Shortly before the Senate took up asbestos litigation as the first major item on its 2006 agenda, the Academy’s Mass Torts Subcommittee released a timely new issue brief, Current Issues in Asbestos Litigation.

Designed to inform public policy debate, the issue brief provides a concise overview of the current state of asbestos-related litigation and features a summary of available data sources and recent and proposed changes in the litigation environment, including a discussion of the current legislation under review in the Senate.

The issue brief flags two concerns. Because the current asbestos litigation system is an inefficient mechanism for providing compensation to victims (a recent study by the Rand Institute for Civil Justice estimated that only 41 percent of total spending was reaching claimants as net compensation for exposure-related illnesses), those who are sickest might not be compensated adequately. At the same time, the majority of claimants in recent years haven’t shown signs of impairment, which has led to stricter medical criteria for bringing a claim in some forums.

“Stricter medical criteria, combined with heightened scrutiny of potentially fraudulent claims, might lead to fewer mass settlements of pending claim inventories and will likely affect whether and how mass screening activities are conducted in the future,” said Actuarial UPDATE

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Make Your Time Count

Our time is precious, and the Academy knows it. You need to maximize your continuing education (CE) investment without minimizing the content.

In response to member suggestions, we’ve designed a leaner, more meaningful Academy Spring Meeting 2006 that should give you most of what you need, all in one jam-packed day: policy insights from Washington insiders; concurrent sessions on cutting-edge issues in the life, health, casualty, and pension areas; and a chance to speak your mind to the Actuarial Standards Board (ASB). Plus the annual Academy luncheon, including the presentation of the 2006 Robert J. Myers Public Service Award.

The meeting’s keynote speaker will be David Walker, comptroller general of the United States and head of the Government Accountability Office. Walker is a well-known expert on the sweeping demographic and economic changes that will result as the baby boom generation becomes a huge population of long-lived seniors.

See SPRING MEETING, Page 4
Calendar

MARCH
1 ASB meeting, Orlando, Fla.
1 Academy Life Practice Council meeting, Orlando, Fla.
2-3 NAIC Life and Health Actuarial Task Force meeting, Orlando, Fla.
4-7 NAIC spring meeting, Orlando, Fla.
9-10 Academy Health Practice Council Capitol Hill visits, Washington
10 Academy Federal Health Committee meeting, Washington
10 Academy P/C Extreme Events Committee meeting, Chicago
10 Academy Life Reserve Work Group meeting, Chicago
10-11 Global Conference of Actuaries, Mumbai, India
13-14 CAS ratemaking seminar, Salt Lake City
15 Retirement Security Principles Task Force meeting, Washington
16 Academy Life Financial Reporting Committee meeting, Washington
17-18 CUSAP task force meeting, Washington
20-21 SOA Investment Actuary Symposium, New York
22 Academy webcast on principles-based approaches
26 Professional standards seminar (Academy, CCA), Washington
27-29 Enrolled Actuaries Meeting, Washington
29 Small firms roundtable (Academy, CCA), Washington
29-30 Medicare Part D update (Academy, CCA), Washington
29-30 Pension reform symposium (Academy, CCA), Washington

APRIL
3 Academy Capitol Hill briefing on Social Security, Washington
5-6 SOA predictive modeling applications seminar, Chicago
6 Academy Executive Committee meeting, Washington
6 ASB meeting, Chicago
7 Academy Life Reserve Work Group meeting, Chicago
17 ASB Pension Committee meeting, Washington
20-21 CUSAP task force meeting, Washington
23-26 ERM symposium (CAS, SOA), Chicago
25 CIA pension seminar, Montreal

MAY
7-9 ASPPA Mid-Atlantic benefits conference, Philadelphia

WEB INTERFACE
Links to documents underlined in blue are included in the online version of this issue at www.actuary.org/update/index.asp

Academy NEWS Briefs

Bloom Leaving Academy

LAUREN BLOOM, the Academy's longtime general counsel and director of professionalism, has accepted a position as general counsel at the Navy Mutual Aid Association, a fraternal life insurance organization for members of the Navy, Marines, Coast Guard, National Oceanic and Atmospheric Administration, and U.S. Public Health Service. Bloom, who came to the Academy in 1992, will be leaving in mid-March.

"Lauren is not only well versed in the law but is also intelligent, thought-provoking, articulate, personable, and tolerant of actuaries," said former Academy President Jack Turnquist, who has worked with Bloom on a number of projects over the years. "Her contributions have far exceeded those of merely providing appropriate legal counsel. She will be sorely missed."

"Lauren's knowledge level and her background and understanding of the Academy's goals have been invaluable," agreed Geoff Sandler, the Academy's vice president for professionalism issues. "In addition to her work inside the Academy, she has been a frequent speaker at actuarial clubs and meetings, spreading the gospel of professionalism far and wide. I can't say enough good things about her."

When she came to the Academy to be its third (and first woman) general counsel (the director of professionalism role was added later), Bloom was just six years out of law school. She expected to stay at the Academy only two to three years and ended up staying 14. During that time, Bloom said, she witnessed tremendous growth in the Academy and the profession, including a huge expansion of professionalism initiatives (such as the establishment of the Actuarial Board for Counseling and Discipline) and continuing growth in the importance of international efforts.

As the Academy's general counsel, Bloom was also the de facto general counsel for the North American actuarial profession, providing ongoing legal advice and assistance to the Academy's sister organizations through what is now the North American Actuarial Council (formerly the Council of Presidents).

Her proudest moment? Working on the American profession's response to Sir Derek Morris about questions relating to the Morris Commission's review of the British actuarial profession. "It was exciting to tell the story of U.S. professionalism," Bloom said. "The dedication that the profession has to public service is exceptional. And members of the profession are so ethical they made it easy for me to do my job."

ASB ACTIVITY During the Actuarial Standards Board’s fourth-quarter meeting of 2005, the board adopted a revision of Actuarial Standard of Practice (ASOP) No. 8, which is now titled Regulatory Filings for Health Plan Entities. The revised standard applies to actuaries when they perform professional services with respect to preparing or reviewing health filings required by and made to state insurance departments, state health departments, the federal government, and other regulatory bodies. The effective date for the new standard is May 1.

The ASB also adopted a revision of ASOP No. 12, now titled Risk Classification (for All Practice Areas). The revised standard applies to all actuaries when they perform professional services with respect to designing, reviewing, or changing risk classification systems used in connection with a financial or personal security system for classifying of individuals or entities into groups intended to reflect the relative likelihood of expected outcomes. The effective date for this standard is also May 1.

The ASB has released a new property/casualty exposure draft, Property/Casualty Unpaid Claim and Claim Adjustment Expense Estimates, which has a comment deadline of June 30.

The three documents are enclosed with this issue of the Update and can also be accessed online at www.actuarialstandardsboard.org.
CRUSAP NEWS James Lockhart and Casey Sylla have joined the CRUSAP Advisory Panel, replacing Ken Kent and Jack Turnquist, who now serve on the CRUSAP Task Force. Lockhart, deputy commissioner of the Social Security Administration, is a former executive director of the Pension Benefit Guaranty Corp. Sylla, chairman and president of Allstate Financial and senior vice president of Allstate Insurance Co., previously served as senior vice president and executive officer at Northwestern Mutual Life Insurance Co. The task force will be meeting March 17-18 in Washington.

In other news, Mindy Reiser, CRUSAP project manager, held a focus group meeting in February with students studying actuarial science at Drake University in Des Moines, Iowa. While in Des Moines, Reiser also interviewed Drake actuarial faculty and met with representatives of local insurance companies that employ actuaries.

IN THE NEWS

On Feb. 7, Academy Senior Pension Fellow Ron Gebhardtsbauer fielded questions on General Motors’ announcement that it was restructuring its pension and health benefit plans for its U.S. salaried workers on “Nightly Business Report,” which airs nationwide on public television stations.

The Feb. 18 issue of The Economist ran a letter from Donald Segal, the Academy’s vice president for pension issues and a consultant with CCA Strategies in New York, noting that a Jan. 28 article on the problems with defined benefit pension plans neglected to mention efforts by the U.S. actuarial profession to develop new pension rules strengthening the system. Segal also commented on the funded status of the National Football League Players’ Association Retirement Plan in an ESPN “Outside the Lines” segment that aired Jan. 29.

A Jan. 30 revised report on health savings accounts by the Center on Budget and Policy Priorities quotes the Academy’s 1995 issue brief, Medical Savings Accounts: Cost Implications and Design Issues.

The Feb. 6 online version of National Underwriter ran a mention of the Academy’s new issue brief on asbestos litigation (see story, Page 1). The online version that day also ran a story about a discussion between members of the Life and Health Actuarial Task Force of the National Association of Insurance Commissioners (NAIC) and the Academy’s Life Reserve Working Group about how rates earned on a company’s investments could, under a proposed temporary regulation, affect reserve requirements. The item quoted David Neve, co-chairperson of the working group and second vice president and corporate actuary for Principal Financial Group in Des Moines, Iowa. The Feb. 27 online version ran an article about a session on federal terrorism insurance at the National Conference of Insurance Legislators spring meeting, quoting session speaker Michael McCarter, chairperson of the Academy’s TRIA Subgroup and vice president, industry and regulatory affairs, for the American International Group in New York (see story, Page 7).

A Feb. 8 BestWire article about a proposal on life insurance reserves that was exposed for comment by the NAIC’s Life and Health Task Force quoted David Sandberg, the Academy’s vice president for life issues and vice president and corporate actuary with Allianz Life in Minneapolis. Sandberg said the proposal recognizes that state insurance commissioners are responsible for developing regulations consistent with the law and appropriate from an actuarial perspective. A Feb. 14 BestWire article about the splitting of accounting in retirement practice leader for Aon Consulting in Conshohocken, Pa.; Academy Senior Pension Fellow Ron Gebhardtsbauer, and James VerLaugh, chairperson of the Academy’s Pension Committee and a principal with Mercer Human Resources Consulting in Minneapolis.

An article on how to assess the health of your defined benefit pension plan that ran in the Feb. 21 Bucks County (Pa.) Courier Times quoted Ken Kent, vice chairperson of the Council on Professionalism, former Academy vice president for pension issues, and a consulting actuary with Cheiron Inc. in McLean, Va. Kent suggested taking an active interest in the plan, including having a clear understanding of how much you are likely to receive upon retirement and paying close attention to the plan’s ongoing viability by reading the annual statement carefully.

ON THE MOVE

Eric Wietsma has been appointed vice president of investment services for Mass-Mutual Retirement Services in Springfield, Mass. He most recently managed the public retirement plan business at The Hartford.

Frederick Sievert, president of New York Life Insurance, has been named chairman of the board of trustees of the American College in Bryn Mawr, Pa., the leading nonprofit educator of professionals in the insurance and financial services industry.

David Lacefield has been appointed president and chief executive officer and elected as a member of the board of directors of Vesta Insurance Group Inc. in Birmingham, Ala. He was formerly president of TexasSelect.

Charles Clark, senior vice president and retirement practice leader for Aon Consulting in Conshohocken, Pa., Ron Gebhardtsbauer, the Academy’s senior pension fellow, Scott Miller, a principal with the Actuarial Consulting Group in Quogue, N.Y., and Larry Zimpleman, former Academy president and president, retirement and investor services, for the Principal Financial Group in Des Moines, Iowa, were appointed by the Bush administration to serve as delegates at the Labor Department’s 2006 National Summit on Retirement Savings, March 1-2 in Washington.
In addition to his duties as the nation’s chief accountability officer, Walker also chairs the Center for Continuous Auditing and is a principal of the U.S. Joint Financial Management Improvement Program. He is on the board of the International Organization of Supreme Audit Institutions and is a fellow of the National Academy of Public Administration and a member of the National Academy of Social Insurance.

The meeting is scheduled to run from 8:30 a.m. to 6:00 p.m. (breakfast available at 7:30 a.m.) on Tuesday, May 16, at Washington’s Grand Hyatt Hotel, which is easily accessible by Metro. There will be a two-hour evening reception on Monday, May 15, for those who are coming in the night before.

By spending the day at the spring meeting, you can earn up to seven hours of Academy CE credit. If time is short, half-day registration is also available for the Academy luncheon and all afternoon sessions, including the ASB’s forum and information-gathering session on the development of new and revised actuarial standards of practice (whether there is a need to develop a financial economics standard, for instance).

Look for further information, and details on how to register, in the brochure enclosed with this mailing of the Update. Or go online to the Academy’s website.

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ONLINE CE CALENDAR

The Quickest Way to Keep Current

Use the Academy’s profession-wide CE calendar to check out upcoming continuing education opportunities. The calendar, maintained on the Academy website, features programs offered by all six North American actuarial organizations.

Questions?
Contact Academy Public Affairs Manager Leslie Wade (wade@actuary.org; 202-223-8196).

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JOE SUTTLE

I NEED TO DO THIS TO REMAIN QUALIFIED. IT’S A PLANE, ISN’T IT?

You wouldn’t want to hear this from the guy who is flying your red eye to the coast. Airline pilots need to take their continuing education requirements seriously, and so should you.
S ACTUARIAL PRACTICE GOES GLOBAL, you need to stay on top of developments. One way to broaden your international perspective is to become an individual member of one of the International Actuarial Association’s (IAA) seven sections devoted to your particular area of practice.

As a member of the Academy, you already support IAA activities through your Academy membership (the Academy and the four other U.S. actuarial organizations are member organizations in the IAA). Joining as a section member is a great way to add value to that investment and maximize your support for research and other initiatives on the international level.

There are membership opportunities in all seven IAA sections:

- **ASTIN**, the section for actuarial studies in non-life insurance, was created in 1957 to promote research in non-life insurance to further develop the mathematical foundation of non-life insurance and reinsurance. ASTIN publishes the *ASTIN Bulletin* twice a year and in most years organizes an international colloquium on the application of research to practical problems. ASTIN also organizes seminars on non-life topics for people in countries with a developing actuarial profession.

- **AFIR**, the section for an actuarial approach for financial risks, was founded in 1986. Its most important function is the organizing of annual colloquia, which provide a forum for keeping up to date with fast changes occurring in the disciplines of finance, financial economics, and the management of financial risks focusing on applications to insurance and pension funds.

- **IACA**, the International Association of Consulting Actuaries, was formed in 1958 as a separate organization and became a section of the IAA in 1999. The IACA organizes biennial meetings for consulting actuaries and presents international sessions at the meetings of national consulting actuarial organizations such as the Conference of Consulting Actuaries. IACA publishes a regular newsletter on its activities, including details of the IACAs research efforts and publications of interest to its members.

- **IAAHS**, the International Actuarial Association Health Section, was created in 2003. The IAAHS promotes and facilitates international discussions among actuaries involved with public and private health issues such as policy and program design, research and planning, adequacy and services delivery, sustainability, insurance, pre-funding and other financing methods. The IAAHS also organizes occasional colloquia and publishes an online journal several times a year.

- **PBSS**, the Pensions, Benefits, and Social Security Section, was created in 2003 to serve actuaries who have personal, professional, educational, or research interests in social protection and the commercial, social, and public policy issues related to pensions. In addition to encouraging discussion of technical as well as public policy issues, the section works to generate research and act as a catalyst for amassing intellectual capital in the area of social protection. Non-actuaries with a public policy and research interest in this area are encouraged to join the section and participate in its activities.

- **AWF**, Actuaries Without Frontiers, was created in 2003 with the purpose of implementing an exciting new volunteer program to push forward actuarial involvement in developing economies. AWF seeks to make available actuarial services on a temporary basis to assist in the development of social security, pensions, insurance, investments, or health care infrastructures. It also focuses on countries in which there is an underdeveloped actuarial profession and there are insufficient financial resources to fund such services. In addition to identifying actuaries interested in volunteering their services, AWF organizes the provision of service, a reporting mechanism, and appropriate alliances and sources of funding. AWF is in contact with major world aid bodies to secure funding as projects emerge.

- The **LIFE** Section, created by the Council of the IAA in November, will be officially formed during the 2006 International Conference of Actuaries in Paris (Page 12). Its mission is to promote actuarial research and the exchange of knowledge in the field of life insurance. The section expects to hold annual colloquia and local seminars, and to facilitate the exchange of information through the Internet, web seminars, and either a new journal or an extension of the *ASTIN Bulletin*.

Information about joining individual sections is enclosed in this issue of the *Update* and is also available on the Academy’s website.

*Peter Perkins is the Academy’s president.*
Academy Comments on FASB Uncertainty Paper

In an ambitious effort to converge accounting standards, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are working to develop a joint conceptual framework that future standards from both organizations will adhere to. As part of this initiative, the FASB recently released a paper, Selected Issues Related to Assets and Liabilities with Uncertainties, on the role of probability and uncertainty in defining, recognizing, and measuring assets and liabilities. In a Jan. 11 letter, the Academy’s Financial Reporting Committee replied with comments.

Both the FASB and the IASB have accounting standards for asset and liabilities with uncertainties, but the current standards are inconsistent with each other and with current thinking on the preference for using fair value to measure probability. The FASB issues paper identifies a number of these inconsistencies and describes the current accounting guidance (and relevant problems with that guidance) affecting contingent assets and liabilities. The paper also poses several specific questions for interested parties on various interpretations and assumptions, seeking input that might improve relevant sections of the conceptual framework or future standards.

In responding to the questions in the document, the Academy committee indicated support for the overall goal of including probability and uncertainty in defining, recognizing, and measuring assets and liabilities. However, the committee raised a few concerns with interpretations and assertions made in the document. For example, the FASB asks whether eliminating the notion of a “contingent asset” makes sense. The committee suggested that due to the subjective nature of certain modeling techniques and the possibility of a range of acceptable outcomes, any alternative to a contingent asset should provide explicit guidance to ensure a necessary level of reliability. The committee also disputed the IASB’s analysis (referenced in the FASB paper) of unconditional and conditional rights in contractual settings, suggesting that it is more useful to measure groups of risks rather than individual risks and that actuarial practice for classifying risks might be relevant to providing additional guidance.

The FASB discussion paper represents one of the many necessary re-examinations of accounting guidance as U.S. and international standards move toward each other. As the FASB and the IASB continue refining the joint conceptual accounting framework, it is crucial that the actuarial profession, through the efforts of Academy volunteers, provide input when appropriate. The FASB and the IASB intend to reexamine a number of other issues relevant to the actuarial profession over the next few years—ensuring a full schedule for members of the Financial Reporting Committee and other Academy groups.

—ETHAN SONNICHSEN

Asbestos Litigation, Continued from Page 1

Jenni Biggs, the subcommittee’s chairperson.

Because asbestos was widely used in thousands of products for decades, its difficult to predict the number of claims and how much they will cost. According to the issue brief, at least 27.5 million people had significant occupational exposure in industries such as shipbuilding and construction, and tens of millions more were exposed in other industries. It is expected that at least half a million more asbestos claims will be filed over the next several decades.

The controversial Senate bill (S. 852) would take asbestos litigation out of the courts by creating a $140 billion no-fault trust fund to compensate claimants meeting asbestos exposure and medical criteria. The fund would be privately funded by defendant corporations, their insurance companies, and existing trusts of companies that have gone bankrupt. So far, litigation has resulted in at least 78 corporate bankruptcies.

In addition to Biggs, other subcommittee members are Raja Bhagavatula, Hsiu-Mei Chang, Bryan Gillespie, Tom Johnston, Steve Math, Claus Metzner, Steven Symon, and Trevar Withers.
Next Steps for Terrorism Insurance

BY MICHAEL MCCARTER

At the Feb. 23-26 Spring Meeting of the National Conference of Insurance Legislators (NCOIL), I was asked to bring members of NCOIL’s Task Force on Terrorism up to date on recent events and current activities in the area of terrorism insurance. In both 2004 and 2005, NCOIL forwarded resolutions to Congress supporting reauthorization of the Terrorism Risk Insurance Act of 2002 (TRIA).

My presentation was a natural follow-up to a report I had delivered at NCOIL’s November meeting on the Academy’s TRIA analysis, released in December, which suggested some variety of federal legislation would be necessary if terrorism insurance were to be widely and readily available and recommended that a deliberative process be established to develop a permanent way of dealing with the risk of terrorism.

In the first part of my presentation, I compared TRIA and the Terrorism Risk Insurance Extension Act of 2005 (TRIEA), which was signed into law in late December. While TRIEA generally retains the same structure as TRIA, it reduces the potential obligations of taxpayers in the event of a large terrorist attack. This means that a larger portion of the costs of any terrorist event would remain with American businesses and consumers or with their insurers.

Importantly, TRIEA requires the President’s Working Group on Financial Markets to report to Congress by Sept. 30 on the long-term availability and affordability of terrorism insurance, including group life insurance and nuclear, biological, chemical, and radioactive coverage. Treasury Secretary John Snow chairs the four-member working group (originally formed in 1988 in response to the October 1987 stock market crash). Other members are Christopher Cox, chairman of the Securities and Exchange Commission; Ben Bernanke, chairman of the Federal Reserve; and Reuben Jeffery III, chairman of the Commodity Futures Trading Commission.

I then outlined the Academy Terrorism Risk Insurance Subgroup’s current work on a study to be provided to the presidential working group by June. The study will assess the private market for terrorism insurance in the absence of a national framework such as TRIA or TRIEA, looking particularly at the ability of insurers to model their terrorism exposure and evaluating how effectively those models can be used to price terrorism exposure and manage the risk to insurer capital that comes with writing such exposures.

The study will also consider design issues for a national framework. In particular, the Academy will be looking at the availability of private reinsurance, the impact of income taxation, the impact of state regulation on competitive pricing of terrorism coverage, and whether such a national framework would be a “subsidy” of insurers.

The insurance industry has been criticized at times for not having “solved” the terrorism insurance problem during the time of the original TRIA. Paul Donohue, who represents NCOIL in Washington, commented that there is congressional concern that interested parties are waiting until the current extension expires before coming forward with ideas for a permanent solution. I explained that given the massive potential losses from terrorism and the uncertainty associated with those losses, designing a way to handle this issue could involve discussion of how much to charge, what coverage to offer, and how to distribute the risks to capital appropriately. Discussions of this sort among industry competitors would run very close to the boundaries of antitrust laws. It was for this reason that the Academy, in its TRIA analysis, recommended the creation of a public deliberative process to deal with this issue.

Before my presentation, New York Assemblyman Ivan Lafayette, chair of the NCOIL task force, expressed concern that TRIEA doesn’t recognize the permanent nature of the threat terrorism poses to American businesses and consumers. Fearing it was unlikely that adequate insurance coverage for terrorism risks would exist in the absence of federal legislation, Lafayette said he hoped that federal terrorism policy would not revert to an “Air Force One” strategy of flying over the disaster scene and dusting it with taxpayer dollars.

Postscript: The week after the NCOIL meeting, the Treasury Department released a request for comments (including suggested questions) for submission to the presidential working group within 45 days. The Academy’s Terrorism Risk Subgroup has now rearranged its priorities so as to provide an Academy response to this request while still completing its planned public statement by June.

Michael McCarter is chairperson of the Academy’s Terrorism Risk Insurance Subgroup and vice president, industry and regulatory affairs, for the American International Group in New York.

Joining the P/C Extreme Events Committee are SHAWNA ACKERMAN, principal and consulting actuary with Pinnacle Actuarial Resources Inc. in San Francisco; DANIEL CARR, second vice president and actuary with St. Paul Travelers Cos. Inc. in Hartford, Conn.; BRUCE FATZ, a consulting actuary with Perr & Knight in Pacific Palisades, Calif.; SARA FRANKOWIAK, pricing manager for State Farm Mutual Auto Insurance Co. in Bloomington, Ill.; and THOMAS LE, senior vice president with Guy Carpenter & Co. in Philadelphia.
Comments Sought on Qualification Standards Revision

At its January meeting, the Academy Board of Directors approved releasing an exposure draft of proposed revisions to the Qualification Standards for Prescribed Statements of Actuarial Opinion.

The proposed changes would expand the scope of the existing standards by requiring all actuaries who issue “statements of actuarial opinion,” as defined in the standards, to meet the General Qualification Standard, and would significantly increase the number of required hours of continuing education (CE). The proposal would eliminate the current condition, which mandates that half the CE credit-hour requirement be earned through organized activities, and would allow satisfaction of the heightened requirement by an appropriate available means, including self-study. Comments on the exposure draft are due by July 1.

PROFESSIONALISM BRIEFS

➤ DONNA CLAIRE, president of Claire Thinking in Fort Salonga, N.Y., has joined the Academy’s Committee on Qualifications.
➤ ANNA RAPPAPORT, principal with Anna Rappaport Consulting in Chicago, has joined the Academy’s Committee on Professional Responsibility.
➤ CHANDRAKANT PATEL, senior vice president and corporate actuary with ACE INA in Philadelphia, and JASON RUSS, a principal with Milliman in New York, have joined the Subcommittee on Reserving of the Casualty Committee of the Actuarial Standards Board (ASB). RAJI BHAGAVATULA, a principal with Milliman in New York, is the new subcommittee chairperson.
➤ Joining the ASB’s General Committee are CHARLES BRYAN, president of CAB Consulting in Columbus, Ohio, and CHESTER SZCZEPANSKI, vice president and chief actuary of Donegal Mutual Insurance Group in Marietta, Pa.
➤ MOLLY SHAW, a consultant with AV Powell & Associates in Chesterfield, Mo., has joined the ASB’s Health Committee. Shaw is also the new chairperson of the ASB’s Task Force to Revise ASOP No. 3.
➤ The ASB has formed a new task force to revise ASOP No. 16. MARY MURLEY, a principal with Reden & Anders in Minneapolis, is chairperson. Other members are MICHAEL ABROE, the Academy’s vice president for health issues and a consulting actuary with Milliman in Chicago; ROBERT COSWAY, a consulting actuary with Milliman in San Diego; JAMES GUTTERMAN, pricing director for United Healthgroup in Hartford, Conn.; DARRELL KNAPP, a partner with Ernst & Young in Kansas City, Mo.; DONNA NOVAK, president and CEO of NovaRest Inc. in Fox Lake, Ill.; DAVID OTTO, an actuary with EMB America in San Diego; and JOHN STARK, regional vice president and actuary with Anthem Blue Cross and Blue Shield in Richmond, Va.
➤ DALE HAGSTROM, a consulting actuary with Milliman in New York, has joined the ASB’s Life Committee.
➤ JOSE ANDRADE-CORA, staff actuarial associate at Guardian Life Insurance Co. in New York, has joined the ASB’s Task Force to Revise ASOP No. 24.
➤ DAVID R. FLEISS, a consulting actuary with Bolton Partners Inc. in Washington, is the new chairperson of the ASB’s Pension Committee. Also joining the committee are DAVID FRIEDLANDER, principal and chief actuary with Lyncal Systems Worldwide Inc. in Chantilly, Va.; A. DONALD MORGAN, senior vice president and actuary with The Segal Co. in Boston; TIMOTHY RYOR, vice president of actuarial services for PenTec Inc. in Southington, Conn.; and RUTH WILLIAMS, senior actuary at the Pension Benefit Guaranty Corp. in Washington.
➤ JENNIFER BOWEN, second vice president, account consultant, and valuation actuary at Swiss Re Life and Health America in Armonk, N.Y., is the chairperson of the ASB’s new Task Force on Enterprise Risk Management.
Comments on FASB Pension Accounting Project

As the Financial Accounting Standards Board (FASB) moves forward on phase 1 of its project to reconsider accounting for pensions and other post-employment benefits, and in advance of its first exposure draft detailing decisions made on recognition issues, the Academy’s Pension Accounting Committee commented in a Feb. 10 letter on concerns with phase 1. Specifically, the letter questioned the use of projected benefit obligation (PBO) to measure balance sheet liability and the requirement to determine discount rates and asset values at the statement date.

As the committee argued in its letter, it’s likely that FASB will find PBO an inappropriate measure, substituting in the accumulated benefit obligation (ABO) during its phase 2 deliberations. Mandating the PBO during the first phase could increase liabilities for employers, having the effect of discouraging the continuation of defined benefit (DB) plans. In its letter, the committee detailed further concerns:

➤ Inclusion of future salary increases in a liability conflicts with concept statement 6 because there is evidence that employers have withdrawn from an obligation to consider future compensation levels and because having a DB plan does not require an obligation to increase pay in the future.

➤ Inclusion of future salary increases misrepresents the value of the contract between employers and employees.

➤ Inclusion of future salary increases does not provide shareholders with relevant information about the current value of their obligations.

➤ The PBO cannot be settled, but the ABO can, based on settlement accounting under Financial Accounting Standard (FAS) 88.

➤ Recognition of the ABO is consistent with the use of the accumulated postretirement benefit obligation (APBO) under FAS 106.

➤ Recognition of ABO is a reasonable extension of FAS 87 accounting.

As to the use of a measurement date other than the statement date, the committee’s letter argued that current practice allows a measurement date up to three months before the statement date. Using the statement date is preferable but difficult given the desire of preparers (coupled with pressure from the Securities and Exchange Commission) to provide the most accurate results in a timely manner. The Academy letter offered an alternative method in which preparers can choose a rate based on market information as of no more than 60 days prior to the statement date. That rate could then be used to determine obligations as of the statement date.

FASB is expected to release an exposure draft on phase 1 recommendations at the end of this month.

—HEATHER JERBI

PENSION BRIEFS

➤ In a Feb. 3 letter to the editor of The Economist, Donald Segal, the Academy’s vice president for pension issues, took issue with an article about defined benefit pension plans in the Jan. 26 issue that muddled the differences between the actuarial profession in the United States and the United Kingdom and failed to mention ongoing efforts by the U.S. profession to develop new rules to strengthen defined benefit pensions. An edited version of the letter was published in the Feb. 16 issue of The Economist.

➤ MICHAEL POLLACK, a principal with Towers Perrin in Stamford, Conn., has joined the Pension Committee.

Rebuilding Math Classrooms

The response has been overwhelming to the Actuarial Foundation’s appeal for donations to help math teachers rebuild their classrooms in Gulf Coast communities devastated by Hurricanes Katrina and Rita.

So far, nearly 300 actuaries and corporations have responded generously, helping 15 schools and school districts replace damaged equipment and supplies and purchase additional classroom resources.

But help is still needed.

To read about the schools that have already been helped, and to make a donation, go to www.actuarialfoundation.org/donor/mathclassrooms.htm.
**Academy Webcast**

**An Update on the Principles-Based Project**

In a March 22 webcast, the Academy’s Life Practice Council will present its second update on the Academy’s principles-based project. In this initiative, Academy volunteers are working closely with the National Association of Insurance Commissioners (NAIC) to develop a principles-based methodology for life capital and reserve requirements. The initiative has generated strong interest in the life insurance community, and the Academy plans to hold a webinar after each quarterly NAIC meeting to help actuaries stay informed about its progress.

The March webinar, to be held from noon until 1:30 p.m. EST, will include a summary of what happened at the spring NAIC meeting earlier this month, including an update of the activities of the Life Reserve Work Group, which is developing new reserving approaches for all life products. There will also be an update on action in the Variable Annuity Reserve Work Group, given the potential for new regulations to be enacted this year.

The webinar will also provide an introduction to the role of a principles-based-approach peer review and potential changes in governance in insurance testing to accommodate principles-based approaches to reserving and solvency testing.

The $160 fee for the 90-minute webinar will be waived for regulators. Registration information is available on the Academy’s website.

Over 400 people called in to participate in the Academy’s first principles-based webinar, which was held Jan. 12. Slides and audio of the January webinar are available on the Academy website.

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**Symposium Workshop on C-3 Phase II**

In addition to the Academy’s web seminars on the topic, a good place to catch up on the latest with C-3 Phase II is at a special April 23 daylong workshop being held in conjunction with the Enterprise Risk Management Symposium in Chicago.

Conducted by Academy volunteers who have been involved with the project since its beginning, workshop sessions will cover stochastic analysis drivers for a variety of life, annuity, and health product lines; how stochastic models are built; adding value through principles-based approaches; and implementation results and issues from C-3 Phase II. Presenters for the workshop are Donna Claire, former Academy vice president for life issues and chairperson of the Academy’s Life Financial Soundness/Risk Management Committee; Larry Gorski, vice chairperson of the Academy’s Life Capital Adequacy Subcommittee; Kerry Krantz, a member of the Academy’s Life Valuation Subcommittee; James Lamson, chairperson of the Academy’s Annuity Reserves Work Group; and Craig Morrow, a member of the Life Capital Adequacy Subcommittee.

The workshop is co-sponsored by the Academy and the Society of Actuaries’ Financial Reporting Section. For more information and to register, go to www.soa.org.
For many health actuaries, attestation of actuarial equivalence for plan sponsors accepting a federal subsidy under the Medicare drug program is one of the bigger gigs in town.

In an effort to help actuaries get up to speed on their role in the most significant revision to the Medicare program since its enactment, the Academy has created a new practice note.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established a new voluntary outpatient prescription drug benefit (also known as Medicare Part D) that became effective Jan. 1. To encourage employers and unions to maintain existing retiree health care plans, the act provided for a tax-exempt federal subsidy for qualified retiree health plans that offer coverage on and after the Jan. 1 effective date. Under the regulations, any health plan seeking the government subsidy must provide a benefit design and subsidy level that is at least actuarially equivalent to the Medicare Part D standard benefit. The act also requires that the actuary making that attestation be a member of the Academy.

These actuarial equivalence tests for subsidy qualification, which are the subject of the practice note, are different from those imposed on stand-alone or Medicare Advantage prescription drug plans offered by private plans authorized by the Centers for Medicare and Medicaid Services. And the actuarial comparison of plan values required by the regulation involves methods common to health actuaries but in an entirely new circumstance.

The new practice note discusses concepts of actuarial equivalence and a summary of the pertinent regulations. Also included are claim cost sources, a discussion of methodology and qualification, and an overview of suggested report documentation for the attestation of actuarial equivalence. The practice note also provides sample attestation language.

Dale Yamamoto chaired the work group that prepared the practice note. Other members of the group were Al Bingham, Derek Guyton, Mark Olson, John Schubert, and Mark White. ▲

**Robertson Memorial Scholarship Fund**

A SCHOLARSHIP FUND AT THE ACTUARIAL FOUNDATION has been established in honor of Stuart Robertson, a former Academy member who was the co-founder with Wendell Milliman of the actuarial consulting firm Milliman & Robertson (now Milliman Inc.). Robertson, who died on Nov. 4, 2005, at the age of 87, served as CEO and chairman of the firm for many years before retiring in 1983. Initial funding for the scholarship is being provided by Milliman Inc., and by several of Robertson’s colleagues and friends.

The fund is expected to award at least one scholarship of approximately $7,500 annually to an undergraduate student with demonstrated talents and interests that could lead to a career in the actuarial profession.

To make a contribution to the scholarship fund, go to www.actuarialfoundation.org. For more information, contact the Actuarial Foundation (scholarships@ActFnd.org; 847-706-3535).

**The Actuarial Foundation**
28th International Congress of Actuaries

PARIS

MAY 28–JUNE 2, 2006

Featuring scientific, professional, and technical sessions on topics such as

- Stochastic dependence (correlation and nonlinear dependence)
- Solvency measurements and asset-liability management
- New accounting standards
- Professional responsibility
- Retirement of the baby boom generation
- Insurability of catastrophic risks and extreme events.

Speakers from 35 countries will be presenting more than 150 scientific papers on a variety of actuarial topics.

The congress will also include parallel sessions, organized by sections of the International Actuarial Association, on consulting, enterprise risk management, finance, banking, life insurance, health care management, retirement issues, and extreme events. Plenary sessions on Monday morning and Friday afternoon will tackle the role of the actuary in the management of industrial risks and extreme risk modeling and the role of the actuarial profession in emerging countries, actuarial science and culture, and actuaries without frontiers.

A variety of social events are planned, including Seine cruises, a private visit at the Louvre, concerts, and a gala dinner in the Orangerie at Versailles followed by spectacular fireworks over the Grand Canal.

For more information and to register online, go to www.ica2006.com