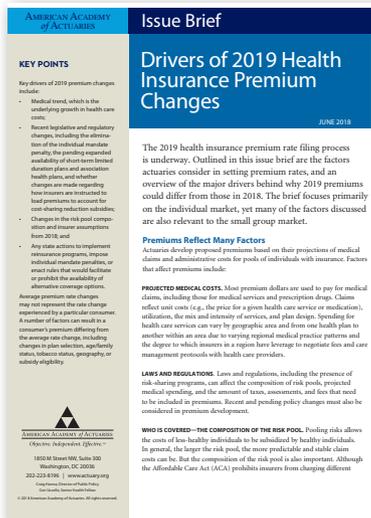


Issue Brief Released on 2019 Health Insurance Premium Drivers

THE INDIVIDUAL AND SMALL GROUP Markets Committee released a new [issue brief—Drivers of 2019 Health Insurance Premium Changes](#)—that provides an overview of the factors underlying rate setting and highlights the major components driving 2019 premium changes for individual and small group health insurance plans that comply with the Affordable Care Act (ACA).

“The individual market, which had shown signs of stabilizing, now faces a potential deterioration of the risk pool due to policy changes that reduce incentives for healthy individuals to enroll in ACA marketplace plans. This deterioration and other factors could drive premiums higher for 2019,” said Academy Senior Health Fellow Cori Uccello.

The issue brief drew widespread



media coverage, including in [The Hill](#), [Kaiser Health News](#), [Axios](#), the [Washington Examiner](#), [Newsmax](#), [Advisor Magazine](#), and [Inside Health Policy](#). Read the Academy [news release](#).

It examines premium-rate change drivers, including:

- ▲ **Underlying growth in health care costs.** Projected average increases in health care costs for 2019 are expected to be in the range of 5 to 8 percent, similar to the increases projected for 2018.
- ▲ **Recent and pending federal public policy changes.** Insurers may be adjusting rates to account for the effects of the elimination of the individual mandate penalty, the pending availability of short-term limited duration plans and association health plans (AHPs), and potential changes to how insurers load premiums to reflect the costs of providing cost-sharing reduction (CSR) subsidies.
- ▲ **Changes in the risk pool composition and insurer assumptions.** In addition to expected

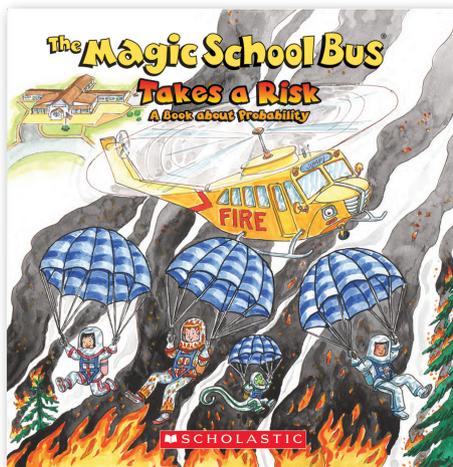
SEE PREMIUMS, PAGE 6

Take a Ride With the Academy’s Magic School Bus Book

The [Magic School Bus Takes a Risk: A Book about Probability](#), a custom book in the acclaimed series sponsored by the Academy, aims to show children that actuaries use math to bring them on amazing journeys. During an adventurous field trip led by Ms. Frizzle, the children join Aunt Maxine, an actuary, and explore how actuaries help people understand and lessen risk for their community.

The Academy is making the book available for order for those seeking to help young people in their lives and communities understand what it means to be an actuary, and has received orders for more than 800 books following its release this month, including from some actuaries who are themselves donating copies to favorite schools in their communities. [Order individual copies today](#) for the budding mathematicians in your life. We also encourage corporate sponsorships for new print runs.

The Academy donated classroom box kits to Washington, D.C., elementary schools within the city’s public



school system. The kit included a storybook for grade 3–5 students; a letter to parents on the inside cover of each book; and a flyer with lesson-plan suggestions for teachers. Companies can do the same in their local communities or where they want to make a difference by [becoming a corporate sponsor](#). ▲

2

[IFRS 17 Seminar Early Registration Ends](#)

3

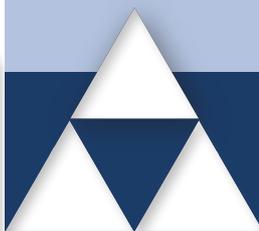
[Big Data Monograph](#)

4

[Webinar: The Code of Professional Conduct](#)

7

[‘Professionalism Counts’—U.S. Self-Regulation as a Global Model](#)



AUGUST

29–30 [Seminar on Implementing IFRS 17 for Long-Duration Contracts](#), Washington, D.C.

SEPTEMBER

5–7 [Casualty Loss Reserve Seminar \(CLRS\) & Workshops](#), Anaheim, Calif.

NOVEMBER

1–2 [Annual Meeting and Public Policy Forum](#), Washington, D.C.

4–8 [Life and Health Qualifications Seminar](#), Arlington, Va.

DECEMBER

6–7 [Seminar on Effective P/C Loss Reserve Opinions](#), Chicago

Academy NEWS Briefs

Register for the Academy’s IFRS 17 Seminar

FRIDAY, JUNE 29, is the deadline for early registration for the Academy’s [Seminar on Implementing International Financial Reporting Standard \(IFRS\) 17 for Long-Duration Contracts](#), to be held in Washington, D.C., in late August.

This new seminar will be held prior to the implementation of IFRS 17 and is designed to help life and health financial reporting actuaries gain the knowledge and tools they’ll need for implementation. Attendees will have the opportunity to earn up to 12.4 hours of continuing education credit.

Timed to coincide with the 2018 Valuation Actuary Symposium, the seminar will focus on the new accounting standard and provide key tools to execute the changes.

The agenda, now [available online](#), was designed for life and health financial reporting actuaries who will implement the new accounting standard, giving you a dedicated opportunity to explore IFRS 17 and how it will impact your work.

You’ll have opportunities throughout the seminar to share and discuss your top questions with experienced actuaries who have been working on implementation.

You’ll also hear about the latest updates on implementation, and get a chance to hear from an observer to the International Accounting Standards Board’s Transition Resource Group for IFRS 17 Insurance Contracts.

The seminar will be held Aug. 29–30. [Register today.](#) ▲

Recently Released

THE SUMMER [Casualty Quarterly](#) previews a forthcoming Academy paper on catastrophe modeling in a Q&A with P/C Extreme Events and Property Lines Committee Chairperson Kay Cleary. Also featured in this issue is the new Big Data monograph, a practice note and webinar on retained risk, and legislative and regulatory updates.

The June [HealthCheck](#) reports on the Academy’s recent issue briefs on Medicare’s financial condition and 2019 health insurance premium drivers. Also covered, 2018 mid-term-election voter guides, and legislative and regulatory updates.

The summer [StateScan Quarterly](#) notes that 15 states and the District of Columbia are still holding legislative sessions, and highlights state legislation and regulation in the past quarter including casualty issues related to auto insurance and autonomous vehicles, flood and travel insurance, climate risk, and workers’ compensation; health issues including the individual market, Medicaid, and long-term care; and life insurance issues, public pension plans, and cross-practice issues, such as captive insurers and credit for reinsurance. For a comprehensive review, log in to [StateScan](#), the legislative and regulatory portal free for Academy members. ▲

Annual Meeting Update

THINK YOU KNOW professionalism topics? Put your skills to the test during the Academy’s [Annual Meeting and Public Policy Forum](#), Nov. 1–2 in Washington, D.C., which will feature an interactive game show developed by the Academy’s Committee on Professional Responsibility.

Political analyst Charlie Cook will be a keynote speaker at the meeting—which will feature practice-area breakout session topics in health, life, pension, and property/casualty—and the after-dinner entertainment will be an optional-participation 1920s-era “Murder-Mystery Whodunit.”

Early registration rates remain open—[register now and save.](#) ▲

For a list of all previous and upcoming Academy events, please visit the Academy’s online [Events Calendar](#).

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](#).

Academy NEWS

Beuerlein Presents Academy Monograph on Big Data

BOB BEUERLEIN, immediate past president of the Academy and chairperson of the Academy's Big Data Task Force, announced the release of the Academy's new and timely monograph, *Big Data and the Role of the Actuary*, at the 31st quadrennial International Congress of Actuaries (ICA) in Berlin, Germany.

Speaking June 5 on an ICA panel concerning the role of actuarial associations in data science with representatives of actuarial organizations from the United Kingdom, France, Germany, Finland, as well as other U.S. actuarial organizations, Beuerlein noted that disruption caused by Big Data in the insurance and other sectors is inevitable and will present both opportunities and challenges.

Actuaries have excellent technical skills, he said, but they also bring deep knowledge and experience about business context that will allow them to play significant roles on teams using Big Data.

Actuaries also have an important responsibility to the public, Beuerlein said. "We need to think about all of our audiences, and help inform regulators, who are concerned about protecting consumers, on the best way to deal with these issues," he said, noting that actuaries' commitment to ethical behavior and to professionalism distinguishes them from other specialists dealing with Big Data.

Beuerlein provided examples of how the existing U.S. actuarial standards of practice (ASOPs) on data quality, risk classification, credibility procedures, and communications encompass and require the actuary to transform the "black box" of Big Data into a "transparent box" so "the public can understand what we are doing" and gain trust in the use of these Big Data tools. "As



Beuerlein presents the Big Data monograph at the ICA in Berlin

actuaries, we have to be more than technicians," he said. "The professionalism around actuaries means we are bringing so much more to the table." Read the Academy [news release](#).

Big Data Presentation at NAIC's CASTF 'Book Club'

Bob Beuerlein also presented on "[Big Data and the Role of the Actuary](#)" at the NAIC's Casualty Actuarial and Statistical Task Force (CASTF) Predictive Analytics Book Club conference call on June 26. CASTF sponsors "book club" presentations on a monthly basis to assist actuaries in better understanding public policy challenges with respect to Big Data and predictive analytics. Beuerlein's well-received presentation introduced attendees to the Academy's new Big Data [monograph](#). ▲

Academy Represents U.S. Profession in Berlin

MEMBERS OF THE Academy's leadership and Academy representatives to the International Actuarial Association (IAA) participated in the IAA's biannual council and committee meetings in Berlin, Germany, in early June.

As it does during each of the meetings, the Academy hosted a breakfast meeting for representatives from all of the U.S.-based actuarial organizations to share issues of importance to the U.S. actuarial profession, including insurance regulation, international insurance accounting and capital standards, and professionalism issues.

Academy leadership remains focused on how the IAA can better serve the needs of its full member associations by engaging in continuing discussions on the IAA education syllabus and the development of an appropriate public policy process, and ensuring that international standards of actuarial practice remain only model standards.

Academy representatives also took part in the quadrennial International Congress of Actuaries (ICA), also hosted in Berlin by the German Actuarial Association. Past President Cecil Bykerk spoke at the ICA on how self-regulation of the U.S. actuarial profession also may

serve as a model, or "case study," on how local actuarial associations in other countries can develop professionalism institutions in their respective countries. (See Bykerk's related "Professionalism Counts" column, p. 7).

Ken Hohman, also a past Academy president, presented on the [retirement readiness report](#) published by the Academy last year with the Institute and Faculty of Actuaries (U.K.) and the Australian Institute of Actuaries, and Senior Pension Fellow Ted Goldman gave a presentation on how to communicate longevity to the public, including via the [Actuaries Longevity Illustrator](#). ▲

A subscriber-only *Bloomberg Law* story on the annual [Medicare Trustees' Report](#) quoted Senior Health Fellow

Cori Uccello, who cited the pressure that Medicare spending is putting on the federal budget. A story published by [MedicineNet.com](#) featured

comments from Uccello on the upward trend in health care, including prescription drug, costs.

[Advisor Magazine](#) reported on the Medicare Subcommittee's new [issue brief](#).

A subscriber-only *CQ Roll Call* story cited comments from Barb Klever, chairperson of the Risk Sharing Subcommittee and the Individual and Small Group Markets Committee, on changes to the Affordable Care Act's (ACA) risk adjustment program. A subscriber-only *Bloomberg Law* article quoted Klever on how expanding [association health plans](#) (AHPs) may contribute to rate increases.



The Individual and Small Group Markets Committee's [issue brief](#) on AHPs was cited in a [Kaiser Health](#)

[News](#) story that was reprinted by numerous media outlets, including the [Washington Post](#), [California Healthline](#), [Insider Louisville](#) (Ky.), [Standard-Examiner](#) (Utah), and [Journal Gazette & Times-Courier](#) (Ill.).

The Academy's February [comment letter](#) to the U.S. Department of Labor, which was cited in the final rule on AHPs, was noted in a [Health Affairs Blog](#) post.

[JD Supra](#) and [Medpage Today](#) cited the Individual and Small Group Markets Committee's new [issue brief](#), *Drivers of 2019 Health Insurance Premium Changes*.

A report from the [Center for American Progress](#) on a new proposal to repeal the ACA cited the Health Practice Council's 2017 [comment letter](#) to U.S. Senate leadership on

the Graham-Cassidy-Heller-Johnson repeal bill's proposed revisions to the individual health insurance marketplace.

A [Washington Examiner](#) story referred to the Health Practice Council's November 2017 [comment letter](#) to the Senate on the ACA's individual mandate.

UN Environment Executive Director and Under-Secretary-General of the United Nations Erik Solheim noted the U.S. actuarial profession's joint efforts on the [Actuaries Climate Index](#) and the forthcoming Actuaries Climate Risk Index in a column for [UN Environment](#).

A letter published in the [American Association of Individual Investors Journal](#) cited the [Actuaries Longevity Illustrator](#), developed jointly by the Academy and the Society of Actuaries. A [Think Advisor](#) article for retirement planning advisers also cited the illustrator.

A subscriber-only *Bloomberg Law* story on stress testing of public pension plans cited

Actuarial Standard of Practice No. 51, [Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions](#), adopted by the Actuarial Standards Board late last year. Public Plans Committee member David Driscoll was quoted.

[Chief Investment Officer](#) quoted the Academy's June 2017 [issue brief](#), *Overview of Multiemployer Pension System Issues*, in a story on concerns about the Pension Benefit Guaranty Corporation's multiemployer plans program solvency. An [MPR News](#) (Minn.) radio story also cited the issue brief.

A [Sentinel & Enterprise](#) (Mass.) column on retirement readiness cited the Lifetime Income Risk Joint Task Force's [public policy discussion paper](#), *Risky Business: Living Longer With Income for Life*.

[AssociationsNow](#) featured a story on the Academy's "2018: Making Issues Count" [election guides](#). The article was reprinted by the [Ohio Society of Association Executives](#). ▲

PROFESSIONALISM NEWS

Professionalism Outreach

VICE PRESIDENT OF PROFESSIONALISM D. Joeff Williams and Academy General Counsel Paul Kollmer-Dorsey presented "Actuarial Professionalism: Alive and Well in 2018" at the Southeastern Actuaries Conference meeting June 20 in Bonita Springs, Fla. The presentation reviewed the basic structures and key elements of U.S. actuarial professionalism, discussed recent developments in actuarial professionalism, and identified tools and resources that are available to help actuaries keep up to date on professionalism.

Council on Professionalism member Mike Ward provided about 65 members of the Actuaries' Club of the Southwest with "A Look at Ethics and Professionalism" at the club's spring meeting June 8 in Dallas. The first half of his presentation outlined the guidance and resources available for an actuary facing an ethical

dilemma through the Code of Professional Conduct, the U.S. Qualification Standards, the actuarial standards of practice, and the Actuarial Board for Counseling and Discipline. The presentation concluded with Ward engaging the audience in a discussion of three case studies.

Actuarial Standards Board member Cande Olsen provided an overview of recent and proposed changes to actuarial standards of practice and a review of the Applicability Guidelines for Actuarial Standards of Practice at the Actuarial Society of Greater New York's June 18 meeting in New York City.

Actuarial Board for Counseling and Discipline member David Driscoll presented and facilitated a discussion of actuarial professionalism and ethics for insurance actuaries and actuarial students in Boston on June 22. ▲



The Code of Professional Conduct: Learning from the Mistakes of Others

MORE THAN 2,000 PEOPLE attended the Academy's June 18 professionalism webinar, "[The Code of Professional Conduct: Learning From the Mistakes of Others](#)," which walked attendees through mistakes that have landed actuaries on the wrong side of the [Code of Professional Conduct](#).

Academy President-Elect Shawna Ackerman kicked off the webinar with a quote from Eleanor Roosevelt: "Learn from the mistakes of others. You can't live long enough to make them all yourself." With that in mind, Ackerman, along with Past President Cecil Bykerk and Vice President for Professionalism D. Joeff Williams (nominated in May to be the Academy's next president-elect), gave examples of violations of the Code pulled from Academy [public discipline notices](#).

In a discussion on professional integrity, Bykerk gave overviews of Precepts 1, (Professional Integrity), 6 (Disclosure of Compensation), 7 (Conflict of Interest), and 9 (Confidentiality). Precept 1 is the most frequently violated precept, and even behavior not related to actuarial services can constitute a violation, he noted. For example, one actuary was suspended after knowingly importing, transporting, and selling counterfeit computers, and several actuaries have been disciplined in cases involving convictions for fraud.

Williams focused on Precept 1's competence aspects, and Precepts 2 (Qualification Standards), 8 (Control of Work Product), 11 (Advertising), and 12 (Titles and Designations). In one case, an actuary was suspended for five years for failing to use appropriate methodology, apply appropriate tests for reasonableness, document work, state relevant actuarial assumptions, and disclose the limitations of his analysis. Several actuaries have been disciplined for failing to meet continuing education (CE) requirements or for doing work they were not fully qualified to do. Williams reminded the audience of the "look-in-the-mirror" test.

"It's not purely subjective. You've got to really examine—objectively—your own professional qualifications. Have you done the basic education? Have you done CE? Do you have the experience? You need to make a judgment call whether you meet the U.S. Qualification Standards and your obligations under the Code," he said.

Ackerman discussed Precepts 3 (Standards of Practice), 4 and 5 (Communications and Disclosure), and 10 (Courtesy and Cooperation). Failing to satisfy an actuarial standard of practice (ASOP) is a common complaint before the Actuarial Board for Counseling and Discipline (ABCD), she noted. Allegations falling into this category have included failure to understand and consider applicable law, material errors, inadequate support for assumptions, and using assumptions that conflict with or ignore experience. Actuaries have also been disciplined for inadequate communication.

A question was asked during the Q&A portion of the webinar as to what an actuary should do if he or she does a reserve review following the applicable standards, and another actuary doing the



(Left to right) Williams, Bykerk, and Ackerman prep for the June 18 webinar

same review with the same data gets different results. Ackerman suggested "having a very candid conversation with your principal about the nature of actuarial reserves estimates and ranges. If you are given the opportunity, take the two analyses, line them up, talk about the assumptions that were made, and compare and contrast them. If they are both reasonable, fully acknowledge that you're going to have different results."

Bykerk examined Precepts 13 and 14 (Violations of the Code). Precept 13 requires an actuary to report apparent, unresolved, material violations of the Code to the ABCD. One actuary received a two-year suspension for failing to report such a violation while publicly making accusations of such violations. The fact that the actuary did not cooperate fully with the ABCD, as required by Precept 14, was likely another factor in his suspension. "It's important to remember that 'ABCD' includes a 'C,' which is for 'counseling,'" Bykerk said. "The ABCD stands ready to address questions people have. If you have a question, you can get in touch with the ABCD through the [website](#)," he reminded attendees.

Ackerman encouraged actuaries to take advantage of the support available to help practicing actuaries do their work in accordance with the Code. "Because we do important work, we owe it to the public and to each other," she said.

Williams noted the Code sets high standards for the profession. "People look to us to provide quality work, to provide answers to difficult questions, and with that comes a high expectation. ... We're not just data scientists—we're actuaries, and we have a code of conduct," which is important not just to clients and principals, but to the general public as well, he said, adding that "the Code allows us to be self-regulating, and that's a very honorable thing that we should take seriously."

"Self-regulation is really critical to us in the U.S.," Bykerk added. "I believe that we can operate much better through self-regulation, and there are examples where other actuarial organizations around the world have lost the ability to self-regulate."

[Slides and audio](#) of the webinar are available to Academy members free of charge. ▲

Applicability Guidelines Updated

The health tab of the [Applicability Guidelines for Actuarial Standards of Practice](#) (ASOPs) has been updated for the revised ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*, which takes effect Aug. 1. These Applicability Guidelines provide actuaries with a non-authoritative reference to standards that usually apply to various actuarial assignments. The guidelines are published by the Academy's Council on Professionalism. ▲

Premiums, continued from page 1

risk pool changes due to public policy changes, insurer assumptions for 2019 will reflect whether experience has differed from what was assumed for 2018 premiums.

▲ **State actions.** Actions undertaken by individual states could have an impact on 2019 premiums, such as new state reinsurance programs, the imposition of individual mandate penalties, and rules that would either facilitate or prohibit the sale of plans that don't comply with ACA requirements.

Congressional, Agency Staff Attend Webinar

U.S. congressional staff and federal and state agency representatives were among those who attended the Academy's June 25 webinar on the drivers of 2019 health insurance premium changes.

Individual and Small Group Markets Committee Chairperson Barb Klever and committee member David Shea presented information based on the committee's recent [issue brief](#). The webinar also provided detail on the impact of CSRs on premiums and premium changes. Uccello moderated.

Major drivers of premium changes include the underlying

growth in health care costs, as well as recent and pending federal and state policy changes, the panelists said.

"There are several major policy changes affecting rates for 2019," Klever said, referring to the zeroing out of the individual mandate penalty and [new rules for AHPs](#). "For 2019, some states are considering other policies or changes that could impact premium rates," such as state-level reinsurance programs or individual mandates, she said.

Regarding CSRs, Shea noted that the premium loads due to insurers no longer being reimbursed for reducing cost-sharing will reflect several factors including "how premiums are loaded and the share of enrollees expected to receive CSR subsidies."

Shea walked through an example of how different ways of loading premiums for CSRs could affect premiums and how premiums could change if the method for loading premiums were changed by either a state or the federal government.

In the Q&A portion of the webinar, regarding the impact of the new AHP rule on rates, Shea said that some insurers already built increases into their initial 2019 rate filings but others may need to refile rates to incorporate the impact on the new rules.

[Slides and audio](#) are available free to members. ▲

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Self-Regulation of the U.S. Actuarial Profession: A Model for the World

BY CECIL BYKERK

Past President, American Academy of Actuaries

THIS IS THE TALE OF TWO MEETINGS—the International Actuarial Association (IAA) meeting and the 31st quadrennial International Congress of Actuaries (ICA), both of which took place in Berlin, Germany, earlier this month. IAA meetings take place twice a year and usually between 200 and 300 actuaries attend. International congresses, however, convene only once every four years. This most recent ICA was attended by over 2,700 actuaries from more than 100 countries.

Over the course of two weeks, much was said about the state of the global actuarial profession and the various stages of development of the profession around the world. Having prepared a presentation for the ICA on self-regulation in the United States, I was struck during these meetings by how the development of U.S. self-regulation could serve as a model for actuarial professions in other countries. Why? Because, like actuaries in many countries today, U.S. actuaries were also once without a professionalism infrastructure, without the recognition of regulators, without robust standards, and without a smoothly functioning discipline process.

At ICA, I described the historical development and current status of U.S. actuarial professionalism. I emphasized that our standards of conduct, qualification, and practice, in concert with the counseling and discipline process, help to protect the public and have earned the trust of regulators and other key stakeholders and contributed to the credibility of the profession in the United States. But reaching this point took many years. After founding the Academy in 1965, the profession engaged in a systematic, decades-long effort to create the building blocks of self-regulation we enjoy today. By the early 1970s, U.S. regulators began to recognize the importance of actuarial solutions to the fundamental issue of financial security.

This recognition has been interlinked with the Academy's steady progress in helping the profession to gain the public's trust through the development and promotion of U.S. actuarial professionalism. My overview included the Academy's forging of a single Code of Professional Conduct, which has been adopted by all five of the U.S.-based actuarial organizations and is binding on all of their members. I also described the central role the Academy has played in the development of a comprehensive set of qualification standards and in the formation—within the Academy—of the Actuarial Standards



Board and the Actuarial Board for Counseling and Discipline.

This history is well-known to many U.S. actuaries. At the kickoff of the IAA meeting, for example, we learned that 55 percent of IAA full-member associations have fewer than 200 members. Actuaries in other countries are actively seeking their regulators' recognition of the importance and value of actuarial solutions. Consider, for example, the words of Ms. Ntando Mabuza from Eswatini (known until April 2018 as Swaziland), who was recognized at the ICA as the "100,000th actuary." At the ICA's launch event, she stated that much work

remains to be done in her country to sensitize government and financial industry leaders to the importance of the actuarial profession and said that she hoped to hear from other actuaries "who have grown the consciousness of the importance of the profession in their countries."

In many discussions held during the meetings, there was a focus on the efforts of local associations in countries with nascent actuarial professions to implement codes of conduct and internal regulations on qualifications and competence. Many of these associations are adopting standards of practice (which is not a prerequisite to becoming a member of the IAA). It seemed to me that, as happened in the United States, actuaries in many different countries are realizing that to gain credibility and recognition of our value, actuaries must first earn the public's trust, and that the public's trust in actuaries can be earned only when actuarial professionalism is strong.

I happened to give my ICA address on self-regulation after a joint presentation on "model standards" by representatives from the IAA and the Actuarial Association of Europe. I pointed out to the audience that the self-regulation of the U.S. actuarial profession could serve as a different model or "case study" on how local actuarial associations in other countries can develop professionalism institutions in their respective countries. Thinking back on my experience in Berlin, the tale of these two meetings convinced me that the 50 years of continuous efforts by thousands of U.S. actuaries to develop actuarial professionalism through the Academy has been successful and that the actuarial profession in other countries may benefit by considering the U.S. model of self-regulation as a means of serving the public. ▲

Bykerk was president of the Academy in 2012–13.



Webinar Looks at Retained P/C Insurance-Related Risk

MORE THAN 200 PEOPLE ATTENDED the Academy's June 25 webinar, "[Retained P/C Insurance-Related Risk: Interaction of Actuarial Analysis and Accounting](#)," which covered the Academy's new [public policy practice note](#), *Retained Property Casualty Insurance-Related Risk: Interaction of Actuarial Analysis and Accounting*.

Presenters were Past Academy President Mary Frances Miller, a member of the Committee on Property and Liability Financial Reporting; and Lisa Slotznick, vice chairperson of the Casualty Practice Council. Academy Senior P/C Fellow Kevin Ryan moderated.

Much of the presentation focused on the dialogue between actuaries and accountants/auditors when reviewing the retained risk at a non-insurance entity. "Communication often is the biggest challenge," Slotznick said, noting that Actuarial Standard of Practice No. 41, *Actuarial Communications*, offers guidelines for communications protocols.

The panelists talked about the roles and interactions of the actuary with the non-insurance entity's risk manager and accountants. They observed that the larger the company, the more likely they are to retain some of their risk through high deductibles, captive insurance, and other means. "Some of these entities are huge. While the retained risk may seem large, to them it might be relatively small," Slotznick said.

Miller observed that "sometimes actuaries and accountants approach matters differently." Non-insurance company financial



Miller



Slotznick

reports are governed by generally accepted accounting principles and other accounting rules, which are not always the same as what actuaries are used to.

"It's ultimately the auditor's decision" as to what and how to report on retained risk within the larger financial report on the company, she said, "but the actuary should have a good understanding of the applicable accounting standards and ensure that the actuarial work product is appropriate for the intended use."

[Slides and audio](#) are available free to members. ▲

Academy Volunteer Speaks on ACI at Hartford Conference

P/C **EXTREME EVENTS** And Property Lines Committee member Stacey Gotham introduced environmental professionals attending the Air and Waste Management Association's annual conference in Hartford on June 27 to the Actuaries Climate Index, developed jointly by the Academy and other North American actuarial organizations, and plans for the Actuaries Climate Risk Index (ACRI).

Gotham discussed what the ACI measures, how data is constructed and can be accessed on the [ACI website](#), and the ACRI's goal of producing an index of property damage, crop losses, fatalities, and injuries related to ACI data that is useful to actuaries and insurance professionals, policymakers, and the public. ▲

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Registration Open: Seminar on Effective P/C Loss Reserve Opinions

THE ACADEMY WILL HOST ITS ANNUAL [Seminar on Effective P/C Loss Reserve Opinions](#), Dec. 6–7 in Chicago.

The two-day seminar will provide participants who prepare—or assist in preparing—annual statements of actuarial opinion on P/C loss reserves with information about the latest regulations and standards and included reviews of actuarial qualification standards and interactive case studies. In addition, the seminar will offer attendees the opportunity to:

- ▲ Gain an understanding of regulatory perspectives and expectations;
 - ▲ Keep up to date on the latest regulations and standards;
 - ▲ Earn valuable CE credit; and
 - ▲ Network with your peers.
- [Register today.](#) ▲

Joint Work Group Comments to NAIC on P/C and Health Risk-Based Capital

THE JOINT P&C/HEALTH BOND FACTORS Analysis Work Group sent a [discussion draft](#) to the NAIC Joint Health Risk-Based Capital and P/C RBC Drafting Group. The discussion draft provides an update on the activities of the Academy work group dealing with certain aspects of RBC factors related to risk charges for fixed-income securities. ▲

CASUALTY BRIEFS

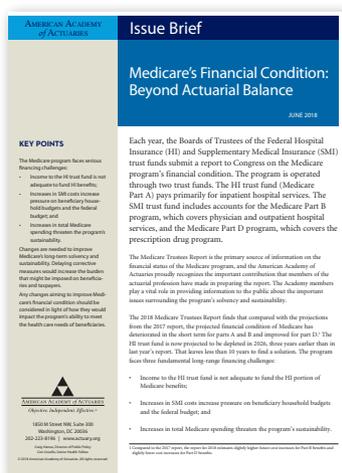
- ➔ **Jeff Carlson** is the vice chairperson of the Opinion Seminar Subcommittee.
- ➔ **Ted Wagner** has joined the Government-Backed P/C Insurance Programs Task Force.

HEALTH NEWS

Medicare Trustees Report Issue Brief Released

THE MEDICARE SUBCOMMITTEE'S [issue brief](#), *Medicare's Financial Condition: Beyond Actuarial Balance*, issued a week after the June 6 release of the annual Medicare Trustees Report, states that with the program facing serious financing challenges, the Federal Hospital Insurance (HI) trust fund is not adequate to fund HI benefits beyond 2026; increases in the Supplementary Medical Insurance (SMI) costs increase pressure on beneficiary household budgets and the federal budget; and increases in total Medicare spending threaten the program's sustainability.

The issue brief states that changes are



needed to improve the program's long-term solvency and sustainability, and delaying corrective measures would increase the burden that might be imposed on beneficiaries and taxpayers.

The trustees concluded the “projections in this year’s report continue to demonstrate the need for timely and effective action to address Medicare’s remaining financial challenges—including the projected depletion of the HI trust fund, this fund’s long-range financial imbalance, and the rapid growth in Medicare expenditures.” The Academy also updated its [Essential Elements](#) report on the program. ▲

LTC/Disability Committee Comments on Medicare

THE LONG-TERM CARE (LTC)/DISABILITY COMMITTEE send a [comment letter](#) to the ranking member of the U.S. House Energy and Commerce Committee on a discussion draft of legislation, the *Medicare Long-Term Care Services and Supports Act of 2018*, to add an LTC benefit to the Medicare program, evaluating it in terms of financing, benefits, and coordination with other programs.

The letter cites a number of Academy health publications, including the Academy’s 2016 [issue brief](#), *Essential Criteria for Long-Term Care Financing Reform Proposals*, which provides criteria for evaluating reforms within LTC, such as the proposed legislation. ▲





Work Groups Submit Comment Letters to NAIC

SEVERAL LIFE PRACTICE COUNCIL work groups submitted comment letters to the NAIC this month on risk-based capital (RBC) and other issues.

Changes to Life RBC

The RBC Tax Reform Work Group submitted its [third comment letter](#) to the NAIC Life RBC (E) Working Group on the impact of tax reform on life RBC calculations. The letter discusses two items that came up in the working group's late April conference call: the rounding of C-2 life insurance RBC factors, and life RBC charges for certain health insurance coverages.

Prospective Operational Risk Growth Charge

The Operational Risk Work Group submitted a [comment letter](#) to the NAIC Operational Risk (E) Subgroup on incorporating a prospective operational risk growth charge into the life RBC formula.

The letter noted that unlike the majority of health and property and casualty insurance businesses, life insurance business is long-duration in nature, and should a company experience rapid growth, any potential impact would manifest itself over many years; rapid growth would increase the existing C1-C4 factors correspondingly; and rapid growth for life insurance companies has typically been the result of an acquisition, entrance into a new market, or introduction of a new product type.

Group Submits APFs

Also this month, the Life Reserves Work Group submitted a revised [amendment proposal form](#) (APF) on the aggregation of mortality segments in response to comments received on the group's original version of the APF. The group also submitted an APF that seeks to [revise the approach](#) in VM-20 to determine the credited rate for index accounts in the calculation of the deterministic reserve.

LIFE BRIEFS

- ➔ **Paul Navratil** is chairperson of the Longevity Risk Task Force.
- ➔ **John Aprill, Thomas Kalmbach, Jie Ming, Jordan Muse, Carlos Orozco, Paula Schwinn, Mark Walker, and Ross Zilber** have joined the Life Financial Reporting Committee.
- ➔ **Chris Iannuzzi** has joined the C2 Work Group.

JOINT LIFE/PENSION BRIEFS

- ➔ **Ted Goldman** is chairperson of the new Pension Risk Transfer Work Group, and the following are members of the work group: **Mary Bahna-Nolan, Nancy Bennett, Tim Geddes, David Gustafson, Paul Hance, Linda Lankowski, Tricia Matson, and Paul Navratil.**



Academy to Host July Event to Discuss Modernizing the U.S. Retirement System

THE PENSION PRACTICE COUNCIL will host a retirement policy discussion forum for policymakers in July in Washington, D.C. "Modernizing the U.S. Retirement System—Aligning Policy With Reality" will include congressional speakers, and multiple topics will be addressed in the discussion led by pension experts Steve Vernon, a research scholar at the

Stanford Center on Longevity; Mark Iwry, a senior fellow in economic studies at the Brookings Institution; Tom Toale, a director at PwC; and Senior Pension Fellow Ted Goldman. The forum will be moderated by Academy Pension Vice President Josh Shapiro. The event, which will include breakfast and moderated Q&A panels, will be held at the National Press Club on Friday, July 27. ▲

Committee Releases Issue Brief on Trustees Report

THE SOCIAL SECURITY COMMITTEE released an [issue brief](#) on the 2018 Social Security Trustees Report that examines the social insurance program's solvency concerns. The issue brief—an annual analysis of the trustees' report—provides context for issues confronting the program for policymakers and media, and notes that the combined Old-Age, Survivors, and Disability Insurance trust fund will be exhausted in just 16 years unless the system's financial challenges are addressed. The Academy also updated its [Essential Elements](#) report on the program. ▲

Academy Submits Responses to Joint Committee

ACADEMY SENIOR PENSION FELLOW Ted Goldman submitted [written responses](#) to questions for the record to the Joint Select Committee on Solvency of Multiemployer Pension Plans. The questions were asked by committee members subsequent to a hearing on "The History and Structure of the Multiemployer Pension System" at which Goldman [testified](#) in April. ▲

Actuarial Update

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Reminder: Comment Deadline July 31 for Proposed Pension ASOP Revisions

THE COMMENT DEADLINE for the exposure drafts of Actuarial Standard of Practice (ASOP) Nos. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*; 27, *Selection of Economic Assumptions for Measuring Pension Obligations*; and 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* is July 31. Information on how to submit comments can be found in the drafts, which can be [viewed here](#).

The proposed revisions are based on years

of work that have included previous rounds of initial comments on the concepts as well as a public hearing where many different perspectives have been offered and heard. Anyone can participate in the comment process. This is your opportunity to offer your input so that the Actuarial Standards Board (ASB), through its usual notice and comment process, can hear your ideas and input as it deliberates on how to move forward with these significant standards. All comments to the ASB are welcome, and participating in the comment process is always encouraged. ▲



PENSION BRIEFS

- ➔ The following actuaries are members of the new Joint Task Force for the Review of Retirement Work Products: **Noel Abkemeier, Michael Bain, Janet Barr, Margaret Berger, Elena Black, Susan Breen-Held, Bruce Cadenhead, Donald Fuerst, Tim Geddes, Scott Hittner, Kenneth Hohman, Eric Keener, Ellen Kleinstuber, Thomas Lowman, Tonya Manning, A. Donald Morgan, Keith Nichols, Nadine Orloff, Andrew Peterson, Kathleen Riley, Jason Russell, Mitchell Serota, John Schubert, James Shake, Josh Shapiro, Mark Shemtob, James Verlautz, and Aaron Weindling.**
- ➔ **Stephen Breeding** and **Todd Peterson** have joined the Pension Accounting Resource Group.
- ➔ **Anne Button** and **Emily Kessler** have joined the Retirement System Assessment and Policy Committee.

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