Annual Meeting Wraps Up in Washington

The Academy’s Very Successful Annual Meeting and Public Policy Forum was held in Washington Nov. 14–15, where Steve Alpert became the Academy’s 53rd president, succeeding Bob Beuerlein. The meeting and forum encompassed a day and a half of plenary and breakout sessions covering all aspects of actuarial practice. With more than 40 expert speakers on hand, attendees took in interactive sessions on casualty, health, life, and pension issues. Washington Post Pulitzer Prize-winning journalist and author Bob Woodward gave the keynote address, and other speakers addressed professionalism and spotlighted political forces and media coverage of health policy and other issues pertinent to actuaries.

Keynote, Plenary Speakers Offer Insights on Politics, Policy

This year’s Annual Meeting and Public Policy Forum featured an array of well-known experts who addressed the plenary sessions and gave attendees insights into Washington politics, policy, and media coverage that affects actuaries’ professional work. Following are summaries of the sessions.

In the keynote address, Washington Post Pulitzer Prize-winning journalist and author Bob Woodward gave a fascinating deep dive into the history of the nation’s media and politics over the past generation, and the challenges the media is now facing.

“This is a pivot point in history for this country,” Woodward said, referring to the Trump administration. “It is one of those moments you will look back on and ask, ‘What did it mean?’”

He posed a past policy issue that actuaries could relate to about President Obama being faced with cutting $600 billion from Medicare over 10 years, although the president told then-Speaker of the House John Boehner that he would only be willing to cut $400 billion. After polling the audience to see if they thought a compromise $500 billion was acceptable—several attendees said from the audience, “We need to run the numbers,” and “We need context”—Woodward noted that the president and Boehner failed to reach agreement, noting that “this is a political world” that requires compromises for change to occur.

Woodward received a standing ovation at the end of his talk—click here to see his full speech, which was also streamed live on the Academy’s Facebook page.
LHQ Seminar Draws Capacity Crowd

MORE THAN 100 actuaries attended the Academy’s sold-out Life and Health Qualifications (LHQ) Seminar this month in Arlington, Va. Now in its 17th year, the seminar and its interactive sessions are considered the most efficient way for actuaries to acquire required basic education and continuing education (CE) to be qualified to sign statements of actuarial opinion (SAOs) for NAIC Life and Health annual statements, and a popular way to earn CE credits under the U.S. Qualification Standards for those who already have the basic education needed to issue SAOs.

Instructors included a host of Academy volunteers in the health and life practice areas, including LHQ Committee Chairperson Joeff Williams. ▲

Recently Released

IN THE NOVEMBER/DECEMBER issue of Contingencies, the cover story, “Wild Blue Yonder,” explores how insuring against liability associated with drone use is developing. Other features in this issue include “The Balancing Act,” an exploration on how work, family, and hobbies all fit together; and “The Death of Moral Hazard?” which imagines how an interconnected insurance ecosystem could address this pernicious problem. Also in this issue: an “International Corner” piece on the health care systems and outcomes of North America; “bad conduct” and Precept 1 of the Code of Professional Conduct; and our annual Actuarial Software Now supplement, which features articles on the promise of blockchain and the threat of ransomware.

The fall Casualty Quarterly covers the latest in flood insurance, including congressional progress in reauthorizing the National Flood Insurance Program; the Actuaries Climate Index reaching a new high index value; state and federal legislative and regulatory activity; and more.

The fall ASB Boxscore covers the Actuarial Standards Board’s (ASB) adoption of Actuarial Standard of Practice No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions; ASOP No. 52, Principle-Based Reserves for Life Products under the NAIC Valuation Manual; ASB’s approval of a proposal to revise ASOP No. 22, Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers; and looks ahead at drafts the ASB plans to consider in December.

The November HealthCheck covers the Academy’s and the Health Practice Council’s input on the Trump administration’s executive order on health care, including the potential effects on association health plans, cost-sharing reductions, and the individual market; and legislative, regulatory, and judicial updates. ▲
Steve Alpert became the Academy’s 53rd president at the Annual Meeting and Public Policy Forum this month, succeeding Bob Beuerlein.

In his farewell remarks, Beuerlein noted several key issues Academy volunteers and committees are addressing, including Big Data and predictive analytics, implementing principle-based reserves, ongoing health care reform efforts, pension plans in a continued low-interest-rate environment but stronger economy, and flood-insurance modernization.

Using an analogy to the evolution of soccer refereeing, which developed at about the same time as actuarial work became professionalized, Alpert noted that over the past 50 years the actuarial community has seen a growing body of standards and interpretations defining our responsibilities to both our principals and the public.

Actuaries “serve an important function: the public relies on us to assure both safety and fairness,” Alpert said. “For a referee, that means keeping the players safe and letting their skill determine the outcome, within the established boundaries of fair play. By providing objective, evidence-based information, actuaries help assure the public that financial security programs’ promises of future payments are fairly made and can be relied upon when and if they are needed.”

The Academy presented its annual service awards at the Annual Meeting and Public Policy Forum.

Ken Kent received the lifetime Jarvis Farley Service Award for making significant contributions in serving as vice president of professionalism, vice president of pension, and chairperson of the Joint Committee on the Code of Professional Conduct, and in other Academy volunteer positions. In noting that his service has inspired many others, outgoing President Bob Beuerlein said that “few volunteers have touched so many aspects of the actuary’s work so profoundly.” Kent thanked his employers for allowing his participation in his volunteer efforts, and said that “you can earn a credential in your career, or you can actually participate in the development of your profession, and take ownership of what your credential really means.”
Larry Bruning received the lifetime Robert J. Myers Public Service Award in recognition of his service as chief actuary at the Kansas Insurance Department and as former chair of the NAIC’s Life Actuarial Task Force, helping to usher in the sea change of life principle-based reserving. “It is truly an honor” to receive the award, Bruning said. “I would encourage all actuaries, especially young actuaries, to give serious consideration to a life of public service.” See his full remarks here, starting at the 3-minute mark.

The Academy also gave its annual Outstanding Volunteerism Awards to Mary Bahna-Nolan, Keith Passwater, Lenny Reback, Nancy Watkins, and Aaron Weindling. These awards honor Academy volunteers who have made a single, noteworthy contribution in the past year that is above and beyond what is reasonably expected of an Academy volunteer.

The following panel discussion on international insurance issues included Romain Paserot, an actuary, who in June became head of capital and solvency at the International Association of Insurance Supervisors (IAIS). Paserot leads IAIS members working on the development of the global Insurance Capital Standard (ICS) and supports development and maintenance of capital-related supervisory materials. He also serves as IAIS deputy secretary general, overseeing internal management and operations.

Craig Thorburn, lead insurance specialist with the World Bank, joined Paserot on the panel, which was moderated by Elizabeth Brill, chairperson of the Academy’s Solvency Committee. Paserot and Thorburn gave an overview of ICS, recounted the
lead-up to the financial crisis and following recession, and what steps were taken to remedy that and to prevent a financial collapse from happening in the future.

**Alberto Mora Leads Professionalism Plenary**

Alberto Mora, senior fellow at the Harvard Kennedy School of Government's Carr Center for Human Rights Policy, gave the lead-in comments in the “Professionalism Under Pressure” plenary panel discussion. He has been consistently recognized for demonstrating courage for having led an effort against the use of torture at Guantanamo Bay, Cuba, for which he received the John F. Kennedy Profile in Courage Award in 2006.

Mora spoke of the “hard decisions” that come from living up to one’s promises—to him- or herself, and to their family, employer, and nation—that define one’s integrity. Generally, keeping professional integrity could be seen in the context of the “Washington Post rule,” he said—that is, how would behavior look if it were splashed on the front page of the newspaper.

A panel of actuaries then outlined their experiences with professionalism pressures, and offered options for support that included using peer networks and guidance including that from the Actuarial Board for Counseling and Discipline (ABCD).

Moderated by past Academy President Tom Terry, the panelists were Sherry Chan, chief actuary in the New York City Office of the Actuary; Bill Hallmark, the Academy’s outgoing vice president, pension; and Janet Fagan, past chairperson of the ABCD.

Citing a news story that had conflicting points of view on New York’s actuarial calculations, Chan noted the story was right in its headline that “it’s not always about the numbers” when dealing with the public. Fagan stressed that actuaries are a self-regulating profession, and said the ABCD welcomes requests for guidance—it had more than 100 such requests last year and is approaching that number again this year.

**Journalists Offer Insights Into Health Coverage**

A panel of leading Washington-based health policy journalists offered a timely look at the myriad daily developments occurring in health care legislation and programs.

The panelists—moderator Julie Rovner of Kaiser Health News; Stephanie Armour of The Wall Street Journal; Joanne Kenen with Politico; and Dylan Scott of Vox—gave an overview of various health policy proposals and considerations within the tax reform bills that Congress is considering heading toward the end of the year, and noted that the Academy’s issue briefs have been helpful to their understanding and reporting.

In response to a question by past Academy President Tom Wildsmith, who practices in the health area, one panelist noted that she views actuaries as neither “red” nor “blue”—referring to the Republican and Democratic parties—but rather as “colorless.”

“The actuaries are the actuaries,” Kenen said. “I use [the issue briefs] to educate myself.”

**Commentators Shields, Castellanos Offer Political Insights**

In the event’s closing plenary session, political commentators Mark Shields of PBS NewsHour and ABC News contributor Alex Castellanos shared their insights on the political rise of President Trump and how the media can and should cover issues and the formation of public policies.

The two offered an analysis of last year’s historic election and recounted...
stories about past presidents, including Jimmy Carter and Ronald Reagan. A Q&A session was well-received by attendees, several of whom said afterward they appreciated the Washington insiders’ view of politics. They traded partisan quips, with Castellanos noting there was a 20 percent increase in suburban women turnout in Virginia’s recent gubernatorial election, which hurt Republicans. “If that holds, 2018 is going to be the year women grabbed back,” he said.

For his part, Shields—generally the liberal foil to the more conservative Castellanos—said “there are only three things the Democrats have to do in 2020—unfortunately, no one knows what they are.”

**Magic School Bus Book Preview**

During its evening reception the Academy previewed the release of a book, created with Scholastic in *The Magic School Bus* series, to introduce to children in grades 3–5 what actuaries do. The book will be distributed in the District of Columbia’s public elementary schools, earning the thanks of Washington, D.C., city council member David Grosso for enhancing math education in local schools. Copies of the book will also be available for individual orders on the Academy’s website in February. The Shakespeare Theatre Company provided lively and engaging entertainment to attendees and guests at the Nov. 14 dinner. A box of props and a photo booth also were popular with attendees to commemorate the evening. Please mark your calendar for next year—the 2018 Annual Meeting and Public Policy Forum will be held Nov. 1–2 in Washington. ▶

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**Breakout Sessions Offer Practice-Area Insight**

Attendees of the Annual Meeting and Public Policy Forum took in a packed program of sessions tailored for specific practice areas—breakout tracks covered property/casualty, health, life, and pension issues.

**Casualty**

**Flood Insurance: The Changing Picture**

Rade Musulin, the Academy’s vice president, casualty, kicked off a panel discussion of the National Flood Insurance Program (NFIP) by noting, “The elephant in the room ... is how we fund losses from mega-storms like hurricanes Harvey and Irma and Katrina.”

David Maurstad, assistant administrator for federal insurance at the Federal Emergency Management Agency, echoed this concern. He said that in 2005 “losses from Hurricane Katrina illustrated the NFIP’s inability to be self-sustaining.” Legal authority for the NFIP is due to expire soon, prompting Congress to take up reform legislation. “NFIP reauthorization is an opportunity for Congress to take bold steps” to restructure the program, said Maurstad. He foresees a “new partnership between the government and the private sector.”

Earlier this year, the Congressional Budget Office (CBO) issued an assessment of the financial structure of the NFIP. Terry Dinan, senior adviser in CBO’s microeconomic study division, reviewed the findings. CBO said the NFIP’s annual premium income falls $1.4 billion short of estimated annualized losses. Dinan said this is due mainly to NFIP forecasts not factoring in major hurricanes or rising estimates of future storm losses. She explained that the CBO study for the first time used commercial catastrophe models rather than relying solely on historic loss data as the NFIP does.

**Auto Insurance in the 21st Century**

The breakout session on “Auto Insurance in the 21st Century” looked at changing technologies and their impact on automobiles and insurance. Steve Armstrong, a member of the Academy’s Automobile Insurance Committee, moderated the session. He predicted that major changes in all aspects of personal transportation are coming. The advent of autonomous vehicles is “the tip of the iceberg,” Armstrong said. “Aging of the population will lead to increased demand for alternative transportation modes.”

CONTINUED ON PAGE 7
David Zuby, executive vice president of the Insurance Institute for Highway Safety (IIHS), reviewed the findings of several studies IIHS has conducted to present and future deployment of driver-assist systems in private-passenger automobiles. IIHS found that the new technologies are helping to reduce the number of crashes but not overall costs. Some crashes are now more expensive because of the added cost of repairing or replacing the new devices.

Megan Klein, actuarial director at Arity, a company that helps insurance companies use telematics to understand and rate the driving behavior of individual motorists, said that changing demographics and consumer preferences are already causing some disruption in the auto insurance market. Usage-based insurance—incorporating driver behavior in ratings and pricing—will soon begin to replace traditional factors, she said. In response to a question on data portability, Klein said that the data from telematics currently are not portable, in part because the information is not standardized from company to company.

**Health**

**Modeling the Individual Mandate**

As policymakers have considered Affordable Care Act (ACA) repeal-and-replace proposals this year, one of the fundamental questions has come down to the effect the individual mandate has on coverage under the ACA. During the health breakout session “Modeling the Individual Mandate,” panelists discussed how the Congressional Budget Office (CBO) models the mandate’s effect on coverage projections and the potential impact of a repeal of the mandate.

After walking attendees through some of the assumptions and factors used to model the mandate, Alexandra Minicozzi, chief of the CBO’s health insurance modeling unit, noted that “we would expect the group of individuals influenced by the individual mandate penalty to be relatively low cost to insurers and the Medicaid program,” but she stressed that estimates surrounding the impact of the mandate are the ones they feel most uncertain about.

Panelist Linda Blumberg of the Urban Institute suggested this is a large challenge with modeling because it is often simpler to model what can be measured financially, but non-financial factors that may not be included in the model can have significant impacts.

On the other hand, Joe Antos of the American Enterprise Institute cautioned the mandate is just one of the tools the ACA used to make the individual market a viable business proposition and asked whether the subsidies might have been necessary to make the market viable in the first place.

2018 Preview: A Survey of State and Federal Landscapes

Taking a look ahead at P/C issues likely to be on the legislative and regulatory agendas for 2018, the panel identified a number of key issues. Kevin Ryan, senior property and casualty fellow at the Academy, led the discussion.

Brooke Stringer, legislative and financial policy adviser in NAIC’s Washington, D.C., office, said the recent Equifax data breach has renewed congressional interest in cyber/data security issues. She also noted that legislation promoting the development of autonomous vehicles is working its way through Congress. The NAIC is concerned about possible pre-emption of state insurance regulations as federal officials try to pave the way for self-driving cars. Stringer said that the NAIC will continue development of a new model law governing travel insurance and that some states may instead consider a similar National Conference of Insurance Legislators model law.

David Snyder, vice president for international policy at the Property Casualty Insurers Association of America, said that “insurance regulation is now a game of three-dimensional chess,” with international rules being added to state and federal regulation. He also discussed the pending proposal to create a Predictive Analytics Team at the NAIC, which would help state regulators evaluate rate filings that include predictive analytics components.

All of the panelists expect the debate over reform of the NFIP to spill over into 2018. Diane Horn, an analyst with the Congressional Research Service, reviewed the status of the program and the pending reform proposals. A key problem, she said, is that the NFIP “was not designed to deal with truly catastrophic events” like major hurricanes. Horn noted that “nothing in the reauthorization legislation deals with catastrophic event debt or with rising sea level.” Looking at buyouts of properties that have suffered repeated losses from flooding, she observed that Congress may need to think on a larger scale.
had a larger impact on enrollment than the mandate.

Attendees and panelists engaged in an interactive discussion on issues ranging from the potential stability of the market (with and without the mandate) as well as how price sensitivity varies by age, income level, and health status.

**Uncertainties in Health Care (Part 1)**

With this year’s often vigorous congressional debate and activity surrounding the ACA largely behind them, a bipartisan, bicameral panel of congressional committee staff spoke to actuaries attending the Annual Meeting. After providing a brief overview of 2017 health care activity, Academy Senior Health Fellow Cori Uccello moderated an interactive Q&A session looking forward to what 2018 might bring.

The session speakers were congressional staff members Adam “Buck” Buckalew, U.S. House Energy & Commerce Committee (majority); Melanie Egorin, U.S. House Ways & Means Committee (minority); Colin Goldfinch and Virginia Heppner, Senate Health, Education, Labor and Pensions Committee; and Stuart Portman, Senate Finance Committee (majority).

On the issue of state flexibility, attendees asked about what flexibility might mean for pre-existing condition protections, which led to a discussion on why members of Congress sometimes prefer to give more flexibility to states. The answer given was that markets vary widely by state. For example, a state like Massachusetts might have a robust market, while a few large counties in Utah might not; alternatives to the individual mandate may be of interest in some states, while others prefer that as a floor for pre-existing condition protections.

Attendees were also interested to learn about the interaction between the executive and legislative branches. While circumstances often don’t provide for close working relationships between the two, both usually move forward on the same issues in different directions.

Another topic of interest focused on where to find the correct information in a year when misinformation sometimes prevails. The Academy was cited as one such source, with other sources being academia and economists. The panel generally agreed to always have a healthy amount of skepticism on data, and how it’s laid out, but generally a trusted confidential relationship often proves to be the most helpful. Congress also has its own agencies to consult with such as CBO, the Congressional Research Service, and the Government Accountability Office.

**Even More Uncertainties in Health Care**

Despite congressional debates on ACA repeal-and-replace legislation and uncertainty around administrative executive orders, the Center for Consumer Information and Insurance Oversight (CCIIO) is tasked with continuing to implement the current health care law. Representatives from CCIIO provided an overview of regulatory changes related to rate review and medical loss ratio, risk adjustment, and actuarial value and essential health benefits (EHBs). One of the more significant changes in the 2019 proposed notice of benefit and payment parameters, the predominant focus of the Q&A during the session, has to do with proposed flexibility for states when choosing a benchmark plan for EHBs.

Moderated by Shari Westerfield, the Academy’s vice president, health, the speakers were Kelly Drury, Sean Finnegan, Jeff Wu, and Allison Yadsko of CCIIO.

Attendees asked whether CCIIO expects a lot of states to take up the flexibility to adjust their EHBs. Yadsko said the agency is estimating 10 states per year will use that flexibility, with even more interest in the longer term. CCIIO stressed its interest in hearing from actuaries, specifically with respect to the part of the proposal that would allow substitution between EHB categories as long as the benefits are actuarially equivalent.

Other audience questions revolved around how CCIIO plans to refine the “typical employer plan” definition, as well as the importance of preliminary, interim data so that states can predict risk adjustment transfers.

**Life**

**Solving for Solvency**

With a panel consisting of experienced actuaries and regulators, this session focused on the development of risk-based capital (RBC) in the early 1990s, the qualitative measures introduced following the 2008 financial crisis, and how such standards have shaped the insurance industry.

Jeff Schlinsog, the Academy’s former vice president, risk management and financial reporting, moderated the session, giving background on the topic and ongoing formula improvements to reflect refinements.

Philip Barlow, associate commissioner for insurance, District of Columbia Department of Insurance, Securities and Banking, and Larry Bruning, managing life actuary at the NAIC, discussed how regulators and the NAIC have worked over the years to develop these standards as insurers saw the need to be more competitive. “RBC has been useful—when we believe a company is in financial difficulty, RBC is the most objective standard we have,” Barlow said.

With the introduction of Universal Life in the early 1990s, NAIC developed a formula to prevent insurance companies from becoming insolvent. Bruning—the recipient of this year’s Robert J. Myers Public Service Award, which was presented to him at the meeting—emphasized that RBC performed well during the 2008 financial crisis, and kept the industry from massive insolvencies.

Li Cheng, vice president and actuary, Prudential Financial, and Betsy Ward, chief financial officer and chief actuary, MassMutual, provided a perspective on how their companies have had to adapt to these standards, as the industry becomes increasingly complex. Additionally, with her experience in international regulation, Cheng discussed how the International Association of Insurance Supervisors and...
organizations of varying jurisdictions have taken efforts to prevent such insolvencies. The panel consensus was that within the next couple of years, RBC will become a mandatory standard, as the role of the actuary continues to evolve.

Finding a Balance
This panel discussed the role of nonguaranteed elements (NGE) in the insurance industry, and the importance of risk sharing. The panel, consisting of company actuaries and regulators, began the session by explaining why NGEs exist, and how they provide more consumer choice while lowering the risk of insolvency.

The panel defined NGEs as any element within a policy that will affect cost and value, but can be changed by the insurer. Laura Hanson, chairperson of the Academy’s Life Products Committee, began by giving a history of NGEs, and Gabe Schiminovich, chairperson of the Academy’s NGE Work Group, discussed how they have become more visible to consumers. When discussing the challenges of NGEs, Schiminovich mentioned that risk is the deciding factor in the products that are offered.

Rhonda Ahrens, life and health examination actuary with the Nebraska Department of Insurance, provided a regulatory perspective to the issue, discussing how regulators balance consumer protection and company solvency considerations. The session also discussed the many challenges of NGEs, including how does one illustrate the product, how do you discuss NGEs with a client, and will the consumer understand it? The session concluded with looking at emerging state regulations in New York and Texas, and discussing how actuaries can help consumers avoid a negative experience.

Emerging Trends in Mortality
Speakers during this session discussed research and statistics with regard to recent trends in mortality, and what the long-term implications are for life insurance.

Arialdi Miniño, statistician, Centers for Disease Control and Prevention, gave an update on the latest statistics from the CDC, including age-adjusted death rates, uptick in suicide and how death rates vary by metro and non-metro areas. Stephen Goss, chief actuary with the Social Security Administration, presented statistics from the SSA’s 2017 Trustees Report, and discussed several factors the administration is looking at, including a national rise in obesity rates. He noted that mortality rates decline with higher education and financial levels, and noted the “less than high school education” statistics, where mortality rates are higher.

Mary Bahna-Nolan, chairperson of the Academy’s Life Experience Committee and who received an Outstanding Volunteerism Award at the meeting, discussed her company’s analysis of current trends. She said there is an increase in homicides and “suspicious” deaths, which opened up the discussion: could deaths be reported differently? “We are continuing to see a socio-economic divide in death rates,” Bahna-Nolan said.

The session concluded with looking at the statistics from various sources, and panelists cited the importance of recognizing that trends in the general population do not necessarily translate to trends in the insured population.

Pension
Multiemployer Pension Plans: Is There a Runaway Ramp Before the Cliff?
This session focused on various mitigating approaches aimed at fixing critical and declining multiemployer plans and the challenges, barriers, and possible outcomes. The session was moderated by Jason Russell, chairperson of the Academy’s Multiemployer Plans Committee, and included Stan Goldfarb, actuary at Horizon Actuarial Services; Michael Scott, executive director at the National Coordinating Committee for Multiemployer Plans (NCCMP); and Kevin McDermott, senior labor policy adviser at the U.S. House of Representatives’ Committee on Education and the Workforce.

After Russell delivered his introductory comments, Goldfarb began the discussion by providing an overview of multiemployer and single-employer plans to set the stage. He noted that single-employer plans and...
Incoming Academy President Steve Alpert gives his inaugural address

Alberto Mora gives the plenary address in the ‘Professionalism Under Pressure’ session

Academy President-Elect Shawna Ackerman asks a question in a plenary session

Panelist Adam ‘Buck’ Buckalew greets attendee Alan Percal after a health breakout session

Jeff Johnson, Academy past vice president, life, poses a question to keynote speaker Bob Woodward
Journalists talk about how they cover health care issues during a panel discussion plenary session.

The Shakespeare Theatre Company provided the evening’s entertainment.

Philip Barlow asks a question in the general session with health care journalists.

Tom Campbell places a phone into the Academy’s Upcycling container. The program will benefit The Actuarial Foundation.

Left to right: Shawna Ackerman, Bill Hallmark, Sherry Chan, and Stephen Goss.
multiemployer plans are “different beasts and in different conditions” and stressed that “1 million plan participants are at risk of being in plans that are going insolvent.”

Scott continued the discussion by discussing federal loan programs generally and NCCMP’s proposal aimed at helping to solve the looming insolvency crisis. No matter what solution is selected, Scott stressed that “we need something soon [and] it must maximize the probability of success.”

When asked about the congressional point of view, McDermott said that we would have to wait and see if there “is a political will in Congress to respond” to the looming crisis, but he did note that his office has been “pressing this issue because there is currently a $70 billion economic impact and a broad impact on social safety networks.”

Public Pension: The Pothole-Filled Road to Retirement Security?
The sustainability of state and municipal retirement programs was the focus of this session. In particular, the speakers looked at data to explore the characteristics and patterns of plans that are sustainable as well as those that may have problems in the short, intermediate, or long-term—and why. They also shared their perspectives on how pension plans are evolving in response to growing pension costs and risks, and how to maintain a sustainable plan against sometimes competing priorities of running a state or local government.

The session was moderated by Bill Hallmark, immediate past vice president, pension, at the Academy. He was joined by Alex Brown, research manager at the National Association of State Retirement Administrators; Don Boyd, director of fiscal studies at Rockefeller Institute of Government; and Thomas Aaron, vice president and senior analyst at Moody’s Investors Service.

Brown noted that “there is no common characterization of public pension plans,” and discussed key factors affecting public pension funding conditions and sustainability and the common features of a well-funded public pension plan. Boyd followed, noting that investment returns have fallen and that the incentives that government and plans have led plans to take more risks.

Boyd quoted the California Public Employees’ Retirement System (CalPERS) Annual Review of Funding Levels and Risks Report and stated that the best way to impact policy makers is to underscore the fact that “unless changes are made, it is likely that there will be a point over the next 30 years where the funded status of many plans will fall below 60 percent.... There is about a 15 percent chance that we will see funded statuses below 40 percent.”

Aaron closed out the session with a discussion on balance sheet unfunded liabilities, declining return expectations and accelerating budgetary costs, and the important role that pension asset performance plays on government credit quality.

National Retirement Policy Objectives: Are We on the Same Page?
In this session, speakers discussed what U.S. national retirement policy objectives should be, and assessed the adequacy and efficiency of the current policies in achieving these objectives. The session was moderated by Ted Goldman, senior pension fellow at the Academy, and included Frank Todisco, chief actuary at the U.S. Government Accountability Office (GAO); Andrew Biggs, resident scholar at the American Enterprise Institute; and Josh Gotbaum, guest scholar at the Brookings Institution.

Todisco followed up Goldman’s introduction with a presentation of the GAO’s recently released report on the state of retirement in America, including a very rare recommendation that Congress consider establishing an independent commission to comprehensively examine the U.S. retirement system and make recommendations on how to improve it. Biggs then took the helm and discussed why he believes the retirement “crisis” is overblown, saying he believes claims that Americans are under-saving are generally mistaken. He emphasized that getting an accurate picture of the current state of retirement was dependent on accurate data, which he believed is lacking.

Both Biggs and Gotbaum provided their own solutions for the retirement issue. While Biggs focused on fixing Social Security, PBGC and state/local plans, and making small changes to 401(k)s, Gotbaum highlighted coverage for those who do not have a retirement plan, improving defined contribution plans, and preserving defined benefit plans where possible.
The Academy’s Annual Meeting and Public Policy Forum received major media attention:

A USA Today story recounted Washington Post reporter Bob Woodward’s keynote address discussing the nontraditional Trump presidency and what it means for the country. The story was reprinted by nearly 40 media outlets—including MSN, The Daily Journal (N.J.), Detroit Free Press (Mich.), Post-Crescent (Wisc.), The Poughkeepsie Journal (NY), Ventura County Star (Calif.), and Naples Daily News (Fla.).

PropertyCasualty 360 reported on the Academy’s presidential transition where the new Academy President, Steve Alpert, delivered his inaugural remarks.

Also this month:

Several media outlets—including The Hill, MSN, CNBC, Yahoo Finance, Fierce Healthcare, Washington Examiner, Politico, and Kaiser Health News—noted the Academy’s November 21 letter to the U.S. Senate providing comments on the potential consequences of eliminating the ACA’s individual mandate, as recently included in the Tax Cuts and Jobs Act.

A Kaiser Health News story cited the Academy’s issue brief, Drivers of 2018 Health Insurance Premium Changes. It was reprinted by several media outlets, including Beloit Daily News (Wis.), Bonner County Daily Bee (Idaho), California Healthline, Coeur D’Alene Press (Idaho), Columbia Basin Herald (Wash.), and Daily Inter Lake (Mont.).

The Los Angeles Times cited the Academy’s July 25 letter to U.S. Senate leadership on the potential adverse consequences of legislation to eliminate the Affordable Care Act’s (ACA) individual mandate. The story was reprinted by the Morning Call.

Vox cited the Academy’s comment letter sent earlier this year to U.S. House leadership on H.R. 1628, the American Health Care Act. The letter was also cited in a FiveThirtyEight story.

A subscriber-only A.M. Best special report cited the CI Work Group’s comment letter to the NAIC’s Investment Standards of Practice, and the ABCD to the Actuaries Club of Rochester, N.Y., on Nov. 10.

Health Practice Council member Cathy Murphy-Barron presented a session on professionalism during the past year to Excellus’ corporate actuarial forum near Syracuse, N.Y., on Nov. 8. She provided an overview of the council’s federal health policy activities and reviewed the resources available to members to help them fulfill their professionalism responsibilities.

Committee on Qualifications Chairperson Keith Passwater delivered a professionalism presentation on Nov. 1 to an audience of more than 150 at the Iowa Actuaries Club meeting in Des Moines.

Multiemployer Plans Committee Chairperson Josh Shapiro provided an overview of the Academy’s work and Capitol Hill developments on multiemployer plan issues at the Middle Atlantic Actuarial Association’s annual meeting Nov. 8 in Columbia, Md. Academy General Counsel and Director of Professionalism Risk-Based Capital (E) Working Group on capital requirements for bonds.

A Plan Sponsor story cited the Academy’s position statement in support of policy and educational initiatives to increase retirement income options within employer-sponsored DC plans. The story was reprinted by Plan Adviser.

A Carrier Management article cited the Casualty Practice Council’s comment letter to the U.S. House of Representatives providing comments on pending legislation to reauthorize and revise the NFIP.

The St. Cloud Times (Minn.) cited an Academy news release on the potential risks and effects of the Trump administration’s health care executive order on association health plans. The story was reprinted by Insurance News Net.

An article published by Managed Care cited the Academy’s issue brief, Drivers of 2017 Health Insurance Premium Changes. A

Professionalism and Public Policy Outreach

BOB BEUERLEIN—THEN THE ACADEMY’S PRESIDENT and now immediate past president—delivered a presentation on “Professionalism in Practice” to the Actuaries Club of Philadelphia on Nov. 1. The presentation examined how the U.S. professionalism structure housed within the Academy responds to the needs of the public and the profession, and reviewed the resources available to members to help them fulfill their professionalism responsibilities. Beuerlein also reviewed the Academy’s public policy activities over the past year for the attendees. Academy Senior Pension Fellow Todd Goldman presented a breakout session on the Academy’s Retirement for the AGES initiative on the same day.

Committee on Qualifications Chairperson Keith Passwater delivered a professionalism presentation on Nov. 1 to an audience of more than 150 at the Iowa Actuaries Club meeting in Des Moines.

Multiemployer Plans Committee Chairperson Josh Shapiro provided an overview of the Academy’s work and Capitol Hill developments on multiemployer plan issues at the Middle Atlantic Actuarial Association’s annual meeting Nov. 8 in Columbia, Md. Academy General Counsel and Director of Professionalism Paul Kollmer-Dorsey also presented a session on professionalism developments.

Actuarial Board for Counseling and Discipline (ABCD) member David Driscoll delivered a presentation on “Codes of Conduct, Standards of Practice, and the ABCD” to the Actuaries Club of Boston, also on Nov. 8.

Health Practice Council member Cathy Murphy-Barron provided an overview of the council’s federal health policy activities during the past year to Excellus’ corporate actuarial forum near Rochester, N.Y., on Nov. 10.

ABCD Vice Chairperson David Ogden delivered a professionalism presentation during a Southeastern Actuaries Conference general session on Nov. 17 in Charlotte, N.C.

ASB member Darrell Knapp presented on developments in actuarial professionalism at the Nov. 28 Actuaries Club of Saint Louis meeting.

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Tom Campbell is chairperson and Tom Wildsmith is vice chairperson of the Public Interest Committee.
NOW THAT THE TURKEY’S been eaten and 2017 is drawing to a close, most of you will have completed your continuing education (CE) requirements for the year. If, however, you are in need of an hour or so of professionalism CE, or just want to get a head start for next year, the Academy offers a wide range of professionalism resources that can help.

These professionalism resources are not just for CE, however; they are here to help you maintain high standards of professionalism year-round. It is a good idea to read the Code of Professional Conduct, the U.S. Qualification Standards (USQS), and the actuarial standards of practice that apply to your work at least once a year, and we encourage you to do so.

Should you have questions about professionalism, or just want a quick refresher, the first place to turn is the Academy’s professionalism webpage, which features links not only to the Code of Professional Conduct and standards of qualification and practice, but to useful tools and other resources created by the Academy to help actuaries understand and meet professionalism requirements.

The Code of Professional Conduct, the foundation of actuarial professionalism, identifies the professional and ethical standards required of actuaries who practice in the United States. Academy members may request a handy pocket-size copy of the Code on the professionalism webpage.

The USQS lay out the requirements for an actuary issuing statements of actuarial opinion in the United States. To provide more information and help you interpret the requirements, the Committee on Qualifications (COQ) has published more than 50 answers to frequently asked questions, and the Academy has published an infographic on CE requirements. If, after perusing these resources, you have not found the answer to your question, you may submit a question to the COQ.

The Academy’s USQS Attestation Form is an easy-to-use tool for actuaries who want to demonstrate how they meet the general qualifications of the USQS, and if applicable to their practice, the specific requirements for signing NAIC annual life, health, and property/casualty statements of actuarial opinion.

Actuarial standards of practice (ASOPs), published by the Actuarial Standards Board (ASB), provide binding guidance on what an actuary should consider, document, and disclose when performing an actuarial assignment. To keep up to date on which standards are being drafted, revised, exposed for comment, or have been adopted, subscribe to the ASB Boxscore, the ASB’s quarterly newsletter. The ASB website is mobile-friendly—download an icon for easy access.

The Applicability Guidelines contain provide helpful, non-binding information on which ASOPs might apply to an assignment by listing common actuarial tasks in each practice area and suggesting which ASOP(s) might apply to each one.

The resources we’ve discussed so far are all specific to actuarial standards of conduct, qualifications, or practice, but the Academy also provides resources that more deeply examine what these standards mean for your daily practice.

For example, the Academy produces four popular, low-cost professionalism webinars each year, featuring in-depth discussions by presenters with significant experience in professionalism topics such as actuary-to-actuary communication, the qualification standards, precepts of the Code, and disclosure. By listening to these archived webinars, available free of charge to Academy members, you can earn professionalism CE credit. Participating in them live earns you organized CE credit. The next professionalism webinar, “Tales From the Dark Side: The ABCD and Actual Ethical Problems,” will be Wednesday, Dec. 20, from noon to 1:30 p.m. EST.

For a deeper dive into professionalism issues, the Academy produces a variety of articles and papers each year. For example, the concept of reliance in the ASOPs, Precept 10, professionalism at career transition points, and new FAQs on the USQS are just a few of the professionalism topics this column has covered in the last year.

And, if you need assistance navigating an ethically challenging situation, you may submit a confidential request for guidance to the ABCD, and they will help you work through your questions.

Finally, the Academy’s Speakers Bureau offers a way for you to request a knowledgeable and experienced professionalism speaker for actuarial clubs and in house employer training events.
CPC Comments on Flood Insurance Legislation

THE CASUALTY PRACTICE Council sent a letter Nov. 8 to the U.S. House of Representatives offering comments on H.R. 2874, the revised 21st Century Flood Reform Act, and the National Flood Insurance Program (NFIP) generally.

“A number of important reforms are in the bill as it is written, but more can be done to aid flood risk assessment and mitigation, and help address the NFIP’s sustainability,” said Rade Musulin, the Academy’s vice president, casualty.

The letter offers perspective on policy considerations, including:

▲ Renewing the NFIP for at least five years, as it has been in the past;
▲ Encouraging growth of the private insurance market, which would offer more consumer choice;
▲ Avoiding pricing disparity and funding problems;
▲ Resolving the NFIP’s debt question, given its current debt to the U.S. Treasury approaching $30 billion;
▲ Addressing repetitive loss properties;
▲ Making more historical flood loss data available;
▲ Modernizing flood mapping and risk assessment;
▲ Changing the mitigation program;
▲ Aligning coverages between NFIP and private insurance policies; and
▲ Taking into account rising sea level.

Professionalism Webinar to Share ABCD Ethical Case Studies

Members of the Actuarial Board for Counseling and Discipline (ABCD) will share case studies and examples of ethical issues in a professionalism webinar, “Tales From the Dark Side: The ABCD and Actual Ethical Problems.” Presenters David Driscoll and Godfrey Perrott, both ABCD members, will draw on the standards of actuarial professionalism and discuss what steps the actuary could take in each case. Continuing education credit will be available.

Wednesday, Dec. 20
Noon to 1:30 p.m. EST
Register today—www.actuary.org

Subcommittee Comments on 2019 Benefit and Payment Parameters Proposed Rule

THE RISK SHARING Subcommittee and Premium Review Work Group submitted comments to the U.S. Department of Health and Human Services on Nov. 27 regarding the 2019 notice of benefit and payment parameters (NBPP).

The comments address proposed NBPP changes to the risk-sharing mechanisms, special enrollment periods, essential health benefits (EHBs), minimum essential coverage, and medical loss ratios. Specific topics include recalibration of the risk adjustment model using EDGE data, state flexibility to request an adjustment in the calculation of risk adjustment transfer amounts in the small group, and increased flexibility in the essential health benefit package specifications.

“It is appropriate to require actuarial certification of the state benchmark plan when a state chooses to customize its own EHB plan, whether by designing its own plan or mixing and matching benefit categories from other states’ EHB benchmark plans,” the letter states.

The letter also offers comments on minimum essential coverage and medical loss ratio (MLR) provisions, and notes “the proposed rules would make it easier for states to request adjustments to their MLR threshold, thereby allowing states to be more responsive to their particular market situations.”

CASUALTY BRIEFS

Nancy Braithwaite, Kay Cleary, Edmund Douglas, Susan Forray, Mary D. Miller, Kathy Odomirok, and Daniel Roth joined the Casualty Practice Council. Odomirok is chairperson of the Committee on Property and Liability Financial Reporting, Douglas is chairperson of the Cyber Risk Task Force, Forray is chairperson of the Medical Professional Liability Committee, and Cleary is chairperson of the Extreme Events Committee.

Health News

The Risk Sharing Subcommittee and Premium Review Work Group submitted comments to the U.S. Department of Health and Human Services on Nov. 27 regarding the 2019 notice of benefit and payment parameters (NBPP).

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HPC Cites Concerns on Proposal to Eliminate Individual Mandate

THE HEALTH PRACTICE COUNCIL (HPC) submitted a letter to the U.S. Senate on Nov. 21, providing comments on the potential consequences of eliminating the Affordable Care Act’s individual mandate, as recently included in the Tax Cuts and Jobs Act.

“The individual mandate is an integral component of the ACA, especially given current law provisions that prohibit insurers from denying coverage or charging higher premiums based on pre-existing health conditions,” the letters stated, and “[e]liminating [it] would likely have significant implications for health insurance coverage.”

That followed an HPC letter sent in early November to the U.S. departments of Treasury, Labor, and Health and Human Services on the Trump administration’s Oct. 12 executive order on health care and the ACA. The letter offered input as the departments consider proposing regulations or guidance in accordance with the order, and highlighted issues and potential implications that could impact the individual and small-group insurance markets.

Academy Presents on LTC Insurance at NCOIL Meeting

AL SCHMITZ, CHAIRPERSON of the Academy’s Long-Term Care/Disability Committee, presented Nov. 17 at the National Conference of Insurance Legislators annual meeting in Phoenix on long-term care (LTC) and sales and premium increase data, understanding premium rate increases, and essential criteria in LTC reform.

The presentation provided an overview of historical rate increase filings; a summary of requested and approved rate increases from 2007 to 2016; reasons for premium increases on private LTC insurance; and affordability, quality of care, and cost control and risk management components of LTC reform.

Webinar Looks at End-Of-Life Care

THE ACADEMY and the International Actuarial Association Health Section (IAAHS) co-hosted a free webinar on Nov. 10, “End-of-Life Care in an Aging World: A Global Perspective.”

Panelists Joseph Allen Allbright and Zerong Yu, members of the Academy’s Health Practice International Committee, discussed issues related to aging and end-of-life care. The webinar was moderated by April Choi, an Academy Board member and a member of the committee.

About 85 percent of end-of-life care globally is covered by various government entities—in the United States that includes Medicare, Medicaid, and the Veterans Health Administration, with 1 out of every 4 Medicare dollars spent on end-of-life care; only 15 percent of end-of-life-care is covered by private insurance and self-pay globally.

The presenters covered curative versus palliative care, potential strategies for stakeholders, and how actuaries can help, including financial modeling and expanding attributes of insurance products.

Slides and audio are available free to Academy members.

Work Group Publishes Issue Brief on Comparative Effectiveness Research

THE HEALTH CARE Delivery Committee’s Comparative Effectiveness Work Group published an issue brief providing an actuarial overview of comparative effectiveness research, including measuring its impact and its potential to reduce health care costs.

Key points included:

- Comparative effectiveness research is defined by the Institute of Medicine as “the generation and synthesis of evidence that compares the benefits and harms of alternative methods to prevent, diagnose, treat, and monitor a clinical condition or to improve the delivery of care.”

- In the United States, comparative effectiveness research typically does not take into consideration the cost of a given treatment; however, there are international case studies that include cost-effectiveness analysis to help illustrate how implementation can help moderate the growth in health care spending.

- Actuarial models may be able to assist in changing the delivery system to one that allows consumers, providers, and payers to evaluate the efficiency and quality of care through the use of comparative effectiveness.
Groups Comment to ASB, NAIC

Several Life Committees and work groups submitted comments this month to the Actuarial Standards Board (ASB) and the NAIC.

Committee Comments on Proposed ASOP on Insurance, Annuity Pricing
The Life Products Committee submitted a comment letter to the ASB regarding a proposed actuarial standard of practice (ASOP) on pricing of life insurance and annuity products.

The letter offered comments on the proposed ASOP’s purpose, scope, cross-references, and effective date, and modeling and assumption setting and margins.

Committee Comments on Proposed ASOP on Insurance, Annuity Pricing

Comments on NAIC’s Buyer’s Guide Q&A
The Non-Guaranteed Elements Work Group submitted a comment letter on the NAIC’s Life Insurance buyer’s guide Q&A draft.

The draft contains a level of detail that “could create confusion,” as “consumers could perceive the document to be complete even though important details are missing,” the letter states, offering several examples.

Comments Sent on YRT Reinsurance Premiums
The Life Reinsurance Work Group submitted a comment letter to the NAIC’s Life Actuarial (A) Task Force on yearly renewable term reinsurance premiums under Section 20 of the Valuation Manual (VM-20), Requirements for Principle-Based Reserves for Life Products.

The letter offers comments on modeling by the ceding company and/or reinsurer, and the potential inconsistency between cedent and reinsurer projections.

State-Based Retirement Initiatives and the AGES Principles: An Actuarial Perspective

The Pension Practice Council released a new issue brief, State-Based Retirement Initiatives and the AGES Principles. The issue brief explores recent efforts undertaken by individual states to expand retirement plan coverage among their private-sector workers, and evaluates how those efforts align with the Academy’s principles of Alignment, Governance, Efficiency, and Sustainability (AGES) for retirement plans.

The issue brief’s key points include:

▲ The U.S. Department of Labor estimates that nearly 70 million workers do not have access to an employer-based retirement plan.

▲ Over the past several years, eight states have enacted initiatives to expand retirement coverage among private-sector workers, and other states are considering similar legislation.

▲ State-based retirement initiatives are a helpful step in expanding retirement coverage to workers who do not currently have access to an employer-sponsored plan, though their overall effectiveness in addressing retirement income challenges may be limited.

Lump-Sum Benefits Webinar
Join experts from the Academy’s Pension Practice Council for “Valuation of Lump-Sum Benefits,” a webinar that will look at lump-sum payments and the valuation of such benefits. Speakers will cover specific considerations that may apply when utilizing granular interest and service cost methods for plans paying lump sums. Continuing education credit will be available.

Friday, Dec. 8—noon to 1:30 p.m. EST
Register today—www.actuary.org
Committee Comments to PBGC on Multiemployer Information

THE MULTIEmployER PLANS Committee submitted a comment letter to the Pension Benefit Guaranty Corporation (PBGC) on modifications to the instructions for the 2017 Schedule MB (Multiemployer Defined Benefit Plan Actuarial Information) of the Form 5500.

The letter suggested changes to Line 3 (contributions made to plan), offering that the PBGC may want to consider encouraging the plan actuary to distinguish between withdrawal liability payments that are lump sum settlements versus those that are ongoing periodic payments, to the extent the data is readily available.

It suggested several changes to Line 4f (year of projected emergence or insolvency), including in the areas of additional documentation only for plans forestalling insolvency, year of projected emergence as targeted in adopted rehabilitation plan, considering plans with no projected emergence or projected insolvency, and considering using most recent status certification.

Academy Releases Essential Elements Paper on Tax Reform

THE ACADEMY THIS MONTH released a new Essential Elements paper, “Tax Treatment of Pensions and Insurance Protections,” a cross-practice report that highlights select tax treatments of pensions and insurance protections and outlines the potential public policy trade-offs of changes to the U.S. tax code. The Essential Elements series is designed to make actuarial analyses of public policy issues clearer to general audiences.

The release was timely, as the House passed the Tax Cuts and Jobs Act on Nov. 16 by a 227-205 vote. Read the Academy alert. The House action followed a Senate draft tax reform bill that was released the previous week. Read the Academy alert.

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