MARCH 2008

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Actuarial UPDATE

Academy Leads Public Pension Discussion

AT A FEB. 6 ROUNDTABLE IN NEW YORK, an event jointly sponsored by the Academy and the Society of Actuaries, dozens of panelists from various professions gathered to discuss the future of public pension plans. The all-day public event, held at New York University, advanced a wide-ranging discussion about the relationship between financial disclosures and good public plan decision-making.

Peter Fisher, managing director of BlackRock Inc., presents his views at the roundtable.

In an effort to voice the interests of all public plan stakeholders, the 44 roundtable panelists included plan administrators, public officials, bond insurers and underwriters, regulators, economists, investment advisers, accountants, consultants, and actuaries.

"We sought participants for the roundtable from all possible perspectives—across a spectrum that touches public pension plans in some fashion," said Tom Terry, the roundtable's moderator and Academy vice president for pension issues.

One issue presented at the roundtable was the need to improve the understanding of risk from the perspectives of the decision-makers who govern the plans, the employees who are invested in them, and the taxpayers who fund them.

Regardless of what information should be disclosed, a consensus among the panel was that plan trustees and elected officials needed to be better educated on how to process actuarial analysis and other key financial information.

"There is a burden to provide information in an understandable way, so it can be used properly," said Rob-

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A Reliable Source

AS AMERICA'S FIRST BABY BOOMERS finally became eligible to receive Social Security benefits in 2008, *USA Today* tapped Academy expertise in a five-part front-page series to warn the early boomers that if they can resist the urge to immediately collect benefits, they can receive a late retirement boon.


The retirement boom begins

Boomers' eagerness to retire could cost them

Filing for Social Security at 62 raises risk they'll outlive their money

Cover story

The series, which ran on the newspaper's print and online front page from Jan. 14 to 19, featured six articles that covered issues of major concern to the first wave of baby boomer retirees, relying heavily on Academy retirement and life-expectancy data. Overall, the Academy and its spokespersons were cited nearly two

See **BOOMERS**, Page 7

Calendar

MARCH

5-7 ASB meeting, Washington

6-7 Academy Health Practice Council Capitol Hill visits, Washington

12 Academy Life Financial Reporting Committee meeting, Washington

16-19 Eighth annual intercompany LTCI conference, Jacksonville, Fla.

17-18 CAS ratemaking seminar, Boston

25-26 SOA investment symposium, New York

27 Academy Financial Reporting Committee meeting, Chicago

28-April 1 NAIC spring meeting, Orlando, Fla.

APRIL

6-9 Enrolled Actuaries Meeting (Academy, CCA), Washington

14-16 SOA enterprise risk management symposium, Chicago

22 Academy Executive Committee meeting, Washington

22-26 NCSL Spring Forum, Washington

MAY

13 Academy Council on Professionalism meeting, Boston

20 CUSP meeting, Washington

21 Academy Board of Directors meeting, Washington

22 Governance Task Force meeting, Washington

31-June 3 NAIC summer meeting, San Francisco

JUNE

9-10 Academy PBA 101 Seminar, Orlando, Fla.

11-14 IAA meeting, Quebec City

18-20 CIA annual meeting, Quebec City

JULY

17-19 NAAC meeting, Banff, Alberta, Canada

AUGUST

5 Academy Leadership meeting, Washington

6 Academy Executive Committee meeting, Washington

OCTOBER

2-4 NAAC meeting, Sedona, Ariz.

5 CUSP meeting, Phoenix

6 Joint Orientation for U.S. Boards, Sedona, Ariz.

7 Academy Board of Directors meeting, Phoenix

19-22 SOA annual meeting, Orlando, Fla.

19-22 ASPPA annual meeting, Washington

26-29 CCA annual meeting, Bonita Springs, Fla.

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

Shea Elected to Board of Directors

THE ACADEMY'S Board of Directors has unanimously elected **David Shea** to the board as a regular director. Shea, chairperson of the Academy's Federal Health Committee, has kept his finger on the pulse of a number of federal health issues as an annual leader of the Academy's Capitol Hill visits since they began over a decade ago. He is a member of the Academy's Membership Committee, Health Practice Council, and Small-Group Market Task Force. While on the task force he played an important role in developing the Academy's 2006 issue brief primer on medical insurance risk pooling.


David Shea

Shea has worked at WellPoint for the past 24 years, where he is currently vice president for individual pricing in Richmond, Va. He fills the vacancy created when **Kathleen Riley**, who was a regular director, was elected vice president for professionalism in late 2007. Riley continues to serve on the board and is also a member of the board's Executive Committee.

ABCD Appointment **Curtis Huntington**, a professor of mathematics at the University of Michigan and member of the Academy's Council on Professionalism, has been appointed as vice chairperson of the Actuarial Board for Counseling and Discipline, filling the vacancy left by the untimely death of Jack Turnquist. (See page 9.) Huntington was appointed by the Academy's Selection Committee, whose membership is identical to the Council of U.S. Presidents.

"Although the circumstances are very unfortunate," ABCD Chairperson **Larry Johansen** said, "we welcome Curtis as the new vice chairperson, and we look forward to working with him. Our deliberations will benefit from his expertise and participation."

Senior Analyst Added On Feb. 1, Claire Morisset Mickelson joined the Academy full time as a senior policy analyst to support the work of the Council of U.S. Presidents, the North American Actuarial Council, and initiatives to integrate the Academy's strategic plan. She reports directly to the Academy's executive director. Mickelson had worked on a contractual basis since November 2007, assisting Academy leadership with logistics related to integrating the strategic plan approved by the Academy's Board of Directors in October 2007. Previously, she was a junior associate at a Washington law firm.

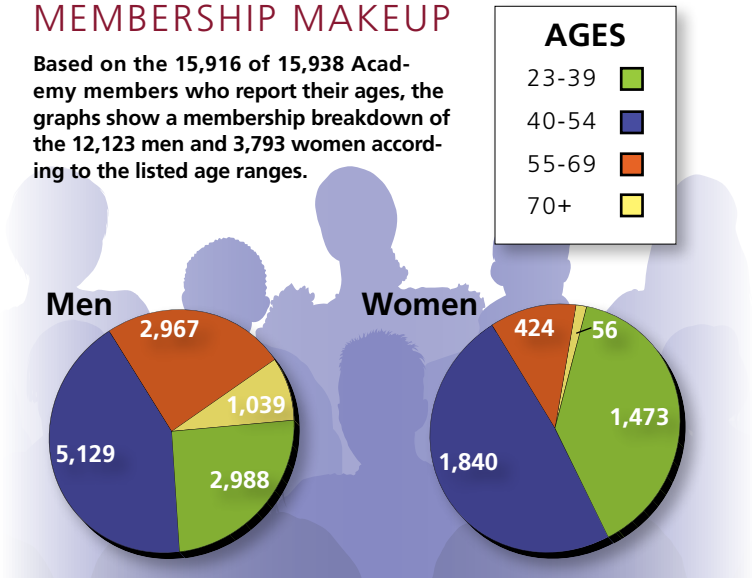
Mickelson obtained her undergraduate degree in public law in 1997 and her graduate degree in public economic law in 1998, both from the University of Paris II. She also worked as a legal assistant at Lobel, Novins & Lamont, LLP in Washington for six years, while attending law school at the Catholic University of America. She earned her law degree in 2006. She is fluent in French and Spanish.

ASB Draft Released The Actuarial Standards Board has released for comment an exposure **draft** of a revision to Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance*. The board expanded the standard to apply to all uses of trending procedures for property and casualty insurance. The new document also includes expanded material on reliance, documentation, communication, and disclosures. The comment deadline for this exposure is May 1.

Save the Date The Academy will host a two-day seminar on the principles-based approach (PBA) for statutory reserves and capital June 9-10 in Orlando. The seminar, the first part of a two-part series, will provide an introduction and overview of PBA. For more information

MEMBERSHIP MAKEUP

Based on the 15,916 of 15,938 Academy members who report their ages, the graphs show a membership breakdown of the 12,123 men and 3,793 women according to the listed age ranges.



BY THE NUMBERS

23 | 99 The ages of the youngest and oldest Academy members

or to register, visit the Academy **life** page.

EA Meeting The Academy and the Conference of Consulting Actuaries will host the 33rd annual Enrolled Actuaries Meeting April 6-9 at the Marriott Wardman Park Hotel in Washington. The program features sessions covering a wide range of topics and issues relevant to enrolled actuaries and pension professionals, including up-to-date information on the Pension Protection Act. The meeting also includes an exhibit of products and services geared to pension professionals. Several seminars are available before and after the meeting on topics such as professional standards, small firms, and Governmental Accounting Standards Board Statement Nos. 43 and 45—as well as a symposium on plan freezes and termination issues.

IN THE NEWS

The Academy's Committee on Property and Liability Financial Reporting Chairperson **Marc Oberholtzer**, a director with PricewaterhouseCoopers in Philadelphia, penned an article in the January issue of *Best's Review*. The article, based on a related 2007 work **product** by the committee, explains how audit committees can improve their understanding of the loss-reserving process by talking to actuaries. The article provides a background of the loss-reserving process and an overview of the role of actuaries within it, as well as 20 questions that audit committee members and board members can ask to have a meaningful dialogue with actuaries.

David Shea, chairperson of the Academy's Committee on Federal Health Issues and new member of the Academy Board of Directors (see **page** 2), was quoted in the January issue of *Consumer Reports*. Shea said employment is the glue that holds individuals together in the group market. He also offered a situation to explain the phenomenon know as adverse selection.

An op-ed that appeared in the Jan. 1 *San Antonio Express-News* and the Jan. 7 *Fort Worth Star-Telegram* cited a **fact sheet** by the Academy's Senior Health Fellow **Cori Uccello** on secondhand smoke costs. According to the fact sheet, based on a Society of Actuaries report, the effects of secondhand smoke on nonsmokers in the United States accounted for nearly $6 billion in medical and economic costs in 2004.

In a Jan. 23 Tribune Media Service article, the Academy's outgoing Senior Pension Fellow **Ron Gebhardtsbauer** cautioned that baby boomers who retire early will forever reduce not only their Social Security benefits, but their spouses' as well. He says the longer you and your spouse live, the more you lose. The article was placed in a dozen dailies, including the *Columbus Dispatch*, on Jan 29.

Just days before the South Carolina Democratic primary, a Jan. 23 *Greenville News* editorial focused on the lack of "comprehensive attention" from presidential candidates and Congress on Social Security and Medicare's financial problems. The editorial cited estimates in a 2007 Academy issue **brief**, *Medicare's Financial Condition: Beyond Actuarial Balance*.

Academy comments following the release of Internal Revenue Service (IRS) Notice 2008-18 were published in a related article in the Jan. 21 issue of the *National Underwriter Life & Health*. The Academy welcomed the efforts of the Treasury Department and the IRS to work together on the tax treatment of the principles-based approach for life insurance statutory reserves, noting that the IRS notice is an essential step. The Academy also said that it looks forward to continue working with the Treasury and the IRS on this important effort.

KUDOS

Jim Wallace, president and chief executive officer at GuideOne Insurance in West Des Moines, Iowa, was elected to the board of governors for the Property Casualty Insurers Association of America. Wallace also serves on the board of directors for the Iowa Farm Bureau Mutual Funds and the Greater Des Moines Partnership and is on the Drake University School of Business National Advisory Council.

ON THE MOVE

▶ **Paul Morrison** is now assistant vice president for actuarial modeling with RGA International Corp. in Toronto. He was previously with GGY Inc. in Toronto.

▶ **Bruce Stahl** is now a vice president and actuary at RGA Reinsurance Co. in Chesterfield, Mo. He was previously a senior vice president and chief actuary for Penn Treaty Network America Insurance Co. in Gibbsboro, N.J.

▶ **Dale Yamamoto** is now an independent consultant for Red Quill Consulting in Deer Park, Ill. He was previously a principal with Hewitt Associates in Lincolnshire, Ill.

Correction A sidebar in the February *Update* incorrectly spelled the name of a new ASB member. The correct spelling of the new casualty representative is Patrick Grannan.

ISTOCK / LEON BONAVENTURA / BONOTOM STUDIO

P/C Loss Reserve Practice Note Updated

ON DEC. 31, the Academy's Committee on Property and Liability Financial Reporting (COPLFR) issued an **update** of its 2006 practice note that provides guidance on statements of actuarial opinion on property and casualty loss reserves. The advice contained in the practice note is non-binding, though it offers examples of ways for practicing actuaries to communicate various reserving situations in their statements of actuarial opinion.

The 2007 practice note addresses the new requirement that data from Exhibits A and B from a company's annual statement to its state insurance department be transmitted in both print and "data capture" format, meaning that the information contained in Exhibits A and B must be included in the company's electronic filing. The practice note also gives guidance on the recent revisions to the Qualification Standards, as well as on Actuarial Standard of Practice No. 43, *Property/Casualty Unpaid Claim Estimates*, which went into effect in June 2007.

—LAUREN PACHMAN

CASUALTY BRIEFS

- Joining the Academy's Casualty Loss Reserve Seminar Joint Planning Committee are **Brian Brown**, a consulting actuary with Milliman in Brookfield, Wis.; **Tatyana Kerbel**, a consulting actuary with Ernst & Young in Chicago; **Elisabeth Stadler**, senior consultant with Watson Wyatt Worldwide in New York; and **Robert Wolf**, risk management solutions fellow for the Society of Actuaries in Schaumburg, Ill.
- Joining the Academy's Property and All Other Lines Subcommittee are **Edward Baum**, first vice president, actuarial, and pricing actuary for Countrywide Insurance in Irvine, Calif., and **Anton Zalesky**, actuarial research supervisor for Country Insurance and Financial Services in Bloomington, Ill.
- The 2007 *P/C Loss Reserve Law Manual* is completed. For order information, visit the Academy **casualty** page, or contact Philip Hafler (**hafler@actuary.org**, 202-785-7884).

Bring Your Love of Math to a Classroom Near You!

Second semester has started, and actuarial mentors are needed! Check out the Foundation's website to see if there is an Advancing Student Achievement math mentoring program in your area: http://www.actuarialfoundation.org/youth/call_for_mentors.htm

Help students improve their math performances with supplemental math materials developed by The Actuarial Foundation. Download a copy, and present it to a classroom or school in your area: http://www.actuarialfoundation.org/grant/index.html

Practice Note Advises Actuarial Certifications

By Eli Greenblum

THE MULTIEMPLOYER PLANS Subcommittee of the Academy's Pension Committee issued a practice **note** at the turn of the year to provide non-binding guidance to actuaries preparing actuarial certifications for multiemployer pension plans under the Pension Protection Act of 2006 (PPA).

The practice note is intended to help actuaries select procedures to prepare actuarial certifications and to communicate the results of the actuarial projections, as, for the first time, the PPA applies an actuarial "best-estimate" standard when projecting the funding-standing account credit balance years into the future. The note is also an aid for actuaries in consulting with pension plan boards of trustees on developing, monitoring, and updating funding improvement plans and rehabilitation plans now required for certain plans under the PPA. The following are some of the key questions covered in the practice note.

What is typically contained in the formal certification document?

As with other formal actuarial communications and statements of actuarial opinion, the actuary ordinarily would want to fully document the methodology, assumptions, and results of the projections, beyond the narrow findings on "critical or endangered" zone status that are the subject of the statutory requirement. In the future, certifications will also need to report on progress with respect to any funding improvement or rehabilitation plan that may already be in effect.

How may prior actuarial valuation results be projected to the certification date and beyond?

There are several approaches that the actuary may consider, including roll-forwards and more complex open-group projections, but plan provision changes and other circumstances could also affect the projections.

To what extent can (or must) the actuary rely on information provided by other parties, with respect to updated asset values, future contribution commitments, and the projected level of industry activity?

The practice note describes how an actuary would seek to use the best information available, at the time the certification is prepared, with regard to plan assets as of the beginning of the plan year; take into account changes in future contribution rates that the collective bargaining parties have already committed to the plan; and take direction from the plan sponsor (generally the board of trustees) on the anticipated changes in the number of employees and contribution units.

The note has been available on the Academy website throughout the first quarter of 2008, as a resource for actuaries whose 2008 certifications must be filed within 90 days of the beginning of the plan year. (For calendar plan years, that will be March 30 because 2008 is a leap year.)

Eli Greenblum, senior vice president and actuary for The Segal Co. in Washington, is the chairperson of the Academy's Multiemployer Plans Subcommittee.

Foundation Newsletter

THE ACTUARIAL FOUNDATION®

Keep up to date with all The Actuarial Foundation's good works by checking out the latest newsletter at
http://www.actuarialfoundation.org/news/news.htm#newsletter

DO YOU KNOW AN ACTUARIAL STUDENT?

The John Culver Wooddy Scholarship was established in 1996 by the estate of John Culver Wooddy, a distinguished actuary who set aside funds to provide scholarships to actuarial students. Applicants must be receiving their undergraduate degree by Aug. 31, 2008, rank in the top quarter of their class, have successfully completed one actuarial examination, and be recommended by a professor from their school. (Limit: one application per school.) For more information, go to
http://www.actuarialfoundation.org/research_edu/prize_award.htm#wooddy

This Actuary of Tomorrow-Stuart A. Robertson Memorial Scholarship was established in 2006 in Stuart Robertson's name to honor his dedication to excellence and to recognize his tremendously positive influence on the professional lives of many colleagues. Applicants must be a full-time undergraduate student entering as a sophomore, junior, or senior in the fall 2008 term, have a minimum cumulative GPA of 3.0 (on 4.0 scale), and have successfully completed two actuarial exams. For more information, go to
http://www.actuarialfoundation.org/research_edu/prize_award.htm#robertson

Updated Life and Health Manual Released

IN EARLY JANUARY, the Academy released its 14th edition of the *Life and Health Valuation Law Manual*. There were several notable changes to the manual, which aids appointed actuaries in complying with applicable state laws when forming actuarial opinions.

Actuarial Guideline No. 39 was extended through Jan. 1, 2009. It now includes a release mechanism of 2.5 percent per quarter for the charges accumulated through Dec. 31, 2007, subject to asset adequacy testing. In addition, Actuarial Guideline TAB was adopted by the National Association of Insurance Commissioners (NAIC), providing interim guidance with respect to Actuarial Guideline No. 38. It included the interim solution proposed by the American Council of Life Insurers.

The manual also added a table to track which states have adopted the 2001 Commissioners Standard Ordinary (CSO) Preferred Class Structure Mortality Tables. The 2001 CSO preferred tables are generally effective for policies issued Jan. 1, 2007, or later in the states of New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Virginia, Washington, and Wyoming.

At the close of 2007, there were also several key updates pending with regard to the 2001 CSO preferred tables. The following states are considering its adoption:

► Nebraska is beginning the adoption process.

► New Jersey is expected to adopt the tables under the proposed new rule.

► After a hearing held in late 2007, New Mexico is expected to adopt for the effective date of Jan. 31, 2007.

► New York proposed an amendment to its Regulation No. 179 to include the split 2001 CSO mortality tables approved by the NAIC.

► North Dakota is expected to adopt the preferred tables, effective Jan. 1, 2008.

As of Dec. 31, 2007, 25 jurisdictions had adopted the 2001 Actuarial Opinion and Memorandum Regulation, which requires asset adequacy testing. The manual contains a table that shows which states have adopted the regulation, whether a Regulatory Asset Adequacy Issues Summary is required, and to whom the summary should be sent.

After coordinating the annual effort to update the valuation law manual for the past five years, Kory Olsen stepped down after this year's review. Mary Madden, who worked with Olsen on the manual in previous years, will take over this role. Bob DiRico, chairperson of the Academy's Life Valuation Subcommittee that oversees the manual, expressed appreciation to Olsen for his efforts.

To order the manual, visit the Academy **life** page, or contact Philip Hafler (**hafler@actuary.org**, 202-785-7884).

—NATALIE JONES

LFRC Releases FAS 133 Practice Note

BY ROBERT FRASCA

THE ACADEMY'S LIFE FINANCIAL REPORTING COMMITTEE finalized a practice **note** in February on Implementation Issue No. B36 of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The practice note provides a brief summary of B36, which focuses on the concepts of underlying fair value and the methodology for measuring it, and discusses the conceptual and practical issues associated with the various practices for complying with B36 that are currently observed in the industry.

The most recent practice note drew heavily from a Life Financial Reporting Committee practice note on B36 that was released in 2005 but was retracted a year later due to concerns regarding some technical accounting points. The revamped practice note provides answers to numerous questions related to the valuation techniques currently practiced and lays a foundation on which actuaries can build as fair value practices continue to evolve.

Released by the FASB in 2003, Implementation Issue No. B36 of FAS 133 discussed the presence of credit risk in modified coinsurance arrangements and concluded that it was not clearly and closely related to the host contract and, thus, must be accounted for as an embedded derivative pursuant to FAS 133. Since that time, actuaries have struggled with the concepts surrounding the valuation of the credit derivative embedded under modified coinsurance and similar contracts as they work to develop methodologies to calculate the fair value of the derivative under B36.

With the adoption of FASB Statement No. 157, *Fair Value Measurement*, in September 2006 and the release of the IASB's discussion paper, *Preliminary Views on Insurance Contracts*, in May 2007, insurance companies have become more focused than ever on the concepts underlying fair value and the methodology for measuring it. Though the practice note stops short of discussing implications that FAS 157 may have on the valuation of derivatives under B36, it provides help to actuaries who have been perplexed by fair value measurement issues the past several years.

Many thanks to Tina Getachew, Academy risk management and financial reporting policy analyst, and the following committee members and other volunteers who devoted time and energy to the development of the practice note: Errol Cramer, Tara Hansen, Ken LaSorella, Graham Mackay, Chairperson Patricia Matson, David Rockwell, Larry Rubin, Rebecca Wang, and Darin Zimmerman.

Robert Frasca, an actuary for Ernst & Young in Boston, is a member of the Academy's Life Financial Reporting Committee.

LIFE BRIEFS

- The NAIC's Life and Health Actuarial Task Force (LHATF) will meet March 28-29 before the NAIC spring meeting in Orlando, Fla. LFATF is expected to focus on principles-based reserving (PBR) issues, as it seeks to finalize the standard valuation law.
- Updated versions of Sections 30 and 31 of the valuation manual (concerning PBR actuarial opinion and memorandum requirements and PBR reporting and documentation requirements, respectively) were exposed by the LHATF PBR Reporting and Review Subgroup on Jan. 30. The deadline for comments on the documents was March 7, per the LHATF rule that requires comments three weeks before a scheduled meeting. Comments received before Feb. 20 were discussed in a conference call before the March meeting.
- Updated versions of Sections 50 and 51 of the valuation manual (concerning experience reporting requirements and experience reporting formats, respectively) were exposed by the LHATF PBR Experience Reporting Subgroup on Jan. 31 with the same March 7 comment deadline.
- **Leonard Reback**, vice president and actuary with Metropolitan Life Insurance Co. in Bridgewater, N.J., has joined the Academy's Life Practice Council.
- Academy members joining the Academy's Consistency Work Group are **Peter Boyko**, assistant vice president, corporate actuarial, with Manulife Financial in Toronto; **Philip Barlow**, associate commissioner for the D.C. Department of Insurance, Securities, and Banking in Washington; **Michael Davlin**, an actuary with Actuarial Resources Corp. in Overland, Kan.; and **Kenneth Vande Vrede**, corporate actuarial leader with Genworth Financial in Richmond, Va.
- **David Smith**, vice president and chief actuary with the National Teachers Associate Life Insurance Co. in Addison, Texas, and **Pam Hutchins**, senior vice president and chief actuary with Government Personnel Mutual Life in San Antonio, have joined the Academy's Life Capital Work Group. Hutchins has also joined the Academy's Annuity Reserves Work Group and Life Reserves Work Group.
- **Carol Salomone**, vice president with Allianz Life Insurance Co. of North America in Minneapolis, has joined the Academy's Life Financial Soundness Committee.
- Joining the Academy's VM 20/22 Consistency Sub Group is **Larry Seller**, president of Larry Seller Consulting Services in Canton, Mass.
- **Jeyaraj Vadiveloo**, senior manager for Deloitte Consulting in Hartford, Conn., has joined the Academy's Pre-Need Mortality Work Group. Also joining the work group are **Jack Luff**, experience studies actuary for the Society of Actuaries, and **Ronora Stryker**, research actuary for the Society of Actuaries, in Schaumburg, Ill.
- **Mary Madden**, assistant actuary for Liberty Life Assurance Co. in Dover, N.H., has joined the Academy's Life Valuation Sub-Committee.

BOOMERS, continued from Page 1

dozen times as sources of information on Social Security and health care issues.

The most ambitious analysis was the Social Security Calculator, an interactive online graphic created by USA Today.com using Academy data. By clicking any age from 63 to 70, the Social Security Calculator instantaneously analyzes relatively how much more or less an average retiree would earn by collecting benefits at the selected age (as opposed to at age 62), depending on how long he or she lives. The Academy was also the source of data for two traditional graphs that ran with the series.

The Social Security Calculator was the basis for the lead article in the series, in which then-Academy spokesperson Ron Gebhardtsbauer said that the break-even age was close to 80—meaning that retirees who die before age 80 would earn more money by collecting at age 62, and retirees who live past age 80 would earn more money by waiting longer to collect. Academy statistics show that the average 62-year-old man will live to be almost 84 and a 62-year-old woman will live to be over 86.

Articles in the series also addressed the health care concerns of retired Americans, including Medicare's financing issues, quoting Academy Senior Health Fellow Cori Uccello several times. She said that there is no one solution that is painless, and whatever policymakers decide, it will require some shared burden by all the parties.

The series, including the Social Security Calculator, is the culmination of a collaborative effort between *USA Today* and the Academy that started months ago.

"While assisting major publications is nothing new to the Academy, working on such an important and highly visible project is a big step forward in serving the public interest," said Academy Director of Communications Steve Sullivan. "We stand ready to act as a resource in the future."

CORBIS

Universal Health Care Attracts National Interest

NASI Seeks Academy Input

IN THE NATIONAL ACADEMY OF SOCIAL INSURANCE'S (NASI) commitment to finding solutions to provide affordable health care for all Americans, it invited scores of speakers from various health-related backgrounds to Washington from Jan. 31-Feb. 1 for its 2008 annual conference, *Getting to Universal Health Insurance Coverage*.

Cori Uccello explains insurance markets at NASI's annual conference.

Academy Senior Health Fellow Cori Uccello lent her actuarial expertise to the event, located at the National Press Club, briefing the audience on the structure and behavior of U.S. insurance markets during a session on the private market's potential role in a universal system of coverage.

Uccello stressed the importance that risk pooling would play in achieving universal health care through the private market. While larger pools tend to create more predictable and stable premiums, she explained, the actual rates depend on the composition of the pool and its issue rules and rating rules.

"If a pool attracts those with higher expected claims, premiums will be higher," Uccello said, emphasizing that pools created as a by-product of membership in a separate group (such as an employer) tend to be less subject to adverse selection.

Uccello also pointed out the potential for adverse selection in regional health markets and cross-state purchasing if the different markets have different issue rules and rating rules. The viability of markets with rules more favorable to those in worse health could be threatened if they operate alongside markets with rules less favorable to those in worse health.

Benefit package design issues must also be considered, according to Uccello. "We want to ensure that coverage is meaningful and provides access to needed care," she said. "But at the same time coverage needs to be affordable to both individuals and society as a whole."

Uccello's comments set the stage for other speakers in the group to jump into more specific ideas connected to risk pools. Elliot Wicks, a senior economist at Health Management Associates, pointed out that a universal system can only succeed if it is both affordable generally and affordable for its high-risk segment. For example, a very large pool that is subject to underwriting could still result in large numbers of higher-risk people who can afford to pay a standardized pool rate—but who can't afford coverage at a rate tied to risk.

The session was one of five plenary panel sessions over the two-day period. The other main sessions covered the role of employers in delivering health insurance, balancing affordability and comprehensive coverage, the relationship between individual mandates and individual responsibility, and overcoming barriers to change. The conference also hosted six concurrent roundtable sessions and featured several keynote speakers, including a lunchtime point-counterpoint on the superiority of a single-payer plan. In all, Uccello was one of 50 speakers from the public policy arena, the private sector, and academia. More information about the conference, including links to webcasts of the various sessions, is available at the NASI **website**.

HEALTH BRIEFS

- The Academy's Disease Management Work Group finalized a practice note on disease management in February. It is available on the Academy **website**.
- **Gabriela Dieguez**, a health analyst with Milliman in New York, joined the Academy's Health Care Quality Work Group.
- **Roger Loomis**, a systems development actuary with Actuarial Resources Corp. in Overland Park, Kan., has joined the Academy's Consumer-Driven Health Plans Work Group and its Emerging Data Subgroup.
- **Harry Hotchkiss**, actuarial director of Medicare for Humana Inc. in Louisville, Ky., has joined the Academy's Medicare Steering Committee.
- **Greg Daniel**, actuary manager for Optima Health Care in Virginia Beach, Va., has joined the Academy's Medicaid Work Group.

In So Many Words

JACK M. TURNQUIST

The actuarial profession lost a mentor on Feb. 5, when former Academy president Jack M. Turnquist died following a battle with cancer. He was 76.

TURNQUIST, the 1995-96 Academy president, was one of the most respected voices of professionalism for the actuarial community—always cordial, never coercive, and usually right.

"His style was gentlemanly and gentle," said Academy President Bill Bluhm. "But he had a very sharp mind and a lot of wisdom."

As chairman of the Joint Committee on the Code of Professional Conduct from 1997 to 2000, his work was instrumental in leading all five U.S.-based actuarial organizations to adopt the same revised Code of Professional Conduct. To recognize that work, the Academy amended its rules to present Turnquist with the 2001 Jarvis Farley Service Award—the only one given to a former president.

Jack and Edith Turnquist at the Academy's 2001 annual meeting

An early proponent and 1988 charter member of the Actuarial Standards Board, Turnquist continually devoted himself to the cause of professionalism. After his term as Academy president, Turnquist served as president of the Conference of Consulting Actuaries, chaired various committees for the Academy and the Society of Actuaries, and was a member of the Critical Review of the U.S. Actuarial Profession (CRUSAP) Task Force established in 2005. In January, he began a term as vice chairperson of the Actuarial Board for Counseling and Discipline.

"Jack was a trailblazer," said Academy Director of Professionalism and General Counsel Mary Downs. "And his work laid a foundation of professional responsibility that continues to guide the actuarial community."

Turnquist's volunteer efforts were an extension of a career-long commitment. As vice president, principal, and director for international consulting firm Tillinghast, Nelson, and Warren from 1970 to 1987, he also served as the firm's professional standards officer, setting up and directing its peer review and quality assurance program. According to friend Roger Heath, a former principal of Tillinghast, the sense of integrity Turnquist helped instill at Tillinghast—then a regional consulting firm—helped launch it as an international powerhouse. In 1987, Turnquist started his own consulting firm, Totidem Verbis, providing actuarial expert services for insurance company litigation and re-organization matters until he retired in 2001.

"It's impossible, even in rubbing elbows with Jack, not to come away inspired with what it means to do the right thing," said Lauren Bloom, former Academy general counsel and liaison to the Council on Professionalism.

Turnquist received mathematics degrees from Illinois Wesleyan University and the University of Iowa before beginning his actuarial career in 1955 with Continental Assurance Co. in Chicago. In 1965, he moved to Dallas, where he would settle for good.

Turnquist is survived by his wife, Edith, and their five children.

International Activity Beck

SPOTLIGHT ON: AUSTRALIA

This column is the first in a series of stories the *Update* will run throughout the year about Academy members working overseas. The articles will offer insights into the global actuarial profession.

BY RADE MUSULIN

TWO YEARS AGO, I LEFT THE UNITED STATES TO ACCEPT A JOB IN AUSTRALIA. Actuaries are in high demand in many countries, including Australia, which allowed me to move my wife back to her native country and secure an excellent job. I was ready for a change after going through the 2004 and 2005 hurricane seasons as a senior executive of a Florida-based insurer. Australia was attractive for many reasons, including my family ties, a less extreme catastrophe environment, a free market approach to rate regulation, and its role as a center of excellence for insurance in the Asia-Pacific region.

Regulators in several countries in this part of the world are turning to actuaries to improve solvency protection. The Australian Prudential Regulatory Authority has implemented requirements for financial condition reports and independent peer review of valuations (similar to statements of actuarial opinion). The Malaysian regulator Bank Negara is implementing a risk-based capital framework requiring actuarial sign-off, leading the Actuarial Society of Malaysia to post an article on its website that notes, "More actuaries are urgently needed to ensure the successful implementation of the risk-based capital framework and other regulatory policies in the insurance industry." Generally, insurance systems in much of the world are growing in complexity and require the type of skills actuaries have to offer.

Rade Musulin

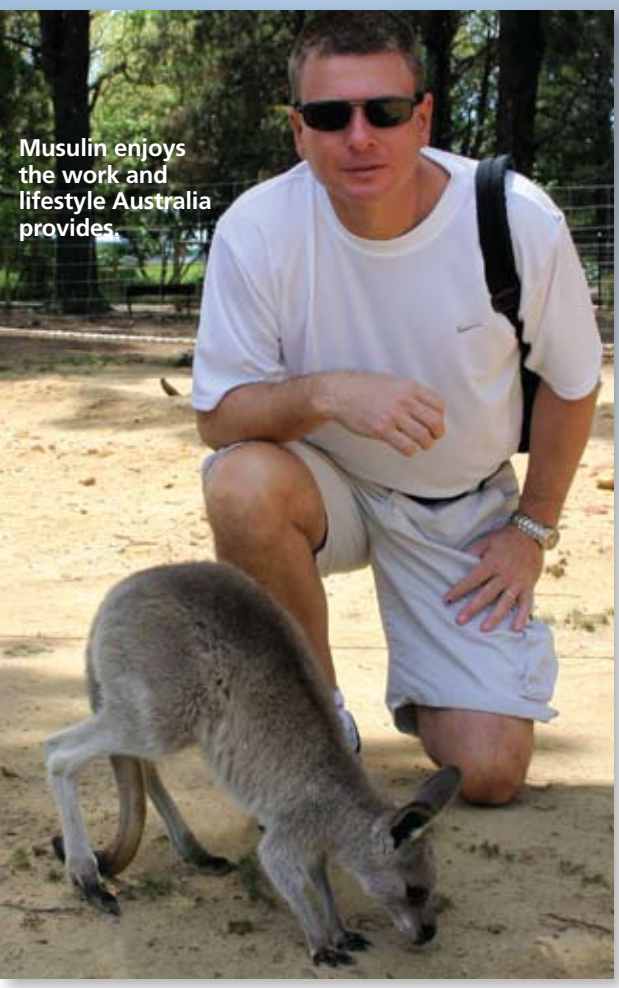
My job in Australia has given me the opportunity to work in a department with well-trained actuaries from Australia, France, and Mexico; a student trained in Germany; and an intern from Thailand studying in the Institute of Actuaries of Australia's program. I have also worked with actuaries from the New Zealand Society of Actuaries and the United Kingdom's Institute of Actuaries, and I have been very impressed by the quality of the education process in these countries.

My colleagues have many reasons for coming to Australia. Generally, Australia is experiencing a shortage of highly skilled workers, leading to a choice of good jobs and a manageable immigration process. The Australian lifestyle is excellent, and Sydney is a great place to live and raise a family. Also, many Australian insurers and reinsurers have global operations, offering an opportunity to work on projects in many countries.

The profession in most other countries is more united than in the U.S., as there are not separate qualification tracks for life and casualty actuaries. That leads to less special-

ons Actuaries Abroad

Generally, insurance systems in much of the world are growing in complexity and require the type of skills actuaries have to offer.



Musulin enjoys the work and lifestyle Australia provides.

ization but more interaction among the various branches of the profession. Also, the same entity, the Institute of Actuaries of Australia, addresses both the education process and public policy issues, unlike in the U.S.

The Australian and U.K. institutes have strong codes of conduct and professional standards, including disciplinary processes similar to those of the Actuarial Board for Counseling and Discipline in the U.S. Similar to the Academy's continuing education requirement, both institutes require a significant amount of continuing professional development. I have attended meetings of the Society of Actuaries in New Zealand and the Australian institute and found the quality of the programs to be comparable to those of the Academy and Casualty Actuarial Society. Not surprisingly, the Australian institute, just like the Academy, has a strong committee system of volunteer members.

Section 6 of the Academy's strategic plan recognizes the growing importance of international initiatives. In coming years, the actuarial profession will become more global, following the trend of financial services generally. This will offer great opportunities for Academy members.

Rade Musulin is an associate editor for the *Actuarial Update*, a member of the Academy's Terrorism Risk Insurance Subcommittee, and head of Aon Re Services Australia in Sydney.

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ROUNDTABLE, continued from Page 1

Academy Public Plans Committee Chairperson Paul Angelo greets Gene Kalwarski, a breakout session moderator, before the roundtable.

"Hosting this forum was an important move in opening up a public discussion on this topic," Terry said.

ert North, chief actuary of the New York City Office of the Actuary and a member of the Academy's Public Plans Subcommittee.

The roundtable was broken into a morning group session, three morning breakout sessions, and an afternoon group session, followed by a period for questions from the media and the audience. The breakout sessions covered public plan issues related to funding, investment, and governance.

By the end of the day, there was widespread agreement that improved communication among all stakeholders, like that encouraged at the roundtable, would be beneficial for decision-makers seeking to strengthen the financial security of and maintain public confidence in public pension plans.

Though not all actuaries hold the same views about what financial information is most helpful to public plan stakeholders, the roundtable was part of a serious Academy inquiry into the types of disclosures that support good decision-making, according to Terry.

"Hosting this forum was an important move in opening up a public discussion on this topic," Terry said.

Michael Musuraca (far right microphone), a trustee of the New York City Employees Retirement System, airs his opinions at the roundtable.