their clients to such a site as part of the investment advisory process.”

The Labor Department held [four days of public hearings](#) on the rule, and the [comment period](#) ended Sept. 24. Public hearing transcripts and video are [available for viewing](#) on the department's website. ▲



FRC Responds to FASB's Proposal to Limit Unlocking Assumptions on Insurance Contracts

THE FINANCIAL REPORTING COMMITTEE (FRC) [submitted comments](#) to the Financial Accounting Standards Board (FASB) on its proposal to limit unlocking the assumptions and discount rates for long-duration insurance contracts to only the fourth quarter.

The FRC's letter highlights advantages and disadvantages of that proposal, but concludes that the disadvantages outweigh the benefits, and recommends that FASB not adopt the proposal.

Unlocking only in the fourth quarter may save expenses in that companies would not be required to monitor experi-



ence or perform retrospective unlocking processes every quarter, the letter states.

Nevertheless, if the valuation systems are set up to handle the unlocking process, the extra cost to utilize it each quarter may be minimal, and it may even be more expensive to have a "switch" to turn the process on and off, depending on the quarter.

It may be easier for those running the system to do something more frequently—every quarter—rather than just once a year, for which the process and interpretation may have to be relearned.

The FRC recommends permitting unlocking to occur when a material change is known, and states that:

➔ If FASB prefers to mandate a specified quarter for unlocking future cash flow assumptions, it is particularly important to require discount rates to be updated for each reporting period to avoid accounting mismatches with asset fair values.

➔ It would be beneficial to require cumulative catch-ups for known experience deviations to be reflected each reporting period.

➔ If cumulative catch-ups are not performed each reporting period, that information about the impact of the catch-ups be made explicit through presentation or disclosures.

➔ If assumption changes are mandated to be in a common quarter, permitting or mandating a quarter other than the fourth quarter is preferable. ▲

Committee Submits Comments to NAIC on Reinsurer Passporting

THE REINSURANCE COMMITTEE [sent comments](#) to the NAIC Reinsurance (E) Task Force on the draft Certified Reinsurers and Passporting Public Document.

The committee said it "strongly support[s] the efforts of NAIC to simplify and increase transparency for the reinsurer certification and the passporting processes," and while it was generally in support of the public document, urged the task force to carefully consider the following items as it creates model regulations and procedures for passporting:

- ➔ The idea behind passporting is to have a streamlined approach to certify reinsurers in jurisdictions after first approval, and said it was advisable for there to be a uniform checklist of features that a prospective reinsurer must have in order to be certified, which would reduce confusion regarding terms and requirements.
- ➔ The passporting process, including a confidential review by the Reinsurance Financial Analysis (E) Working Group (ReFAWG), should be designed to result in more uniformity in the approval process, the committee said, and recommend that as part of the application to become certified, the reinsurer may indicate the states to which it wants its certification passported.
- ➔ Ongoing monitoring of reinsurer's certification status is important. Certified reinsurers must report to the lead state if any

regulatory actions are taken, and the committee suggested the ReFAWG implement timeliness guidelines for reporting any change in the status of any reinsurer by the initial certifying state and the NAIC to states using the passporting process to confirm certification.

- ➔ The committee supports listing certified reinsurers on the NAIC website, which will provide significant transparency in the passporting process for all parties. ▲

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Jinn Lin** has joined the Financial Reporting Committee and the ERM/ORSA Committee.
- ➔ **Connie Tang** and **Shaowei Yang** have joined the Financial Reporting Committee.
- ➔ **Marios Argyrou** has joined the ERM/ORSA Committee.
- ➔ **Ron McHugh** has joined the Solvency Committee.
- ➔ **Arnold Dicke**, **Jason Kundrot**, and **Ernest Wilson** have joined the Reinsurance Committee.
- ➔ **Henry Siegel**, **Sholom Feldblum**, **Roger Brown**, **Marshall Lin**, **David Rogers**, **Gordon Hay**, **Katrina Redelsheimer**, and **Patricia Guinn** have joined the Financial Regulatory Task Force.

Actuarial Update

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DISCIPLINARY NOTICE

The following was posted to the Academy's [Public Discipline page](#) on Sept. 10, 2015

The Disciplinary Review Panel of the American Academy of Actuaries ("Academy"), acting in accordance with the Academy's Bylaws, has reviewed the findings from the Actuarial Board for Counseling and Discipline ("ABCD") and a decision by a Disciplinary Panel of the Joint Discipline Council regarding Steven J. Rubenstein. The Disciplinary Review Panel has reviewed and approved the decision and hereby expels Mr. Rubenstein from membership for materially failing to comply with Precept 1 of the *Code of Professional Conduct*.

Precept 1, Annotation 1-4 requires that "An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on the actu-

arial profession." The Disciplinary Review Panel found that Mr. Rubenstein materially violated Precept 1 by sending numerous inappropriate e-mail transmissions of a harassing, vulgar, threatening, and intimidating nature to actuaries and others. Mr. Rubenstein was arrested for sending harassing e-mails and ordered by a court not to send such communications in the future. Mr. Rubenstein's e-mail transmissions made personal attacks using indecent and grossly offensive language. These e-mails caused distress, anxiety, and fear in the recipients. In doing so, Mr. Rubenstein's conduct reflected adversely on the actuarial profession.

Based upon the foregoing, Mr. Rubenstein is expelled from Academy membership.

Annual Meeting, continued from page 1

respect to payment and delivery system reform as well as comparative effectiveness research.

Panelists will include representatives from the Obama administration, state regulators, and other experts.

Practice-specific sessions will include:

- A panel on climate change, including the evolution of extreme event risk exposure and the changing scope and severity of the economic threat posed by climate risk.
- Health care and the 2016 elections, updates on Affordable Care Act implementation, payment and delivery system reform, and long-term care.
- The latest on life insurance regulation reforms, including a hypothetical look at "Day 1" of principle-based reserving (PBR) taking effect, professionalism issues related to PBR, and new requirements for AXXX/XXX captive arrangements.
- Implications of the Multiemployer Pension Reform Act and new reform efforts.
- An examination of public-plan funding and risk-disclosure issues.
- Lessons from the first year of Own-Risk and Solvency Assessment (ORSA) report implementation, and developments and trends in international solvency and capital standards.
- A focus on cross-practice ethics issues, includ-

ing discussion of new Academy research about perceptions of the ethical challenges facing the profession.

➤ A discussion led by the Public Interest Committee of the sustainability of public programs/systems with agency stakeholders who can provide deeper insights into sustainability issues.

The meeting will open with a Nov. 12 plenary session moderated by Academy President-elect Tom Wildsmith that will look at how journalists from major media outlets that cover "actuarial beats" such as Social Security, Medicare/Medicaid, public pension plans, and the Affordable Care Act are framing those high-profile, hot-button issues heading into the presidential election year.

And in a Nov. 13 professionalism plenary session modeled after the NPR program "Wait, Wait Don't Tell Me!" the Academy will offer its own version of the popular public radio show featuring a game-show style format in which a panel of members will engage on actuarial ethical issues. Lively audience participation will be encouraged and facilitated by ProEthics.

This will all take place amid a festive and fascinating celebration of the [Academy's 50th anniversary](#) this year. [Click here](#) for a look at the expanded meeting agenda. ▲