



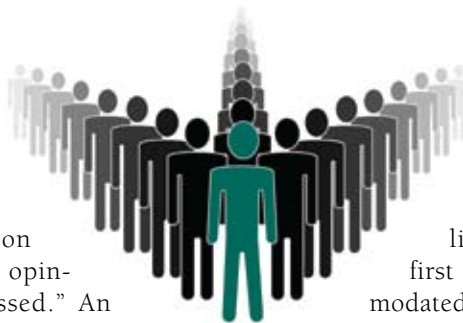
## Qualification Standards Take Effect

**T**HIS NEW YEAR'S DAY, actuaries throughout the Academy shared the same set of resolutions as the Academy's newly revised Qualification Standards went into effect.

The revised Qualification Standards are broader than the previous version, including increasing continuing education requirements from 24 hours every two years to 24 hours in 2008, followed by 30 hours each year thereafter. The standards also expand their reach to apply to all credentialed actuaries who issue statements of actuarial opinion (SAOs) in the U.S., instead of only to those who prepare "prescribed" SAOs as existed in the old standards. An SAO, as defined by the new standards, includes any "opinion expressed by an actuary in the course of performing actuarial

services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed." An [appendix](#) to the new standards supplies further explanation, including examples, to clarify what does and does not constitute an SAO.

To help actuaries prepare for the implementation of the new set of Qualification Standards, the Academy held the third of three free 90-minute informational webcasts on Dec. 10. The most recent webcast reached its 500-person registration limit shortly after it was announced, making it the



third one to reach capacity. (The second webcast also had a 500-person limit, while the first webcast accommodated 1,000 people.)

More [information](#) about the prior webcasts, a link to frequently asked questions about the Qualification Standards, and text of the revised Qualification Standards themselves are available on the Academy website.

The Qualification Standards are the result of five years' worth of effort. Revisions to the old standards were first suggested in 2002 by the Academy's Committee on Qualifications and approved by the Academy's Board of Directors last May. ▲

## Inside

### Stepping Down

Executive Director Kevin Cronin to retire . . . **PAGE 2**

### Professionalism Protocol

New notice of conflict of interest policy . . . . . **PAGE 4**

### Year in Review

Highlights of Academy activities in 2007 . . . . . **PAGE 6**

### Policy Preview

Councils reveal plans for 2008 . . . . . **PAGE 8**

### Congressional Recap

Summarizing the past year's political action . . **PAGE 10**

## NAIC Pushes Ahead Standard Valuation Law and Manual

**T**HE NATIONAL ASSOCIATION of Insurance Commissioners' (NAIC) Life and Health Actuarial Task Force (LHATF) accepted the bulk of the Academy's recommended changes to the proposed principles-based standard valuation law and valuation manual draft at the NAIC winter meeting, Dec. 1-2 in Houston. LHATF also met Nov. 30 in order to complete its discussion and edits to the entire valuation law and proposed manual, including two key changes.

LHATF altered the draft valuation law and manual's adoption criteria, adding a new market-share require-

ment. Now, in addition to requiring adoption by a supermajority vote within the NAIC and in the legislatures of at least 39 jurisdictions, the regulators included a clause that requires the act to be adopted by states representing three-quarters of the U.S. life insurance market — in effect, ensuring the system would not go into effect without buy-in from states with large shares of the market. The other major alteration to the draft valuation law that came out of the meeting was the removal of the independent reviewer clause, which would have required companies to undertake an annual review of their

See **NAIC**, Page 4

Actuarial UPDATE

## JANUARY

- 7-9 SOA Living to 100 Seminar, Orlando, Fla.  
 9 Academy Council on Professionalism meeting, Atlanta  
 12 Academy meeting with Joint Board, Washington  
 15 CUSP meeting, Clearwater, Fla.  
 16 Academy Board of Directors meeting, Clearwater, Fla.  
 16 SOA Global ERM Best Practices webcast

## FEBRUARY

- 6 Roundtable on public pension plans (Academy, SOA), New York  
 10-12 ASPPA 2008 401(k) Summit, Orlando, Fla.  
 14-16 North American Actuarial Council meeting, San Cristobal, Mexico  
 28-March 2 NCOIL spring meeting, Washington

## MARCH

- 5-7 ASB meeting, Washington  
 6-7 Health Practice Council Capitol Hill visits, Washington  
 16-19 Eighth annual intercompany LTCI conference, Jacksonville, Fla.  
 17-18 CAS ratemaking seminar, Boston  
 25-26 SOA investment symposium, New York  
 28-April 1 NAIC spring meeting, Orlando, Fla.

## APRIL

- 6-9 Enrolled Actuaries Meeting (Academy, CCA), Washington  
 14-16 SOA enterprise risk management symposium, Chicago  
 22 Academy Executive Committee meeting, Washington  
 22-26 NCSL Spring Forum, Washington

## MAY

- 20 CUSP meeting, Washington  
 21 Academy Board of Directors meeting, Washington  
 31-June 3 NAIC summer meeting, San Francisco

## JUNE

- 11-14 IAA meeting, Quebec City  
 18-20 CIA annual meeting, Quebec City

## JULY

- 17-19 NAAC meeting, Banff, Alberta, Canada

## AUGUST

- 5 Leadership meeting, Washington  
 6 Executive Committee meeting, Washington

## WEB INTERFACE

Links to documents underlined in blue are included in the online version of this issue at [www.actuary.org/update/index.asp](http://www.actuary.org/update/index.asp)

## Academy NEWS Briefs

## Cronin Leaving Academy

**A**CADEMY EXECUTIVE DIRECTOR Kevin Cronin announced that he will retire from full-time employment when his three-year contract expires at the end of March.

In a message to board members, Academy President Bill Bluhm thanked Cronin for his work. "We've ended up with a much stronger organization through his efforts," Bluhm said.

A task force to find the Academy's next executive director has been formed. It consists of Bluhm, Academy President-Elect John Parks, Immediate Past President Steven Lehmann, Past President Peter Perkins, and Dan McCarthy, a former Academy president. Bluhm, who chairs the task force, said they hope to complete the process quickly enough to leave little or no gap between the time Cronin leaves and a new executive director takes over.

Cronin joined the Academy in March 2005. He has presided over technical upgrades

like overhauling the membership database and implementing a fully electronic dues process, improvement in relations with leadership from the other U.S.-based actuarial organizations and the National Association of Insurance Commissioners, and coordination of the U.S. profession's approach toward international issues.

Cronin said his most memorable experience was working with the Critical Review of the U.S. Actuarial Profession (CRUSAP) Task Force, and his strongest impression is of the level of commitment demonstrated by Academy volunteers. Cronin, who is a lawyer, said he has no specific plans after March but is considering doing consulting work.

Before coming to the Academy, Cronin was a visiting professor in the risk management and insurance department at Georgia State University. He also served in executive roles for several national and international insurance organizations. ▲

## New Professionalism VP

**Kathleen Riley** has been chosen as the Academy's new vice president for professionalism issues. She replaces **Allan Ryan**, who resigned because of his relocation to Japan. Riley was formerly vice chairperson of the Council on Professionalism, and she remains the chairperson of the Committee on Qualifications, which oversees the Qualification Standards. Riley is a senior vice president for The Segal Co. in Boston.

## At the Podium

Academy Senior Health Fellow **Cori Uccello** will be a featured speaker at the National Academy of Social Insurance's 20th annual conference, Getting to Universal Health Insurance Coverage, Jan. 31-Feb. 1 at the National Press Club in Washington.

**Academy Awards** The *Update* won Communicator Awards' 2007 Award of Excellence for an association newsletter. *Contingencies* also took home an Award of Excellence in feature writing for Steve Sullivan's July/August 2006 article "First Date With Math."

## IN THE NEWS

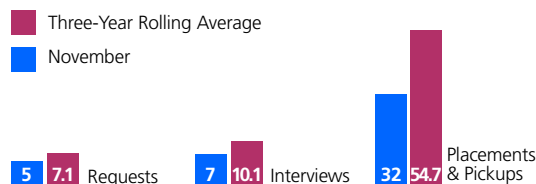
Academy Senior Health Fellow **Cori Uccello's** presentation during a Nov. 2 New America Foundation briefing was broadcast live on C-SPAN 3. Uccello said it is important to address not only health spending levels but also health spending growth. The briefing was rebroadcast later that day and on Nov. 7 via C-SPAN and C-SPAN 3.

Academy Senior Pension Fellow **Ron Gebhardt** was a source in the Novem-



ber issue of *Money* on how working during retirement affects Social Security benefits. He was also cited in an Oct. 24 Reuters financial column that recommended the assistance of a personal actuary when planning for retirement. The column was republished in the Nov. 14 edition of the *Boston Globe*. Gebhardt was quoted in a Nov. 19 Bureau of National Affairs article about an AARP forum on hybrid plans, which he moderated. He said that in hybrid pension plans, the risks and rewards are shared between

## MEDIA RELATIONS ACTIVITY REPORT—NOVEMBER 2007



Media Impressions:  
**5,887,008**

Web Impressions:  
**5,509,754**

Note: Media impressions are a combination of readership, listenership, and viewership. Web impressions are distinct from media impressions and reflect the number of daily, unique individuals who access a website. A placement is an article containing an Academy reference, quote, or attribution from an Academy spokesperson, or the placement of an Academy-produced letter to the editor/op-ed. A pickup is the publication of an Academy news release, media alert, or statement. A three-year rolling average is the statistical mean of the past 36 monthly averages for each category (requests, interviews, placements, and pickups).

the employer and employees. Gebhardt'sbauer also compared hybrid plans to traditional defined benefit pension plans and 401(k)-style defined contribution plans.

The Academy contributed to a number of high-profile articles during the month of November. A Nov. 1 *Chicago Tribune* article cited an Academy estimate that completely eliminating the cap on earnings subject to Social Security tax would make up 93 percent of the program's long-term financial shortfall. The estimate came from the Academy's online [Social Security Game](#). The article, which discussed candidates' positions on Social Security reform, was published in a number of other dailies, including the Nov. 4 *St. Louis Post-Dispatch*.

The Academy also was a source of life expectancy and longevity data in a Nov. 9 *USA Today* article on how to invest assets in retirement. Additionally, a Nov. 16 Bloomberg article referred to the Academy's \$778 billion [estimate](#) for insured losses that could result from a large nuclear, chemical, biological, or radiological terrorist attack in New York City. The article reported on the U.S. Senate's decision to extend the federal terrorism insurance program for seven years.

A Nov. 17 *San Antonio Express-News* feature on the actuarial profession included a personal account from Academy member [Eric Vaith](#), an actuary with the United

Services Automobile Association in San Antonio.

[Bruce Schobel](#), an Academy special director and vice president and actuary with New York Life Insurance Co. in New York, commented on Social Security benefits for baby boomers in a Nov. 17 *Wall Street Journal* report. "Taking a reduced benefit at 62 could serve as a cap on the surviving spouse's payout, reducing that person's future benefits by tens of thousands of dollars," Schobel said.

### SPEAKERS BUREAU UPDATE

[Catherine Murphy-Baron](#), vice chairperson of the Academy's Uninsured Work Group and a consulting actuary in Milliman's New York office, was a guest speaker at Aetna's Actuarial Continuing Education Forum on Nov. 26 in Hartford, Conn.

[Ken Buffin](#), chairperson of the Academy's Committee on Social Insurance and a consulting actuary with Buffin Partners in Sparta, N.J., discussed the structure of Social Security, based on a related Academy [issue brief](#), at a joint meeting of the actuaries clubs of Hartford, Conn., and Springfield, Mass., Nov. 30 in Boston.

### ON THE MOVE

► [Bill Costa](#) has been named assistant vice president of underwriting operations control and research and competitive analysis for GEICO in Washington. He was previously director

of underwriting research. GEICO also named [Steve Riihimaki](#) assistant vice president of pricing and product management research in Washington. He was a director and assistant actuary.

► [Bruce Friedland](#) is vice president and chief actuary for VantisLife Insurance Co. in Windsor, Conn. He was formerly assistant vice president and actuary with Hartford Life.

► [Steven Schoonveld](#) is the new chief financial officer and actuary for LifePlans Inc. in Waltham, Mass. He was formerly a consulting actuary manager in Ernst & Young's Boston office.

► [Rowen Bell](#), a member of the Academy's Board of Directors, recently joined Health Care Service Corp. in Chicago as an actuary. He was formerly a senior manager with Ernst & Young in Chicago.

► [Mark Billingsley](#) has joined Conesco Inc. in Carmel, Ind., as senior vice president of health valuation. He was formerly executive vice president and chief actuary of the Ceres Group subsidiary of Great American Financial Resources Inc.

► [David Rains](#) has been named managing director and U.S. practice leader of the life and annuity specialty

practice of Guy Carpenter in Philadelphia. He was formerly vice president for Transamerica Reinsurance in Charlotte, N.C.

► [Al Bingham](#) is director of actuarial services for Kaiser Permanente in Atlanta, where he covers the Georgia, Ohio, and mid-Atlantic regions. He was formerly a senior consultant with Towers Perrin in Atlanta.

► [Alice Fontaine](#) is president of Fontaine Consulting in Cedar Park, Texas. She was previously consulting actuary with Allen Bailey & Associates in Austin.

► [Gary Wendlandt](#) has been named vice chairman of the board of directors for New York Life Insurance Co. He was formerly senior executive vice president of finance and investments, and he will retain his position as chief investment officer.

► [Jim Oatman](#) is vice president and chief actuary for Blue Cross Blue Shield of Arizona in Phoenix. He was formerly senior vice president for Assurant Health in Milwaukee.

► [Marc Lambright](#) is a principal for Oliver Wyman Actuarial Consulting in Philadelphia. He was formerly a manager for KPMG in Radnor, Pa. ▲

# New Professionalism Procedures for Volunteers

**S**TARTING THIS MONTH, ALL ACADEMY VOLUNTEERS (including the Board of Directors) will be asked to comply with a new procedure that ensures that volunteers specifically review and acknowledge their obligations under the Academy's existing conflict of interest policy. Chairpersons of each Academy council, committee, task force, and work group will be instructed to e-mail a form acknowledgment (see sidebar) to all respective members. Volunteers may respond to the acknowledgment by reply e-mail.

Though the Academy's conflict of interest policy hasn't changed, the Academy's Executive Committee chose to implement this procedure as an affirmative step to ensure that all volunteers are aware of the pre-existing policy. The policy itself, which is a board policy statement and, therefore, can only be amended by the board, is included in the annual *Yearbook* and leadership manual. All Academy volunteers should receive a request to acknowledge the policy by the end of the month. ▲

## CONFLICT OF INTEREST ACKNOWLEDGMENT

The undersigned hereby acknowledges the following:

1. I am a member of the American Academy of Actuaries ("Academy") and also serve as a member of the Academy's [Council/Committee/Work Group/Task Force title].
2. I have read the attached Conflict of Interest **Policy** ("Policy") issued by the Academy and acknowledge my obligation to adhere to this policy and any amendments, restatements, or supplements made to said Policy from time to time, including my duty to maintain a high level of professional objectivity and independence from any specific interests of my employer in fulfilling my duties and obligations to the Academy as a member of the [Council/Committee/Work Group/Task Force title].

NAME

TITLE: MEMBER, [COUNCIL/COMMITTEE/TASK FORCE/ETC.]

DATED

## NAIC, continued from Page 1

reserves by an independent actuary and was intended to assist regulators in determining whether current reserve levels were appropriate.

Within the valuation manual, some subgroups raised concerns about the aggregation aspects of Section 20 (VM-20) that allow companies flexibility in how they aggregate their reserves over different product lines, as well as about the licensing of a statistical agent, the scope of data collection, and confidentiality in Sections 50 and 51.

The Academy exposed one new section to the manual, VM-1, a set of central definitions of terms. There also remain a couple of sections to the manual that are still under development and have not been introduced to LHATF, including one addressing the treatment of non-variable annuities.

The Academy will continue to work with NAIC to facilitate the conclusion of the standard valuation law and manual through appropriate comment letters and education efforts for both regulators and state legislatures. NAIC's plan moving forward is to expose the law and manual sections with conference calls leading up to the March national meeting with the goal of submitting a final version to the NAIC Executive and Plenary Committee at the June meeting.

### NAIC Health Notes

► Julia Philips, a life and health actuary from the Minnesota Department of Insurance and chair of the Accident and Health Working Group, announced she was stepping down as chair as of year-end 2007. She will continue to participate with LHATF and other actuarial task forces at the NAIC. The working group

will be reabsorbed into the full task force, so in the future all NAIC health issues will be handled by LHATF.

► LHATF's new Health Principles-Based Subgroup will update the Health Insurance Reserves Model Regulation. A conference call will be held in mid-January to edit the draft, and all comments will be brought back to LHATF by the spring meeting.

► A revised version of the Actuarial Opinion and Memorandum Regulation (AOMR) is being considered by LHATF's AOMR Subgroup.

► The NAIC's Senior Issues Task Force session adopted the Guidance Manual for Rating Aspects of the Long-Term Care Insurance Model Regulation, which was adopted by LHATF in 2005.

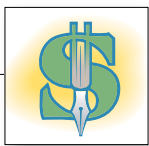
### NAIC Casualty Notes

► At the NAIC's Casualty Actuarial Task Force meeting, the Academy's Committee on Property & Liability Financial Reporting unveiled a draft recommended version of an updated survey on risk transfer for reinsurance.

► The NAIC/ International Association of Industrial Accident Boards and Commissions Joint Working Group announced that the draft guidelines for filing workers' compensation large-deductible policies and programs would be considered on a conference call of the NAIC's Large Deductible Study Implementation Working Group in January.

► At the NAIC's Capital Adequacy Task Force meeting, the NAIC's Property and Casualty Risk-Based Capital Securities Lending Subgroup recommendation was exposed for a period to end on Jan. 15.

- NATALIE JONES, GERALYN TRUJILLO, AND LAUREN PACHMAN



## Establishing a Global ERM Qualification

**A**T THE OCTOBER MEETING OF THE INTERNATIONAL ACTUARIAL ASSOCIATION IN DUBLIN, Ireland, leaders of the British Institute of Actuaries, the Scottish Faculty of Actuaries, the Australian Institute of Actuaries, the Canadian Institute of Actuaries, the Actuarial Society of South Africa, and the Mexican Colegio Nacional de Actuarios signed a statement of intent on the establishment of a global enterprise risk management qualification.

At the same time, Chris Carlson, president of the Casualty Actuarial Society, and Bruce Schobel, president of the Society of Actuaries, signaled their intent to seek the support of their respective organizations in signing the same document. The American Society of Pension Professionals & Actuaries, the Conference of Consulting Actuaries, and the Academy were not signatories because they do not issue credentials for actuarial practice.

The document sets out several goals for the participating organiza-

tions to work toward, including:

- The urgent development of a framework to facilitate the award of a designation denoting a common level of education achievement in the field of enterprise risk management;
- The implementation of appropriate educational and examination arrangements;
- The development and adoption of agreed joint educational due-diligence criteria and processes to support recognition of the designation by all participating organizations;
- The recognition and promotion of the educational achievement of holders of the designation by all participating organizations. ▲

### RISK MANAGEMENT BRIEFS

- ▶ **Richard Goldfarb**, a senior manager at Ernst & Young in New York, is now the vice chair of the Academy's Financial Reporting Committee. **Matthew Lantz**, an actuary with AEGON USA in Cedar Rapids, Iowa, has also joined the committee.



## LFRC to Release Draft EV Practice Note

BY NOEL HAREWOOD

**T**HE ACADEMY'S LIFE FINANCIAL REPORTING COMMITTEE will release a draft practice note addressing embedded value (EV) reporting early this year. The note, intended for preparers and reviewers of embedded value calculations, presents practical guidance on how values are prepared, along with some theoretical justification for the methods used.

The note was created as EV reporting continues to expand in North America, with more and more actuaries being called on to calculate or interpret these values. One indication of the growth of EV reporting is the participation in the Society of Actuaries' recent EV webcast, which drew over 600 viewers.

Since EV is a management accounting basis and North American regulations do not require standard setters to produce authoritative guidance, American practitioners have looked to Europe for direction. As a result, the practice note focuses on European embedded value and often cites European documents.

Due to the imminent release of new guidance on market-consistent embedded

value (MCEV) in 2008, MCEV was excluded from the current note. The committee expects to address MCEV practices in North America in a separate note in 2008. The EV reporting practice note draft will be available

for download on the Academy's website.

**Noel Harewood, a consultant for Towers Perrin in Atlanta, is a member of the Academy's Life Financial Reporting Committee.**

### LIFE BRIEFS

- ▶ Joining the Academy's Life Financial Reporting Committee are **Novian Junus**, a consulting actuary for Milliman in Seattle, and **Steven Malerich**, a senior actuary for Aegon USA in Cedar Rapids, Iowa.
- ▶ **Michael Streck**, second vice president and corporate actuary for Principal Financial Group in Des Moines, Iowa, has joined the Academy's Tax Work Group.
- ▶ Joining the Academy's Pre-Need Mortality Work Group are **Joseph Hogan** and **Michael Pfalzer**, actuaries with New York Life Insurance Co. in Tampa, Fla., and **Mike Villa**, a product actuary for Homesteaders Life Co. in West Des Moines, Iowa.
- ▶ **Leonard Mangini**, chief actuary for Ace Tempest Life Re USA Inc. in Stamford, Conn., has joined the Academy's Life Reinsurance Work Group.
- ▶ Joining the Academy's Annuity Capital Work Group are **Andrew Minten**, an actuary with Allianz Life Insurance Co. of North America in Minneapolis, and **Paula Schwinn**, associate actuary with Securian Financial Group Inc. in St. Paul, Minn.
- ▶ Joining the Academy's Annuity Reserves Work Group is **James Thompson**, an actuary and consultant with Central Actuarial Associates in Crystal Lake, Ill.
- ▶ **Julin Chang**, associate actuary with AIG American General in Houston, has joined the Academy's Illustrations Work Group.
- ▶ **Frank Irish**, a retired actuary in Wayland, Mass., has joined the Academy's Life Practice Council.
- ▶ **Gary Falde**, vice president and appointed actuary for Pacific Life Insurance Co. in Newport Beach, Calif., has joined the Academy's Standard Valuation Law 2 Work Group.

# 2007 YEAR IN REVIEW

## MEETING POLICYMAKERS ►

In May, Shawna Ackerman, left, and Stuart Mathewson, co-chairpersons of the Academy's Extreme Events Committee, visited Capitol Hill to share their expertise in flood and natural disaster insurance with a number of policymakers and congressional staffers, including the Government Accountability Office, House Financial Services Committee, House Ways and Means Committee, Senate Banking Committee, and the office of Rep. Gene Taylor (D-Miss.). Members of the Casualty Terrorism Risk Insurance Committee also met that month with Senate Bank Committee staff upon their request to discuss risk modeling.

Members of the Health Practice Council made their annual visits in March to meet with policymakers in the White House, Treasury Department, Labor Department, Government Accountability Office, Congressional Budget Office, Congressional Research Service, and 25 congressional offices.



## ◀ EXPERT TESTIMONY

In May 2007, Patrick Collins, third from left, chairperson of the Academy Health Practice Council's Medical Reinsurance Work Group, testified on Capitol Hill during a U.S. House Small Business Committee hearing on expanding small-business health insurance coverage using the private medical reinsurance market. Members of the Life Practice Council also testified before the National Association of Insurance Commissioners (NAIC) this year on the actuarial appropriateness of travel underwriting.

## CAPITOL HILL BRIEFINGS ►

Academy Senior Fellows Cori Uccello, left, and Ron Gebhardtsbauer hosted a Capitol Hill briefing in June. Uccello spoke about the Academy's new monograph on Medicare reform options, while Gebhardtsbauer addressed issues concerning Social Security reform.



## ◀ SPRING MEETING

2007 Academy President Steve Lehmann, right, presided over the one-day spring meeting, which was held in conjunction with the 2007 Enrolled Actuaries Meeting. It featured an Academy luncheon, a general session conducted by the Actuarial Standards Board, and eight concurrent sessions for individual areas of practice. Peter Orszag, center, director of the Congressional Budget Office, gave the meeting's keynote address. At the meeting, the Academy announced that Frank Dino, a regulator in Colorado and Florida and an active member of the NAIC, was the winner of the 2007 Robert J. Myers Public Service Award.





# Academy Priorities for 2008

**W**ITH PRESIDENTIAL PRIMARIES POTENTIALLY capturing the public consciousness in the first half of 2008 and the general election shaping the second, election-year issues will put a bull's-eye on the priorities of several Academy councils. For instance, health care reform and Social Security reform (popular — if not dangerous — presidential debate topics) will be priorities for the Health Practice Council and the Pension Practice Council, respectively. Similarly, the Casualty Practice Council will continue to monitor insurance issues related to coverage for natural disasters and terrorist attacks — events that have never been more politically visible as candidates campaign in the lingering shadows of Hurricane Katrina and Sept. 11, 2001.

Other Academy councils will continue to steam for-

ward on issues outside the scope of the national election, as they tackle important actuarial issues whose scrutiny comes largely from within. For instance, the Life Practice Council will march ahead on its long-term timetable for bringing the principles-based approach (PBA) to reserving and risk-based capital, as the Council on Professionalism educates Academy members on the newly revised Qualification Standards. Meanwhile, the Risk Management and Financial Reporting Council will continue to coordinate with organizations around the world and within the United States as it monitors related policy developments.

The following are the top Academy priorities for 2008, broken down by council. Stay tuned for further developments of these and other issues in the *Update* and on the Academy's website.

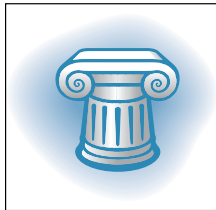
## COUNCIL ON PROFESSIONALISM

► With the revised Qualification Standards having taken effect Jan. 1, the council has committed to developing and providing at least three webcasts during the next year. These webcasts will cover various professionalism topics to help members comply with

the new continuing education requirements under the revised standards.

► The council's CRUSAP (Critical Review of the U.S. Actuarial Profession) Task Force will review the CRUSAP Report and make recommendations on any matters concerning professionalism that it believes the council should take up.

► The council looks forward to acting on the Council of U.S. Presidents' (CUSP) recommendation that the council serve a more prominent role in professionalism matters on behalf of



all five U.S.-based actuarial organizations. The council is awaiting further direction from CUSP.

## HEALTH PRACTICE COUNCIL

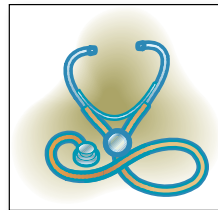
► In light of debates over health care reform, the council is planning to educate members on key issues related to the uninsured and to expanding coverage options, and subgroups of the Uninsured

Work Group

are examining health care cost drivers and whether health care coverage conforms to the

principles of insurance. The Individual Medical Market Task Force is finalizing an educational brief to provide a better public understanding of how the individual market operates.

► Medicare remains a high priority. In 2007, the Medicare Steering Committee developed a [monograph](#) on options for reforming the Medicare system. In 2008, the committee will



continue to focus on delivering the message to policymakers and the public that reform is needed sooner rather than later. The council plans to address the Bush administration's required legislative proposal in response to the Medicare funding trigger. The annual issue brief on Medicare's financial condition will be updated once the 2008 Medicare trustees report is released.

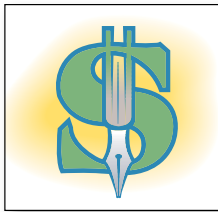
► Among state health priorities on the council's agenda is updating previous reports to the National Association of Insurance Commissioners (NAIC) on stop-loss and Part D risk-based capital risk factors. The council will also continue to monitor the progress of principles-based governance and methodology through the NAIC and respond as appropriate.

## RISK MANAGEMENT AND FINANCIAL REPORTING COUNCIL

► The council and its committees will continue to increase coordination with international bodies (the International Association of Actuaries [IAA], International Association of Insur-



ance Supervisors [IAIS], and International Accounting Standards Board [IASB]), commenting on future exposure papers as appropriate. The Risk Management and Solvency Committee plans to continue to monitor developments in solvency regulation at the IAIS and in the European Union's Solvency II project.



► The council and its committees will continue coordination with the domestic bodies (the Financial Accounting Standards Board, National Association of Insurance Commissioners [NAIC], American Institute of Certified Public Accountants, Public Company Accounting Oversight Board, and Securities and Exchange Commission), commenting on issues and holding face-to-face meetings as appropriate.

► Finally, the council will continue to offer insurance regulation and financial reporting technical expertise on cross-practice council issues, including optional federal charters and federal insurance regulatory reform, to policymakers at the NAIC and on Capitol Hill.

### PENSION PRACTICE COUNCIL

► The council will be looking into the topic of transparency and disclosure in public pension plans. This process will be highlighted by a roundtable discussion in early 2008.



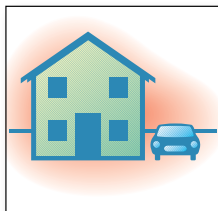
► With the 2008 presidential election only 11 months away, Social Security reform is once again likely to be a front-page

topic as it was in 2004. The Social Insurance Committee will continue to work on issues surrounding Social Security reform in its quarterly meetings. The committee also plans to comment on the Old-Age, Survivors, and Disability Insurance (OASDI) trustees report when it is released.

► The council will continue to hold conversations with Congress, the Internal Revenue Service, and the Pension Benefit Guaranty Corp. with regard to the Pension Protection Act (PPA), as technical corrections continue to be debated and eventually are voted on. The council plans to discuss both how PPA is being interpreted and how it can be improved.

### CASUALTY PRACTICE COUNCIL

► With terrorist events an ongoing homeland security concern for the real estate market, the council's Terrorism Risk Insurance Subcommittee will continue to monitor the responses of the insurance industry and the actuarial community to new terrorism risk insurance legislation. Constructive engagement in the public policy process will move forward through meetings with congressional and executive department staff.

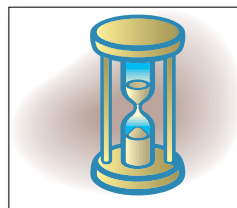


► The council will also be closely following the progress of natural-disaster-related legislative efforts at both the state and federal level. The council expects to issue a monograph on the National Flood Insurance Program early in 2008.

► The Committee on Property and Lia-

bility Financial Reporting will continue to work with the National Association of Insurance Commissioners to document more information about current and emerging finite risk transfer practices during the upcoming year. Future plans include the development of new educational sessions with regulators.

### LIFE PRACTICE COUNCIL



► In 2008, the council will be continuing its work on the principles-based approach (PBA) to reserves and risk-based capital. This includes supporting LHATF's efforts to final-

ize a proposed new valuation manual, developing a scenario picker to help simplify the modeling requirements that will accompany PBA, and working toward a new approach to non-forfeiture that is more consistent with PBA. The council will also be introducing proposals for additional sections of the valuation manual to address reserving for annuities, as well as proposals for PBA risk-based capital for life insurance and non-variable annuities.

► The Illustrations Work Group, overseen by the Life Products Committee, will be releasing its update to the Illustrations Practice Note. This revision will address recent changes to Actuarial Standard of Practice No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*.

► The Life Financial Reporting Committee will be working with other Academy councils to monitor U.S. and international reforms, including an update to the generally accepted accounting principles that the International Accounting Standards Board is undertaking. ▲

# 2007 LEGISLATIVE WRAP-UP

**A** 2007 GIVES WAY TO A NEW YEAR, THE *UPDATE* LOOKS back on the legislative advances made during the first session of the 110th Congress and the issues addressed by the Academy and its practice councils. Much of the business conducted in Congress this year on property and casualty insurance, health care, and insurance regulation involved the Academy's work. The following recap summarizes the actions of the 110th Congress and offers a peek into the coming year's legislative activities that will be important to the actuarial profession.

## HEALTH

### UNINSURED

Health care reform has been a hot-button issue over the course of the 110th Congress, and several hearings were held on the topic, in addition to many health care reform bills being introduced during the first session. It is unlikely that any major legislation to reform health care coverage for the uninsured will move beyond congressional hearings until after the primaries in the 2008 presidential election.

### ENTITLEMENT REFORM: MEDICARE

In 2007, for the second year in a row, the difference between Medicare outlays and dedicated revenues triggered the Medicare "funding warning" provision. The president is required to submit legislation to Congress in February 2008, within 15 days of the next fiscal year budget submission, to reduce this shortfall. Congress must then consider the legislation on an expedited basis. The Senate Finance and House Ways and Means committees have also been working on a Medicare package for staving off physicians' fee pay cuts that were scheduled to take effect Jan. 1. If there was no package ready by the end of the legislative adjournment, lawmakers may be forced to come up with a patch early this year. The Academy's Medicare Steering Committee wrote a June 2007 [issue brief](#) on Medicare reform options.

### MENTAL HEALTH PARITY

The Paul Wellstone Mental Health and Addiction Equity Act (H.R. 1424) and the Mental Health Parity Act (S. 558) were introduced this year. Both take different approaches to the definition of mental health benefits. H.R. 1424 would define the minimum scope of coverage to

include the same range of mental illness and addiction disorders as the health plan with the largest number of federal employees, while S. 558 would maintain the current definitions. Both H.R. 1424 and S. 558 expand current law to include "substance-related disorder benefits." While S. 558 has passed the full Senate, H.R. 1424 has been approved by the Ways and Means and Education and Labor committees. The House bill is expected to pass after it is released from the Energy and Commerce Committee. The Academy published a September 2007 [issue brief](#) on mental health parity.

### GENETIC TESTING

Genetic testing of health insurance applicants in underwriting was considered by Congress in the middle of the year, but at press time the legislation wasn't expected to progress any further. Both House and Senate versions of the Genetic Information Nondiscrimination Act (GINA), H.R. 493 and S. 358, prohibit a group plan or health insurance issuer from adjusting premiums on the basis of genetic information.

### CHILDREN'S HEALTH

On Dec. 13, President Bush vetoed another State Children's Health Insurance Program bill (H.R. 3963). In a statement notifying Congress of his veto, Bush said the bill was unacceptable because, like the first one, it would allow adults into the program, cover people in families with incomes above the U.S. median, and raise taxes. House Speaker Rep. Nancy Pelosi (D-Calif.) offered a motion to delay an override vote until Jan. 23.

## PENSION

### PENSION PROTECTION ACT (PPA)

On Nov. 15, Reps. Charles Rangel

(D-N.Y.), chairman of the Ways and Means Committee, and Jim McCrery (R-La.), ranking member of the Ways and Means Committee, introduced H.R. 4159, the Technical Corrections Act, to fix unintended results from PPA and other tax laws dating back to 1998. S. 2374, a companion bill, was also introduced in the Senate. On Nov. 1, the Academy issued a comment [letter](#) on an earlier version of the bill, H.R. 3361.

## PROPERTY AND CASUALTY

### TERRORISM RISK

On Dec. 18, the U.S. House passed H.R. 2761 by a 360-to-53 vote to extend for seven years the federal reinsurance program created by the Terrorism Risk Insurance Act of 2002 (TRIA). The president was expected to sign the bill. After both houses passed different versions of the bill, H.R. 2761 made several Senate concessions, including retaining the \$100 million claimed loss trigger and omitting group life insurance and travel underwriting provisions. The bill also expands coverage to domestic acts of terrorism, authorizes a study into how the program would be affected by nuclear, biological, chemical, and radiological attack coverage, and instructs the secretary of the Treasury to notify Congress within 15 days of an act of terrorism if the resulting losses are estimated to exceed \$100 billion.

### NATURAL CATASTROPHE INSURANCE

On Oct. 17, the Senate Banking Committee unanimously approved the Flood Insurance Reform and Modernization Act. The bill, S. 2284, reauthorizes the National Flood Insurance Program through 2013. The House passed its version of the bill, H.R. 3121, in September. The House bill drew a veto threat from the White House due to the inclusion of an optional wind damage coverage provision. In a Sept. 26 [letter](#), the Academy's Flood Insurance Subcommittee addressed House leadership with concerns raised by the provision.

### BLUE-RIBBON COMMISSION

On Aug. 1, the Senate Banking Commit-

tee unanimously approved S. 292, the Commission on Catastrophic Disaster Risk and Insurance Act, a bill introduced by Sen. Bill Nelson (D-Fla.) in January. The bill establishes a 16-member expert panel to submit a report to Congress by Dec. 1, 2008, that will evaluate the availability and affordability of insurance for catastrophic natural disasters.

### HOMEOWNERS' DEFENSE ACT

On Nov. 8, the House passed H.R. 3355, the Homeowners' Defense Act. The bill provides a federal backstop for state-sponsored insurance programs to help homeowners prepare for and recover from the damages caused by natural catastrophes. Sens. Hillary Rodham Clinton (D-N.Y.) and Bill Nelson (D-Fla.) introduced companion legislation, S. 2310, in the Senate.

## RISK MANAGEMENT AND FINANCIAL REPORTING

### OPTIONAL FEDERAL CHARTER

In May, Sens. John Sununu (R-N.H.) and Tim Johnson (D-S.D.) introduced S. 40, referred to as the Optional Federal Charter for insurance, which gives life and property and casualty insurance companies the option of choosing to be subject to either state or federal insurance regulation. In July, Reps. Melissa Bean (D-Ill.) and Ed Royce (R-Calif.) introduced the bipartisan National Insurance Act, H.R. 3200, as the companion bill to S. 40. No action has moved beyond committees, and some anticipate Sen. Sununu will introduce a new version of the Optional Federal Charter bill this year. The Academy's Risk Management and Financial Reporting Council and Financial Reporting Committee submitted [comments](#) to the Department of the Treasury underscoring points made in a Nov. 19 [monograph](#) regarding the role of the actuary under federal insurance regulation.

### NON-ADMITTED AND REINSURANCE REFORM

The U.S. House passed H.R. 1065, the Non-Admitted and Reinsurance Reform

Act, on June 25. If enacted, the bill would streamline regulation of surplus lines and reinsurance by vesting the domiciliary state with the sole authority to regulate and collect taxes on surplus lines and reinsurance transactions. The bill has been referred to the Senate Banking Committee.

### FINANCIAL REPORTING TRANSPARENCY

On Feb. 27, the House unanimously passed H.R. 755, the Promoting Transparency in Financial Reporting Act. The bill requires chairpersons from the Securities and Exchange Commission, Public Company Accounting Oversight Board, and Federal Accounting Standards Board to testify before the House Financial Services Committee annually for five years. Sen. Orrin Hatch (R-Utah) introduced a similar bill in March (S. 834).

## LIFE

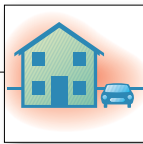
### TRAVEL UNDERWRITING

Over the course of hearings and votes on terrorism risk insurance on the House side since 2005, Rep. Debbie Wasserman Schultz (D-Fla.) was able to attach an amendment to a proposed reauthorization bill that would protect Americans from discrimination in life insurance underwriting when applying for policies and would limit use of travel destination as an underwriting criterion. However, that provision was not included in the final terrorism risk extension bill, H.R. 2761, which went to President Bush to sign in December. The Academy's Life Products Committee presented a Jan. 17 comment [letter](#) concerning travel underwriting to the National Association of Insurance Commissioners' (NAIC) Life Insurance and Annuities Committee on revisions to the NAIC Unfair Trade Practices Act. The Life Products Committee also presented a travel underwriting [report](#) to the National Conference of Insurance Legislators in March.

—JUSTIN EDWARDS

## HEALTH BRIEFS

- Joining the Academy's Disease Management Work Group are **Robert Cirkiel**, managing director for UHY Advisors Inc. in Oakland, N.J., and **Doug Levit**, vice president of actuarial services for Alliant Insurance Services in Alpharetta, Ga. Cirkiel is also joining the Academy's Health Care Quality Work Group.
- **Juan Kelly**, a senior actuarial adviser for Mahoney & Associates in Fort Lauderdale, Fla., has joined the Academy's Federal Long-Term Care Task Force.
- Joining the Academy's Long-Term Care Principles-Based Work Group are **Brian Kiel**, a vice president and actuary with Metropolitan Life Insurance Co. in Bridgewater, N.J.; **James Stoltzfus**, a consulting actuary for Milliman in Wayne, Pa.; **Alan Sturm**, an assistant vice president for New York Life Insurance Co. in New York; and **Jeremy Williams**, an actuary with Conseco Insurance Cos. in Carmel, Ind.
- **Valerie Lendt**, president and consulting actuary with Pricing & Analysis Resources Inc. in Omaha, Neb., has joined the Academy's Medicare Supplement Work Group and the Academy's Consumer-Driven Health Plans Work Group.
- **Kelly Munger**, senior vice president of managed care for StarLine Group in Minneapolis, has joined the Academy's Medicaid Work Group.
- Joining the Academy's Health Practice International Task Force are **Rebecca Owen**, an actuary with PacificSource Health Plans in Springfield, Ore.; **Roy Strewchuk**, vice president and actuary for Blue Cross Blue Shield of Texas in Dallas; and **Wei Sun**, director, actuarial, for UnitedHealth Group in Cypress, Calif. Owen is also joining the Academy's Disease Management Work Group.
- Joining the Academy's Consumer Driven Health Plan Work Group are **Troy Filipek**, an actuary for Milliman in Brookfield, Wis.; **Vincent Kane**, a research scientist working with DxCG Inc. in Boston; **Karen Bender**, a principal for Oliver Wyman Actuarial Consulting in Milwaukee; and **Tammy Tomczyk**, a principal for Oliver Wyman Actuarial Consulting in Milwaukee. **Bender** is also joining the Academy's Health Care Quality Work Group.
- Joining the Academy's Uninsured Work Group are **Patrick Getzen**, vice president of actuarial services for Blue Cross Blue Shield of N.C. in Durham; **Gayle Brekke**, associate actuary for dental financial for Assurant Employee Benefits in Kansas City, Mo.; and **Joann Hess**, senior vice president of Aon Consulting in Baltimore. **Hess** is also joining the Academy's Medicaid Work Group.
- **David Smith**, vice president and chief actuary with National Teachers Associates in Addison, Texas, has joined the Academy's Health Principles-Based Work Group.



## COPLFR Presents at NAIC Summit on PIC Risk Transfer

ON BEHALF of the Academy's Committee on Property and Liability Financial Reporting (COPLFR) and its Risk Transfer Work Group, COPLFR Chairperson Marc Oberholtzer gave a presentation on risk transfer practices for regulators and financial examiners at the National Association of Insurance Commissioners (NAIC) financial summit Nov. 5 in Atlanta. The presentation was provided as an initial training session on risk transfer in response to regulators' requests.

The presentation focused on risk transfer considerations and the concept of "reasonably self-evident." Oberholtzer explained several defining characteristics of those contracts for which risk transfer is considered to be reasonably self-evident, which he said includes the vast majority of traditional reinsurance arrangements. This includes contracts in which "the potential loss to the reinsurer is much larger than the premium for the coverage provided, the contractual terms and conditions of coverage are standardized for the classification or type of contract, and the contract does not include provisions that enable the reinsurer to recover all or a significant portion of the covered losses."

Oberholtzer also addressed other topics related to risk transfer as part of the presentation, including the background and pricing of reinsurance, an update on the progress of the Financial Accounting Standards

Board's Risk Transfer Project, recent risk transfer trends in practice, and coming attractions of the Academy's continuing work on risk transfer issues.

One such coming attraction is the work group's continuing provision of assistance to the NAIC's study groups and task forces in addressing issues raised by regulators on risk transfer. Oberholtzer's presentation is likely to be reproduced during the coming year as additional guidance is sought on certain elements of the risk transfer process. Additionally, the NAIC's Casualty Actuarial Task Force and its P&C Reinsurance Study Group will reissue a risk transfer survey to property and casualty insurance companies later this year. The Academy work group will provide an analysis of the updated survey results to the NAIC.

—LAUREN PACHMAN

### CASUALTY BRIEFS

- ▶ Joining the Academy's Committee on Property and Liability Financial Reporting are **Nancy Treitel**, chief actuary for Liberty Mutual Group in Boston; **Bobb Lackey**, a P/C actuary with Alfa Insurance Co. in Montgomery, Ala.; **Kathleen Quinn**, vice president with Towers Perrin in Philadelphia; **Dave Heppen**, senior manager with Deloitte Consulting LLP in Philadelphia; and **Neil Schmidt**, executive vice president and chief actuary with Platinum Underwriters Reinsurance in New York.

### DO YOU KNOW AN ACTUARY WHO HAS MADE AN OUTSTANDING PUBLIC SERVICE CONTRIBUTION? The Academy is looking for nominations for the 2008 Robert J. Myers Service Award.

The award, named for the former chief actuary of Social Security, recognizes candidates with a single noteworthy public service achievement or those who have devoted careers to public service. The nominee may be a current or former government employee, the employee of an organization whose primary focus is government work, or an unpaid volunteer working at a philanthropic organization. Public work completed by a paid consultant, by a member of an actuarial committee, or by someone who is an officer of an actuarial organization is ineligible.

You may send in a nomination by filling out and mailing or faxing the form below. Or e-mail your nomination to Rita Winkel, the Academy's legal assistant ([winkel@actuary.org](mailto:winkel@actuary.org)). Nominations are due by Feb. 15, 2008.

I nominate the following actuary for the 2008 Robert J. Myers Public Service Award: \_\_\_\_\_

How did this individual's public service make outstanding contributions to the public good?  
(Use a separate sheet of paper if necessary.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

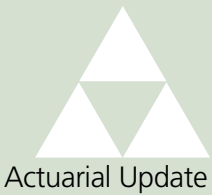
Please print your name and telephone number (optional). Thank you.

Name \_\_\_\_\_

Work phone \_\_\_\_\_

Mail your nominations to: American Academy of Actuaries, Attn: Rita Winkel, 1100 17th Street, NW, 7th Floor, Washington, DC 20036

Or fax it to: 202-872-1948



### ASSOCIATE EDITORS

William Carroll  
Patrick Collins  
Andrew Erman  
Rade Musulin  
Geoffrey Sandler  
Donald Segal

### EDITOR

Tim Dougherty  
([editor@actuary.org](mailto:editor@actuary.org))

### DESIGN AND PRODUCTION

BonoTom Studio Inc.

### MARKETING AND PUBLICATION

#### PRODUCTION MANAGER

Cindy Johns

## American Academy of Actuaries

### PRESIDENT

William Bluhm

### PRESIDENT-ELECT

John Parks

### SECRETARY-TREASURER

Andrea Sweeny

### VICE PRESIDENTS

Thomas Campbell  
Robert Miccolis  
James Rech  
Kathleen Riley  
John Schubert  
Thomas Terry

### EXECUTIVE DIRECTOR

Kevin Cronin

### DIRECTOR OF COMMUNICATIONS

Steven Sullivan

### ASSISTANT DIRECTOR FOR PUBLICATIONS

Linda Mallon

### MANAGING EDITOR, INTERNET AND NEW MEDIA

Anne Asplen

### EXECUTIVE OFFICE

The American Academy of Actuaries  
1100 Seventeenth Street NW  
Seventh Floor  
Washington, DC 20036  
Phone 202-223-8196  
Fax 202-872-1948  
[www.actuary.org](http://www.actuary.org)

Statements of fact and opinion in this publication, including editorials and letters to the editor, are made on the responsibility of the authors alone and do not necessarily imply or represent the position of the American Academy of Actuaries, the editors, or the members of the Academy.

©2008 The American Academy of Actuaries. All rights reserved.