JAN 2012

Actuarial UPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Academy Priorities for 2012

IT'S AN ELECTION YEAR AGAIN—a reality that's reflected in the priorities of several Academy practice councils. To ensure that voters, policymakers, and candidates have the actuarial analysis necessary for informed policy discussions, both the Health and Pension Practice councils are developing election guides on Medicare, the Affordable Care Act (ACA), and Social Security reform.

The councils also will concentrate on promoting actuarial professionalism, finalizing the valuation manual for life products, monitoring international accounting standards, and addressing lifetime income options for retirement.

The Academy's councils are planning a variety of webinars and seminars to help actuaries keep up to date with current regulations and practices and meet continuing education requirements. And several of the councils plan to expand their already close working relationships with U.S.-based organizations such as the National Association of Insurance Commissioners (NAIC), the Financial Accounting Standards Board (FASB), and the Government Accounting Standards Board (GASB), and their international contacts through the International Actuarial Association (IAA), the International Association of Insurance Supervisors (IAIS), and the International Accounting Standards Board (IASB).

The following are the top priorities for 2012 as identified by each council. Stay tuned for further developments on these and other issues in the *Update* and on the Academy's website.

SEE 2012 PRIORITIES, **PAGE 7**

LATE-BREAKING NEWS

AS PART OF ITS MISSION to serve the public and the U.S. actuarial profession, the Academy filed on January 27 an amicus curiae brief with the U.S. Supreme Court in the pending challenge to health reform. The brief addresses a very narrow aspect of the cases before the court—the severability of the individual mandate from the other market reform provisions, namely guaranteed issue and modified community rating provisions. The brief does not take a position on the constitutionality of the individual mandate or whether any other provisions in Affordable Care Act (ACA) are severable from the mandate—nor does it support or oppose the ACA as a whole.

The Academy also identified key policy priorities needed to restore the nation's fiscal health and financial security in a news release on Jan. 24, which was circulated in advance of President Obama's address on the State of the Union.

For more on these and other late-breaking news, visit the Academy website.

Meet Dave Sandberg, the Academy's 47th President

AS A STUDENT at Brigham Young University in the late 1970s and early 1980s, Dave Sandberg never thought about what he was going to do for a living. His focus was to gain strong math, writing, language, and analytical skills. But when Sandberg graduated in 1981 with a major in economics and minor in philosophy, the deep economic downturn at the time meant that his job options were slim. A small employment ad—"Wanted: person with math aptitude"—was his entrance into the actuarial profession. Six months and one exam later, he was hired by Southwestern Life Insurance Co. in Texas.

Today Sandberg is a vice president and consulting actuary for Allianz Life Insurance Co. of North America in Minneapolis. Although his school days are long behind him, his continued zest for learning has expanded to include, among other things, financial reporting, accounting, product management, and enterprise risk management (ERM).

"A good friend of mine told me recently that ERM has become the hammer that I apply to every nail (problem) I encounter," Sandberg said in his remarks as incoming president at the Academy's annual meeting in

SEE SANDBERG, **PAGE 9**


Dave Sandberg

CALENDAR

JANUARY

17 CUSP meeting, Washington

18 Board of Directors meeting, Washington

19 P&C Opinion Writing webinar (Academy/CAS)

25–27 Actuarial Standards Board meeting, Sarasota, Fla.

FEBRUARY

8 Medical Loss Ratios webinar (Academy, SOA)

10 Affordable Care Act webinar (Academy, CCA, SOA)

24–26 NCOIL spring meeting, Biloxi, Miss.

MARCH

3–6 NAIC spring meeting, New Orleans

5–6 Actuarial Standards Board meeting, Washington

25–28 Enrolled Actuaries Meeting, Washington

APRIL

4 Executive Committee meeting, Washington

18–20 CAS Enterprise Risk Management Symposium, Washington

18–20 The ASPPA 401 (k) Summit, New Orleans

MAY

8 CUSP meeting, Niagara-on-the-Lake, Ontario

9–10 NAAC meeting, Niagara-on-the-Lake, Ontario

17 Board of Directors meeting, Washington

20–23 CAS spring meeting, Phoenix

23–26 IAA meeting, Los Angeles

30–June 1 NAIC Financial Summit, Washington

JUNE

21–22 CIA annual meeting, Toronto

JULY

12–15 NCOIL summer meeting, Burlington, Vt.

16 Summer Summit, Washington (Academy)

To continue receiving the *Update* and other Academy publications on time, remember to make sure the Academy has your correct contact information. Academy members can update their member profile at the member log-in page on the Academy website.

Academy NEWS Briefs

Professionalism Webinar Library Free to Members

ACADEMY MEMBERS NOW HAVE FREE and unlimited access to the entire growing library of Council on Professionalism webinars, which date back to September 2007. The webinar recordings are a convenient way for members to stay up to date with professionalism issues while earning continuing education (CE) credits that can be counted toward the required annual three hours of continuing education on professionalism topics, as detailed in the U.S. Qualification Standards (2.2).

To access the professionalism webinar audio recordings and slide presentations:

- Go to http://www.actuary.org/webcasts/webcasts_professi.asp and click on the webinar that interests you;
- In the Resources section, click on the type of file you would like to download;
- You will be directed to log in to your member account (unless you are already logged in);
- After entering your name and email address you will be directed automatically to the file you wish to download.

There are more than a dozen professionalism webinar recordings that cover topics such as applying the Code of Professional Conduct in uncertain economic times; a look at how international standards can affect U.S. actuaries; an examination of the revised Actuarial Standards of Practice No. 41, *Actuarial Communications*; and a discussion about the profession's responsibility to the public.

Boxscore Published

THE JANUARY 2012 EDITION of the Actuarial Standards Board's *Boxscore* is now available. This issue discusses two pension actuarial standards of practice (ASOPs) exposure drafts—ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, and ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*—which are scheduled to be released in early 2012. It also provides information about proposed revisions to the *Introduction to Actuarial Standards of Practice* that is scheduled for release in early 2012. The revised introduction seeks to define an appropriate level of practice, to remove references to prescribed statements of actuarial opinion that are now contained in the definition of "statements of actuarial opinions" under the U.S. Qualification Standards, and to amend the provisions on deviations from the ASOPs to conform to the deviation provisions of ASOP No. 41, *Actuarial Communications*. For more information about all the board's activities, visit the ASB website.

TEE UP IN SUPPORT OF YOUTH EDUCATION!

Register today for the 2012 Insurance Legends' Golf Classic, which is being held on Sunday, March 4, prior to the 2012 ReFocus Conference in Las Vegas. Don't miss this opportunity to network with colleagues and play one of America's top resort courses. All event proceeds will support the Actuarial Foundation's youth education initiatives.

Membership Dues Reminder

THE DEADLINE FOR THE PAYMENT of 2012 Academy dues was Jan. 1, 2012. If you haven't renewed your Academy membership, remember you must pay your 2012 dues by May 1 to avoid the 20 percent late fee. You can pay online by logging in to the members-only page of the Academy website and following the instructions there.

If you have questions about your account or the website, or to how to make multiple payments in a single transaction, contact Mary McCracken, the Academy's membership database administrator, at (202) 223-8196 or membership@actuary.org.

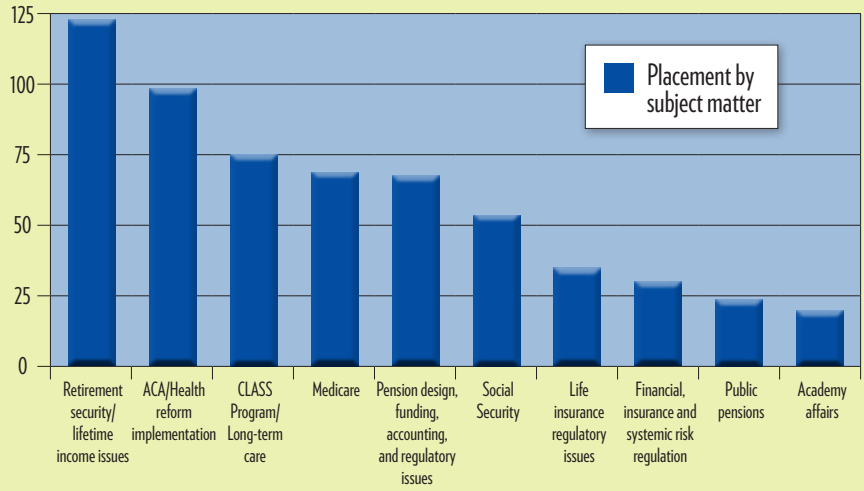
2011 Year in Review **Media Activity**

Media Placements by Topic

The Academy records media placements to measure its public exposure and ability to deliver its messages to key audiences through the media. A placement is an article containing an Academy reference, quote, or attribution from an Academy spokesperson. It also includes the placement of an Academy-produced letter to the editor, op-ed, or article in an external publication.

Consumer-related pension and retirement issues, including lifetime income and retirement risks, gained the most media coverage for the Academy in 2011. Following close behind were a host of health subjects, including implementation of the Affordable Care Act, the Community Living Assistance Services and Supports (CLASS) program, and Medicare. The CLASS program is a voluntary, federal long-term care insurance program that was created by the Affordable Care Act (ACA). For the Academy's media tracking purposes, it has been classified with long-term care issues as opposed to ACA implementation issues.

TOP TEN TOPICS FOR MEDIA COVERAGE

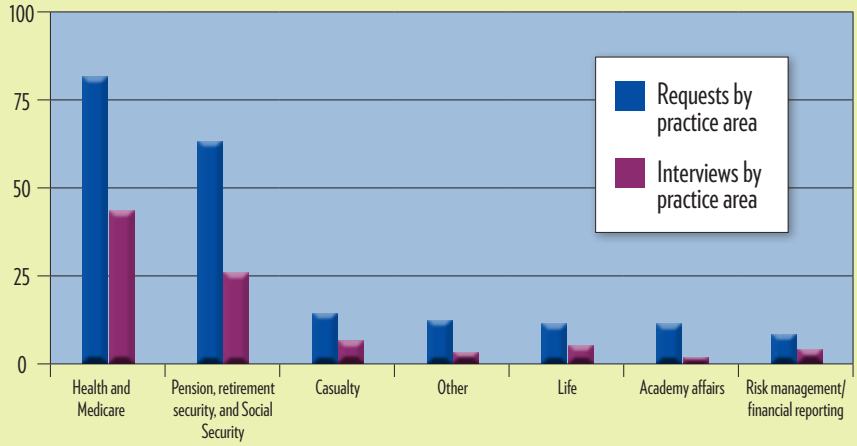


Media Requests and Interviews by Practice Area

The Academy uses requests and interviews to measure the Academy's interaction with the news media. A request results from an inquiry from a member of the news media to the Academy for information on a subject. An interview results when an actuary or group of actuaries provides an interview on behalf of the Academy to a member of the news media in response to a request.

The following is a breakdown of media requests and interviews in 2011 by practice area. Health issues garnered the most inquiries in 2011 and led to the most media interviews, with 80 requests leading to 42 interviews. Pension and retirement questions took the No. 2 spot for both requests and interviews, and casualty topics ranked third in both categories.

MEDIA CONTACT BY PRACTICE AREA



IN THE NEWS

CONTINGENT ANNUITIES

A Dec. 22 *National Underwriting Life & Health* article recapping a National Association of Insurance Commissioners (NAIC) Contingent Deferred Annuity Subgroup conference call included a discussion of a report to the subgroup delivered by then Academy Life Products Committee Chairperson Cande Olsen on behalf of the Academy Contingent Annuity Work Group (CAWG). Olsen said that the Academy work group concluded that contingent annuities are similar to products with guaranteed lifetime withdrawal benefits and that the basic regulatory framework in place for other products can be applied to contingent annuities with few or no modifications. A related Oct. 28 analysis by the Academy CAWG provided to the NAIC was also discussed.

The Academy CAWG analysis also was cited in a Jan. 8 Investment News article that explored the emergence of contingent annuities, also known as stand-alone living benefits. As reported in the article, the Academy CAWG found that a contingent annuity differs from financial guaranty insurance and should not be classified as such. Rather, the work group said that contingent annuities should be classified as a type of annuity product.

MEDICAL LOSS RATIO REQUIREMENTS

The Academy's July 2009 critical issues paper on medical loss ratios was cited and linked in Web articles by *Reason* magazine on Dec. 21 and Jan. 6. The actuaries wrote that "minimum loss ratios do not help contain health care spending growth, ensure that health care services are appropriate and accurately billed, or address directly the quality and efficiency of health care services." They concluded, "While a well-designed minimum loss ratio requirement may be an appropriate component of a federal health reform package, such requirements should not be viewed as a panacea."

INSURANCE ACCOUNTING

The Academy's former Risk Management and Financial Reporting Vice President Henry Siegel and former Life Financial Reporting Committee Chairperson Leonard Reback discussed the Financial Accounting Standards Board's new guidance for acquiring and renewing insurance contracts in the January 2012 issue of *Best's Review*.

To find out about other actuaries in the news and for external links, visit the Academy's newsroom.

Online Voting Returns for 2012 Regular Director Election

ACADEMY MEMBERS WILL BE VOTING ONLINE again in 2012 to elect at least three regular directors to the Academy board of directors. Following a successful one-year test of online voting in 2011, the board voted at its Jan. 18 meeting to adopt online voting for 2012 and future years. The specific dates of the election have not been set, but it is expected to be conducted for several weeks in late summer.

The board also voted to continue for a second year the one-year trial process by which Academy members can use a petition process to nominate themselves or others for consideration as an Academy regular director. This is in addition to the existing nomination procedures by which (1) members can recommend themselves or others for regular director by submitting a name or names directly to the Nominating Committee and (2) the Nominating Committee can reach out directly to members and ask them to seek election to the board as a regular director. Several current regular directors have been nominated and elected as a result of the existing process, by which they indicated their interest in the position directly to the Nominating Committee.

The board instituted the petition process on a one-year trial basis in 2011 with the goal of allowing competitive elections for regular director. Although no members submitted nomination petitions in 2011, the board recognized that the nomination-by-petition process was adopted in May last year, leaving only a relatively brief time for members to complete, circulate, and submit petitions. "We hope that by continuing the test for another year and by starting the process much earlier, we can better determine members' interest in nominations by petition and competitive elections for regular director," Academy President Dave Sandberg said.

As in 2011, nominating petitions must carry the valid signatures of at least 50 Academy members representing a minimum of five different employers. Nominating petitions may be downloaded from the online Academy Board Election Center, beginning sometime in February.

The Nominating Committee may place up to five nominees on the ballot for each of the open regular director positions for the class of 2015. Nominating Committee guidelines suggest that practice area representation across the entire board be considered when nominating regular directors. As officer candidates are identified, the Nominating Committee will announce the practice areas it expects regular director nominees to represent.

Chaired by 2010 Academy President Ken Hohman, the Nominating Committee includes President Dave Sandberg, Immediate Past President Mary Frances Miller, and President-Elect Cecil Bykerk. Filling out the committee are one regular director from each of the three classes of Academy regular directors (Mary D. Miller, 2012; Jeff Petertil, 2013; Mary Bahna-Nolan, 2014) and the four special directors whose terms expired in 2011 (Annie Voldman, ASPPA College of Pension Actuaries; Ralph Blanchard, Casualty Actuarial Society; Adam Reese, Conference of Consulting Actuaries; Don Segal, Society of Actuaries).

"The Nominating Committee strongly encourages Academy members to participate in this process by letting us know your recommendations for open regular director positions," Hohman said. You can submit recommendations (including your own name) by visiting the online Academy Board Election Center.

FREE ACA WEBINAR

The Affordable Care Act—What Every Actuary Should Know

Feb. 1, Noon–1:30 EST

Members of the Health Practice Council will discuss key provisions in the law with a focus on those intended to expand coverage. Topics will include:

- The goals of health care reform;
- Key provisions of the law;
- Status of implementation of important ACA components, such as discussion of recent final regulations;
- How the Academy has been involved in the law's implementation.

All actuaries, regardless of practice area, are encouraged to attend. This webinar may qualify for continuing education credit depending on your practice area.

Click here for more information and to register.

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- Joining the Academy's Risk Management and Financial Reporting Council are **Steve Kellison**, an actuary in Orlando, Fla., and **Steve Malerich**, assistant vice president and actuary for AEGON USA in Cedar Rapids, Iowa.
- **Seong-Min Eom**, manager for KPMG in New York, has joined the council's ERM Committee.

PROFESSIONALISM BRIEFS

- **D. Joeff Williams**, a consultant for Actuarial Management Resources in Winston-Salem, N.C., has joined the Academy's Council on Professionalism and is the new chairperson of the Academy's Life and Health Qualifications Seminar Committee.

LIFE BRIEFS

- **Steve Malerich**, assistant vice president and actuary for AEGON USA in Cedar Rapids, Iowa, has been appointed chairperson of the Academy's Life Financial Reporting Committee, and **Elizabeth Rogalin**, vice president and chief actuary, retirement solutions, for Guardian Life Insurance Co. in New York, has been appointed vice chairperson. Others joining that committee are **Sophia Dao**, director and actuary for Metlife in Wilmington, Del., and **Mike Leung**, vice president for PolySystems in Chicago. **Rogalin** and **Malerich** also have joined the Academy's Life Practice Council.

PENSION BRIEFS

- **Jason Tomanda**, a consulting actuary for Towers Watson in Arlington, Va., has joined the Joint Academy/SOA Pension Finance Task Force.

Academy Names New General Counsel

Jones Gets the Call

THE LURE OF WASHINGTON and prospect of returning to his professional calling—providing legal counsel—brought Keith Jones to the Academy last November. For the Academy's new general counsel and director of professionalism, it was a homecoming of sorts.

Jones served as the general counsel for the National Association of Clean Water Agencies in Washington for several years before moving to Gladwyne, Pa., in 2010 to become the executive director of the Lower Merion Conservancy. After guiding the nonprofit organization through a transition period, Jones was ready to return to Washington and his legal career.

"I really missed being an attorney," Jones said. "Coming to the Academy has allowed me to get back to what I really love—the law—and provided an opportunity for me to learn a whole new profession."

At the Academy, Jones will focus on initiatives related to qualifications and international standards with the Council on Professionalism and its various committees. He also will interact with the Actuarial Standards Board (ASB) and Actuarial Board for Counseling and Discipline (ABCD).

Jones said that he finds working with the ASB and ABCD fascinating and is impressed with the dedication of the volunteers on the boards.

"They are a very smart group of people," Jones said. "I've worked with a lot of volunteers before, but the ASB and ABCD volunteers go above and beyond and take their work very seriously. In my short time with the Academy, I have been amazed by the amount of time and effort these volunteers give to their work."

Jones graduated magna cum laude with a degree in communications from Rider University in Lawrenceville, N.J. He earned his juris doctorate from the Temple University School of Law. He also holds a master's degree in environmental studies for resource management from the University of Pennsylvania. He started his legal career as a judicial clerk for a trial judge in Pennsylvania and then became an associate with a large Philadelphia law firm. Prior to serving as general counsel for the National Association of Clean Water Agencies, Jones was a divisional deputy city solicitor for the city of Philadelphia, where he served as general counsel to the city's water utility.

"Keith has an extensive legal background and substantial experience working with associations and boards of directors," said Academy Executive Director Mary Downs.


Keith Jones

"His experience will be a great asset to the Academy as he oversees the association's legal affairs and advances the actuaries' professionalism work to help establish, maintain, and enforce high professional standards of actuarial qualification, practice, and conduct."

Jones and his wife, Susan, live in Fairfax, Va., and have two boys, Parker, 4, and Mason, who will be 2 in March. Jones said he enjoys playing the piano and running but has had little time for either since the boys arrived. He says that most of the running he does today is chasing after his sons.

2012 EA MEETING

March 25–28
Marriott Wardman Park Hotel, Washington

Register now for the 37th annual Enrolled Actuaries Meeting sponsored by the Academy and the Conference of Consulting Actuaries. The EA Meeting is the year's best opportunity to network with other pension actuaries, exchange ideas and questions with speakers, and interact with representatives from the IRS, the Department of Labor, and the Pension Benefit Guaranty Corp.—all the while earning up to 18 hours of continuing education credit.

Additional continuing education opportunities are available before and after the meeting, including the Professional Standards Seminar on March 25 and the 2012 Pension Symposium on March 29–30.

For more information and to register for the meeting and additional seminars, go to www.enrolledactuaries.org.

MLR WEBINAR

Medical Loss Ratios—Final Regulations and Repercussions for the Health Insurance Marketplace
Feb. 8, Noon–1:30 EST

This webinar will focus on the final regulations implementing the medical loss ratio requirements in the Affordable Care Act that were published by the Department of Health and Human Services in December 2011. The presenters will discuss:

- The final regulations and how they differ from the interim final regulations;
- Insurer experience with MLR reporting and rebates to date;
- Areas of uncertainty in MLR and rebate calculations and how regulators may respond;
- Implications for 2014 and beyond.

This webinar may qualify for continuing education credit depending on your practice area.

Click here for more information and to register.

2011 LEGISLATIVE WRAP-UP

HEALTH CARE AND FINANCIAL SERVICES REFORM dominated the legislative and regulatory agenda in 2011—and are likely to be hotly debated this year in the run-up to the general election. But a host of other issues—from deficit reduction to solvency modernization, lifetime income and a principle-based approach to life reserves—also demanded the time and attention of scores of Academy committees, work groups, and task forces. Here are some of the highlights of legislative and regulatory action and corresponding Academy activities in 2011. For a complete discussion, read the Academy's 2011 Legislative/Regulatory Review.

Health Care Reform

Implementation of the Affordable Care Act (ACA) continued throughout 2011. The Department of Health and Human Services proposed regulations for risk-sharing mechanisms; issued initial guidance on essential health benefits; and circulated final rules for medical loss ratio reporting and rebates, the new rate review process, and accountable care organizations.

Critics of the legislation challenged the constitutionality of ACA, with several appeals courts handing down conflicting decisions that underscored the lack of consensus on the issue. On Nov. 14, the Supreme Court agreed to hear arguments regarding the constitutionality of the ACA, and the court is expected to hear arguments in March 2012. A decision isn't expected until June.

Financial Services Reform

Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act also proceeded throughout 2011. Treasury Secretary Timothy Geithner on March 22 appointed Michael McRaith, former Illinois insurance commissioner, as the first head of the Federal Insurance Office (FIO). The FIO is a component of the Dodd-Frank Act that was created to identify potential risks in the stability of the financial services marketplace. While having no regulatory powers, the FIO will report its findings to Congress and other federal offices as requested.

The Financial Stability Oversight Council (FSOC), also created by the Dodd-Frank Act, released its first annual report to Congress on July 26. The FSOC's principal objectives are identifying financial stability risks, ensuring market discipline, and responding to emerging risks in the U.S. financial system.

The Academy's Financial Regulatory Reform Task Force offered several sets of comments on the FSOC's proposed rule to require supervision and regulation of certain nonbank financial companies. The task force's Feb. 25 comments stressed that risk metrics should provide distinguishing information/data to identify where there is a substantial concentration of risks among companies and where a subsequent failure of these nonbank financial companies could have an adverse effect on U.S. financial stability. The task force specified metrics on June 24 to assist in identifying industry trends, including the possible accumulation of systemic risk. In a Dec. 19 letter to the FSOC, the task force commented on terms related to systemically important nonbank financial institutions.

The Academy submitted a letter to the Department of the Treasury on June 8 advocating actuarial participation on the Federal Advisory Committee on Insurance (FACI), an organization that will work in conjunction with the FIO. The Academy wrote that it was critical that individuals with actuarial experience be included on the FACI. The Academy submitted additional comments reinforcing its position on Aug. 2.

The Financial Regulatory Reform Task Force offered comments to the FIO on Dec. 16 on its study on how to modernize and improve insurance regulation in the United States. The comments address the areas in which the actuarial skill set uniquely relates to insurance oversight, the regulation of insurance risk, and, more specifically, systemic risk.

Deficit Reduction Proposals

The Joint Select Committee on Deficit Reduction was charged with developing a proposal by Nov. 23, 2011, that would reduce the deficit by $1.5 trillion over a 10-year period. The committee investigated deficit reduction via revenue increases, including raising taxes; tax reforms, such as simplifying the tax code and eliminating some tax breaks and loopholes; military spending cuts; and measures to reform and slow the growth of Medicare, Medicaid, Social Security, and other entitlement programs.

The Academy's Medicare Steering Committee sent a letter to all members of the Joint Select Committee on Aug. 31 encouraging the development of sound public policy proposals to improve the long-term solvency and sustainability of the Medicare program. The Social Security Committee sent a similar letter on Sept. 22 to President Obama, Senate Majority Leader Harry Reid (D–Nev.), and Speaker of the House John Boehner (R-Ohio), focusing on the long-term financial challenges facing Social Security and the importance of taking action to reform the program sooner rather than later.

On Nov. 21, the committee issued a statement announcing that its deliberations had been unsuccessful. As a result of the committee's inability to reach an agreement, $1.2 trillion in across-the-board cuts are scheduled to be implemented over the next nine years, starting in 2013. Any cuts to Medicare would be limited to provider payments and could not exceed 2 percent of the program's costs. The cuts will not affect Social Security, Medicaid, veterans' benefits, Pell Grants, disability insurance, Supplemental Security Income, the Children's Health Insurance Program, or war financing.

Lifetime Income Options for Retirement

The Treasury Department in October announced a review of regulations pertaining to retirement plans to determine a method of better promoting retirement security in the form of retirement income. The Academy continued its focus on the issue of lifetime income options for retirement with a Capitol Hill briefing on April 4. The Academy urged public policy reforms that could achieve the goal of lifetime income, such as providing incentives for workers to increase retirement savings, discouraging lump sum distributions from defined contribution (DC) plans and encouraging annuitization of

SEE WRAP-UP, **PAGE 8**

Council on Professionalism

➡ As in past years, the council will coordinate and promote actuarial professionalism to members of all five U.S.-based actuarial organizations. Through the activities of the Committee on Actuarial Public Service, the Committee on Professional Responsibility, the Committee on Qualifications, the Joint Committee on the Code of Professional Conduct, and the Life and Health Qualifications Seminar Committee, the council will continue to encourage actuaries to achieve and maintain a high level of professionalism in their practices.

➡ The council has plans to sponsor at least four low-cost (free to regulators and qualified Academy volunteers) webinars on various professionalism topics throughout the year to assist actuaries in meeting the continuing education requirements of the U.S. Qualification Standards.

➡ The Committee on Qualifications will serve as a sounding board, responding to questions and inquiries from actuaries, employers and recruiters of actuaries, and regulators regarding actuarial qualifications under the U.S. Qualification Standards. The council also will consider additional ways for actuaries to comply with their obligations under the U.S. Qualification Standards and the Actuarial Standards of Practice.

Casualty Practice Council

➡ The council will initiate, manage, and oversee a public policy monitoring and outreach system that targets property and casualty insurance issues at the state level.

➡ The council will focus on strengthening the profession's reputation by integrating the Academy's operational and strategic plans in the ongoing planning and activities of the Casualty Practice Council and its committees, subcommittees, and task forces.

➡ The Committee on Property/Liability Financial Reporting plans to provide educational opportunities to actuaries who sign NAIC opinions by:

- Publishing its annual *Statements of Actuarial Opinion on Property and Casualty Loss Reserves* practice note and Property/Casualty Loss Reserve Law Manual;
- Sponsoring the annual Effective Property/Casualty Loss Reserve Opinions Seminar;
- Co-hosting a webinar with the Casualty Actuarial Society that will address a topic arising from the Effective Property/Casualty Loss Reserve Opinions Seminar; and
- Presenting at the Casualty Loss Reserve Seminar.

➡ The Medical Professional Liability Committee plans to continue to publish educational fact sheets on issues of importance in medical professional liability, including tort reform, policy types, and death, disability, and retirement benefits.

Health Practice Council

➡ The council plans to expand awareness of its public statements and positions by tailoring the information to different audiences, including Academy members, the public, policymakers, and the media. The council also will host webinars to keep members informed about relevant issues and related council activity and offer new ways—such as election guides and sample PowerPoint presentations—for members to engage their own communities in health-related topics.

➡ The council and its work groups will continue to offer input on the implementation of the ACA with a greater emphasis on working with the NAIC and state regulators. Much of the focus will be on issues such as defining essential health benefits, implementing the new rate review process, establishing exchanges, and developing risk-sharing mechanisms.

➡ To ensure that the Academy plays a meaningful role in the upcoming debate over Medicare, the council and its Medicare Steering Committee will analyze and offer input to policymakers on proposals to reform the program and ensure its financial sustainability.

➡ The council will develop a long-term plan to position the profession as an objective technical expert in the debate over health care costs that is expected to occur before the end of the decade.

Life Practice Council

➡ With the *Valuation Manual* nearing publication, the council will continue to help the NAIC revise and finalize the content, particularly with regard to the principle-based approach (PBA) for life products. It also will develop a strategy for involving the Life Practice Council in the state legislative approval process. The council will address other outstanding PBA issues, including the feedback loop, annuity framework, and capital.

➡ As the solvency modernization initiative (SMI) project moves forward, the council will support the implementation of the NAIC SMI Task Force's recommendations, including a review of the C1 component in the life risk-based capital formula. It also will provide feedback on the implementation of the NAIC's *Own Risk and Solvency Assessment (ORSA) Guidance Manual*.

➡ The council will continue to assist the NAIC on product-related issues, including nonforfeiture reform, life and annuity illustration, and new product forms such as contingent annuities. The council also will work with the Academy's Pension Practice Council, Lifetime Income Task Force, and Public Interest Committee to promote long-term solutions in the areas of lifetime income and retirement security.

Pension Practice Council

➡ To strengthen its relationships with policymakers, the council will continue to hold serious discussions and congressional briefings about the state of the defined benefit pension system, design and financing of sustainable retirement security systems, and new ideas for the future of retirement. Finding ways to increase the use of annuities in employer-sponsored pension plans, highlighting the importance of a lifetime stream of retirement benefits, and analyzing the financial condition and reform options for Social Security are of growing impor-

SEE 2012 PRIORITIES **PAGE 8**

WRAP-UP, continued from Page 6

lump sum distributions, penalizing leakage of funds at the time of DC rollovers or even mandating rollovers, supporting pooling of risk, and promoting lifetime income arrangements such as annuities.

The Academy's Public Interest Committee (PIC) in August released for comment a draft advocacy statement that expressed support for policy initiatives that would encourage secure lifetime income protection and address the challenges of retiree longevity risk. As a result of feedback from Academy members, the PIC is expanding the scope of its work on this issue through 2012. The Academy's Lifetime Income Risk Task Force (a joint Life Practice Council and Pension Practice Council work group) is coordinating with the PIC on Academy activities related to lifetime income.

Solvency Modernization Initiative (SMI)

The NAIC's SMI is a critical self-examination of the U.S. insurance solvency regulation framework. Included in this examination is a review of international developments regarding insurance supervision, banking supervision, and international accounting standards and their potential use in U.S. insurance regulation. To accomplish these goals, the NAIC created a road map to establish the policy direction and priorities for SMI activities and clarify the role and scope of various task forces, and working groups' SMI activities through 2012.

The Academy's Life, Health, and Property/Casualty RBC committees released a joint report on Jan. 31 to the NAIC's SMI RBC Subgroup in response to the NAIC's request for assistance with the SMI project. The report discusses intended and expected safety levels for risk-based capital (RBC) and identifies risks that are missing from the RBC formulas.

In addition, the Academy's Property/Casualty RBC Committee sent a letter to the subgroup on July 21, discussing the committee's progress in providing recommendations to improve the correlation/covariance methodologies used in the P/C RBC formula. The committee examined the theoretical underpinnings of the current NAIC methodology for taking risk interdependency into account with the P/C formula. The committee also surveyed alternative approaches. Once a general approach is chosen, the committee will provide an update to the NAIC.

PBA: Standard Valuation Law and Valuation Manual

The NAIC continued its work on the principle-based approach (PBA) project in 2011 in an effort to modernize the framework for determining life insurers' statutory required capital and reserves in the United States. If the valuation manual is adopted by the NAIC in March as expected, state legislatures could begin adopting the new Standard Valuation Law (and the accompanying valuation manual) as early as 2013.

The Academy continues to work with the NAIC to address several outstanding issues, including the reinvestment rate, difficulties with the net premium reserve, credibility blending in determining the mortality assumption, and the margins on assumptions.

The Academy hosted webinars on April 14 and Nov. 22 to discuss recent NAIC/PBA activity and the Academy's related work. And, in conjunction with the Society of Actuaries, the Academy presented two PBA seminars: Preparing for Change Under PBA: Life Company Reserves and Capital Seminar on May 18, and Preparing for Change Under PBA for Life Products: Life Company Reserves and Capital Seminar on Sept. 14.

2012 PRIORITIES, continued from Page 7

tance. The council hopes to leverage the work of its Forward-Thinking Task Force, joint Lifetime Income Risk Task Force, and research collaboration with the Society of Actuaries to find innovative solutions for a 21st-century retirement system.

➥ Implementation of the Pension Protection Act, including funding and benefit restriction regulations for both single-employer and multiemployer pension plans, will remain a high priority for the council. The council plans to continue conversations with Congress, the Internal Revenue Service, the Pension Benefit Guaranty Corp., and other relevant federal agencies to ensure that the actuarial voice is heard.

➥ The council will participate in discussions within the profession and among policymakers about appropriate disclosures, funding, and governance for public pension plans, including the ongoing GASB project on pension accounting and financial reporting. The council will continue to monitor and analyze congressional and executive branch policy development within the retirement arena, especially with respect to state and local government pension plans, as well as multiemployer plans.

➥ The Social Security Committee plans to produce an election guide for the public, the media, and policymakers to use during the 2012 election cycle when evaluating candidates' proposals for Social Security reform.

Risk Management and Financial Reporting Council

➥ The Financial Regulatory Reform Task Force will continue to provide Congress and other stakeholders with an actuarial perspective on the implementation of the Dodd-Frank Act. The task force also will monitor and review announcements by international organizations that may affect the federal regulation of insurance in the United States, especially relating to regulation of systemic risk.

➥ The Financial Reporting Committee and its International Accounting Standards Task Force will monitor and respond to developments by the International Accounting Standards Board of an accounting standard for insurance contracts. The task force will study any changes by FASB to U.S. GAAP (generally accepted accounting principles) for insurance contracts. The task force also will review the international financial reporting standards produced by the IAA.

➥ The Solvency Committee and the ERM Committee will respond to national and international initiatives by the NAIC and the IAIS concerning capital adequacy and solvency assessments, enterprise risk management, and the group supervision of insurance enterprises.

October. "That is mostly true, but it's not because ERM is 'the answer.' It is, more significantly, a sound set of management questions and conversations to communicate and create a culture of risk management around a common vision or objective."

Sandberg's interest in ERM came into greater focus when he started reading about the causes of the latest financial crisis.

"It was such a scary realization for me and other actuaries looking at the crisis," he said in a recent interview. "Our professional instincts caused all kinds of alarms to go off as we became aware that so many of the organizing principles around insurance just were not present in the management of those risks.

"This motivated my personal interest in helping to clarify what those management risks are," said Sandberg. "I'm grateful to have contributed to the proposed standards on risk management that the Actuarial Standards Board is working on. I think they will be an important benchmark for the profession by identifying what we do, how we do it, and why it is valuable."

As president of the Academy, Sandberg says, he hopes to help articulate the value of actuaries' work in a social context because many of the principles actuaries have learned have a broader application than just insurance and risk.

"Public discussions have become divisive and polarizing. Part of the dues we pay by being part of a prosperous society is that we don't get everything we want—but we still benefit from much greater rewards from being part of that society. As actuaries, we are trained to balance the competing interests of various stakeholders so that everyone is engaged, treated objectively, and gains from the transaction," he explained.

Sandberg said he also learned the importance of balancing stakeholders' interests as he juggled the often competing demands of his employer, profession, family, and personal life. On a professional level, he has worked as a health and a life actuary. For the past 20-plus years, he has worked for what began as a small start-up company, then went public, and later was bought by an international company. Sandberg said that his participation in the Academy has helped him learn to communicate complex topics to stakeholders who don't have an actuarial background. His two years as a Mormon missionary in France at the age of 19 taught him another important life lesson: the value of talking to people and listening to what they have to say.

DAVE SANDBERG

- Was born in the Fort Devens Army Hospital in Shirley, Mass., where his father was serving as a barber in the Army during the Korean War. He lived in Madison, Wis., and Tucson, Ariz., before moving in the late 1960s to Minneapolis, where he lives today.
- Is married to Cindy: "She is my radar, my reality check, my critic, my best friend." They have three children—Laurel, 29, an actor in the Minneapolis/St. Paul area; John, 26, a University of Minnesota graduate with a degree in political science; and Natalie, 21, a student at BYU. Dave and Cindy are expecting their first grandchild in March.
- Likes to wear ties that relate to the place he is visiting or topic of the meeting he is attending, or ties that were created by his family and serve to keep his home and family present no matter where he goes or how long he's away.
- Has been an active volleyball player since playing on the BYU team in college.
- Is an avid reader on topics from current to ancient history and a fan of the performing arts.

"People are interested in talking about important issues," Sandberg said. "And discussions done in a thoughtful manner are generally well received."

Looking to the year ahead, Sandberg said he is excited about working with the board of directors to create a new way of thinking about how the board and the activities of the Academy are managed.

"Our future as a profession and of our society lies ahead of us. We have some increasingly rich opportunities to make positive contributions," Sandberg said. "Members and groups of people at the Academy are doing a lot of amazing things. The councils are leading engaged discussions, and the board of directors are actively involved. I hope we can appreciate this coming year as a time of great contributions by a lot of great people."

CASUALTY BRIEFS

- **Dale Ogden**, president of Dale F. Ogden and Associates in San Pedro, Calif., has been appointed chairperson of the Academy's Committee on Property and Liability Financial Reporting and has joined the Academy's Casualty Practice Council. **Lisa Slotznick**, managing director for PricewaterhouseCoopers in Atlanta, has been appointed vice chairperson of the Committee on Property and Liability Financial Reporting.
- **Dale Porfilio**, vice president and chief actuary with Kemper Preferred in Jacksonville, Fla., has been appointed chairperson of the Property Lines Committee. He also has joined the Academy's Casualty Practice Council.
- **Mary D. Miller**, an actuary in Shelby, Ohio, has joined the Academy's Casualty Practice Council and has been appointed chairperson of the Academy's P/C Financial Soundness/Risk Management Committee.
- **Alice Underwood**, executive vice president for Willis Re in New York and leader of the analytics practice for Willis Re North America, has joined the Casualty Practice Council.
- **Jeffrey Kimble**, a consultant for Towers Watson in St. Louis, has been appointed chairperson of the Academy's Mass Torts Subcommittee.

Actuarial Update

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

EDITOR
Olivia Marshall
(editor@actuary.org)

DESIGN AND PRODUCTION
BonoTom Studio Inc.

DESIGNER
Paul Philpott

PUBLICATIONS AND MARKETING PRODUCTION MANAGER
Cindy Johns

EXECUTIVE OFFICE
The American Academy of Actuaries
1850 M Street NW
Suite 300
Washington, DC 20036
Phone 202-223-8196
Fax 202-872-1948
www.actuary.org

2011 P/C Loss Reserve Law Manual

The Property/Casualty Loss Reserve Law Manual is designed to help appointed actuaries comply with the NAIC annual statement requirements for statements of actuarial opinion (SAO). It is updated annually.

New this year:

- 35 jurisdictions have updated their information;
- One jurisdiction changed its original signature requirements;
- Three additional jurisdictions now require the Actuarial Opinion Summary, and
- 13 jurisdictions have new or additional confidentiality laws concerning the Actuarial Opinion Summary.

The manual includes a summary of:

- SAO requirements and the laws and regulations establishing those requirements for every state in the United States (as well as the District of Columbia and Puerto Rico);
- The annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.

Available formats:

- Single-User CD-ROM $750
- Single-User Web Access $750
- Multiple-User Web Access $3,000
- Per-Jurisdiction Web Access $100

Order options:

- Online
- Mail/Fax

NOW AVAILABLE

Questions

- For additional information, please contact Gabriel Swee at Swee@actuary.org or 202-223-8196.

The materials contained in the manual are for reference only and shouldn't be relied upon as a substitute for a thorough review of the laws, regulations, bulletins, and other materials published by individual U.S. states; Washington, D.C.; or Puerto Rico; or for individualized legal advice. Please note that the manual is subject to federal copyright laws in favor of the Academy and the National Association of Insurance Commissioners (NAIC), and no portion of the manual in whole or in part may be reprinted, copied, or utilized without the express consent of the Academy or, where noted in the manual, the NAIC.

2012 Life & Health Valuation Law Manual

The Life & Health Valuation Law Manual is designed to help appointed actuaries comply with the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. It is updated annually.

The manual includes:

- A summary of the valuation laws of all 50 states, the District of Columbia, and Puerto Rico;
- Copies of the NAIC model laws and regulations that may have an effect on reserve calculations;
- A discussion of generally distributed interpretations; and
- Copies of the current actuarial guidelines from the NAIC Examiners Handbook.

Available formats:

- Single-User CD-ROM Subscription $610
- Single-User Web Access $570
- Each Additional Password $320
- Multiple-User Web Access $2,645
- Multiple-User CD-ROM Subscription $2,670

Order options:

- Online
- Mail/Fax

NOW AVAILABLE

Questions

- For additional information, please contact Gabriel Swee at Swee@actuary.org or 202-223-8196.

The manual was created as an easy reference tool only and shouldn't be relied upon as a definitive source or as a substitute for your own thorough review of the applicable laws, regulations, rules, bulletins, or other materials published by the relevant state or federal government or agencies. This manual also is not a substitute for legal advice on the subject matter. Please note that the manual is subject to federal copyright laws in favor of the Academy and the National Association of Insurance Commissioners (NAIC), and no portion of the manual in whole or in part may be reprinted, copied, or utilized without the express consent of the Academy or, where noted in the manual, the NAIC.