Academy Offers Additional Election Procedures

A petition process to nominate members for three open regular director positions on the Academy Board of Directors, the potential for competitive elections for those regular director positions, and electronic voting are the major changes in the Academy’s nomination and election procedures adopted by the board. The new procedures are being implemented on a one-year trial basis for Academy elections in 2011.

“These changes result from the board’s consideration of the recommendations regarding nominations and elections that were contained in the October 2010 final report of the Governance Task Force (GTF),” said Academy President Mary Frances Miller, a member of the Nominating Committee. “The board spent considerable time evaluating the GTF’s recommendations, and we touched base with the Academy Advisors survey research panel and asked them to comment on several of the changes to the nomination and election processes that were under consideration.”

The nine Academy regular directors, who are elected by the membership, each serve three-year terms, with three terms expiring every year. The Nominating Committee will place up to five nominees on the ballot for each of the three open regular director positions for the Class of 2014. In keeping with the Nominating Committee guidelines to consider practice area representation across the entire board, it is expected that the committee will compile a ballot of candidates for one open position for regular director that includes nominees from the health practice area, a second ballot of candidates that includes nominees from the life practice area, and a third ballot of candidates that includes nominees from any practice area.

Nominees for regular director may be selected in one of three ways. New for 2011, members may be nominated by petition. Nominating petitions must carry the valid signatures of at least 50 Academy members representing a minimum of five employers. Nominating petitions may be downloaded from the new online Academy Election Center. Completed petitions must be submitted no later than 5 p.m. on May 31, 2011.

Members still can be nominated by submitting a name directly to the Nominating Committee (their own name or the name of another member). And the Nominating Committee retains the prerogative to reach out directly to members and ask them to seek election to the Academy board.

Also new for 2011, all candidates, regardless of how they are nominated, will complete a Candidate Statement form, provide a biographical sketch, and provide responses to the following:

Honoring Your Peers

As Oscar winners accept their awards during the telecast each year, their speeches often include a heartfelt expression of gratitude and acknowledgment that winning an Academy Award is particularly meaningful because it comes from their peers.

When actuaries receive an Academy award, there aren’t 40 million people watching, but the recognition is just as appreciated.

“You don’t do volunteer work with the objective of achieving an award,” said Donald J. Segal, the 2009 Jarvis Farley Service Award recipient and current president of the Society of Actuaries. “But it’s nice to be honored by your peers,” he added.

Each year the Academy presents the Jarvis Farley Service Award and the Robert J. Myers Public Service Award. The Jarvis Farley Service Award is presented to an actuary whose longtime volunteer efforts on behalf of the Academy have made an extraordinary contribution to the profession and the Academy. The Myers Public Service Award is presented to an individual who has made an outstanding public service contribution to society.

SEE AWARDS, PAGE 5

SEE ELECTIONS, PAGE 4
Academy NEWS Briefs

Keep an Eye on Your Inbox

LOOK FOR AN EMAIL with a link to the annual volunteer survey in early June. The online survey is a chance for members to express their interest in taking part in the important work of the Academy. Serving on an Academy committee offers members many benefits—from professional growth and career development to networking with other actuaries and developing relationships with leaders within the profession—all while contributing time, talent, and expertise to advance the actuarial profession. Service on an Academy committee also may assist you in meeting your annual continuing education requirements under the U.S. Qualification Standards.

SAVE THE DATE
Join your fellow actuaries in Las Vegas on Oct. 24 for the Academy’s Annual Meeting and Awards Luncheon. Open to all Academy members, the 2011 meeting is being held in conjunction with the annual meeting of the Conference of Consulting Actuaries at the JW Marriott Las Vegas Resort & Spa. The meeting will feature the presidential transition ceremony and inaugural address of incoming President Dave Sandburg, and the presentation of the Jarvis Farley Service Award and the Robert J. Myers Public Service Award. More details to follow. Questions? Contact Denise Winston at winston@actuary.org or 202-223-8196.

FOLLOW US ON TWITTER
To stay updated on the Academy’s public policy and professionalism work on behalf of the actuarial profession, be sure to join the nearly 500 who now follow the Academy on Twitter under the name Actuary...Dot...Org. New to Twitter? Learn more at Twitter support.

IN THE NEWS
The Academy Health Practice Council’s Capitol Hill visits on Feb. 28 and March 1 were discussed in Politico’s “Pulse” e-Newsletter on March 2. The actuaries told Politico that they had been conferring with policymakers on alternatives to the individual health insurance coverage mandate in the Patient Protection and Affordable Care Act. The Academy’s discussions on alternatives to the individual coverage mandate also were mentioned in an article published in Politico on March 14. See the March Update for more on the Health Council’s Hill visits.

The Academy issued a statement on March 28 warning that policymakers will need to enact alternatives to help limit adverse selection if the individual mandate is stripped from the law. The Academy statement was the subject of numerous articles, and Academy Senior Health Fellow Cori Ucello was widely quoted on the subject. Coverage included the Hartford Courant and Hartford Business Journal on March 29, and National Underwriter Life & Health, Insurance Journal, and California Broker Magazine on March 30. See the April Update for more on the statement.

The Hartford Courant’s March 3 live Web chat with readers featured guest expert Tom Wildsmith, vice president of the Academy’s Health Practice Council. Wildsmith took questions from participants

Nominations for the 2011 Robert J. Myers Public Service Award due July 8
For more information or to nominate a candidate, go to http://www.actuary.org/awards/myers.asp.

Nominations for the 2011 Jarvis Farley Service Award due July 12
For more information or to nominate a candidate, go to http://www.actuary.org/awards/farley.asp.

CONTINUED ON PAGE 3
on how insurance companies determine insurance premiums and how health care reform may affect health insurance markets and premium costs.

The Academy’s Value of Defined Benefit Plans issue brief was cited in an op-ed published in the Stamford (Conn.) Advocate on March 3. Academy volunteers wrote that the management of investments is more efficient in a defined benefit plan than in a defined contribution plan, an efficiency that often leads to higher returns.

Academy volunteer Al Schmitz, a consulting actuary for Milliman in Brookfield, Wis., testified on behalf of the Academy during a March 17 U.S. House Committee on Energy and Commerce Subcommittee on Health hearing on the Community Living Assistance Services and Supports (CLASS) Act program. Schmitz’s remarks were included in numerous news articles on the hearing, including reports by Best wire on March 17, the Bureau of National Affairs on March 18, and Employee Benefits Adviser on March 29. Schmitz told members of the congressional subcommittee that the program’s design makes it susceptible to adverse selection, which ultimately could threaten the sustainability of the program. He recommended several changes to the program to address these issues. See the April Update for coverage of the hearing, or visit the Academy’s newsroom video gallery to watch the hearing in its entirety.

National Underwriter Life & Health’s preview of the hearing on March 15 cited the Academy’s FAQ on the program. The Academy’s concerns regarding affordability and sustainability of the CLASS Act program also were highlighted in an op-ed published in the Washington Times on March 31.

Academy volunteer Rowen Bell discussed the Academy’s health care reform implementation efforts during a Chicago Actuaries Association workshop on March 23.

To find out about other actuaries in the news and for external links, visit the Academy’s newsroom.
Rules Proposed to Define Swaps

Editor’s note: The following was first reported in an Academy Alert sent to Academy members on April 28, 2011.

The U.S. Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) on April 27 approved proposed regulations on the definition of “swaps.” Under the proposed rules and interpretive guidance, insurance products would not be considered swaps or security-based swaps.

The majority of existing swap products and transactions would be defined as swaps, but insurance products would not be considered swaps or security-based swaps. According to the SEC’s fact sheet on the proposed rules and interpretive guidance, products offered by a regulated insurance company that would qualify as insurance include bonds, life insurance, health insurance, long-term care insurance, title insurance, property and casualty insurance, and annuity products the income on which is subject to tax treatment under Section 72 of the Internal Revenue Code.

Under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC and CFTC are required to work together to create a system for regulating swaps, security-based swaps and agreements, and mixed swaps. Comments on the proposed rules are due by June 27.

He Reinsurance Subcommittee are Joshua Youdovin, senior business analyst for Swiss Re in Armonk, N.Y.; Thomas Stanford, an actuary in Halifax, Nova Scotia; Sarah Krutov, senior vice president and chief risk officer for SCOR Reinsurance Co. in New York; Brett Shereck, senior vice president for Willis Re Inc. in New York; Brian Ingle, senior vice president for Willis Re Inc. in New York; and Surangi Patel, vice president of Prudential Insurance Co. in Newark, N.J.

Elections, continued from Page 1

→ How I meet the qualifications for the position of regular director on the Academy Board of Directors.
→ Why I want to serve on the Academy Board of Directors.
→ What I believe are the most important issues facing the Academy.

The Candidate Statement form can be downloaded directly from the Election Center on the Academy website and will be used to offer information to the membership about the candidates on the ballot.

And to expand voting beyond those who attend the Academy’s Annual Meeting, members will be able to vote online, which is also a one-year trial. Voting will take place over four weeks during the summer. The results will be tabulated and announced no later than the Academy’s Oct. 24 Annual Meeting, which is being held this year in Las Vegas in conjunction with the annual meeting of the Conference of Consulting Actuaries.

“The Nominating Committee and the board of directors are eager to see how we can best expand participation in the nominations and elections processes,” said John Parks, penultimate past president of the Academy and chairperson of the Nominating Committee. “We believe that the changes we’ve adopted will help ensure continued growth of a deep pool of future Academy leaders.”

The Nominating Committee also will nominate three candidates to serve as Academy vice presidents for the life, pension, and risk management and financial reporting practice areas, as well as candidates for president-elect, secretary, and treasurer. These positions are elected directly by the board of directors.

You’ll find all the nomination procedures and forms you need online at the Academy Election Center.

Members of the Nominating Committee: Chairperson John Parks, penultimate past president of the Academy; Vice Chairperson Ken Hohman, immediate past president of the Academy; Thomas Finnegan, president of the American Society of Pension Professionals and Actuaries; Roger Hayne, immediate past president of the Casualty Actuarial Society; S. Michael McLaughlin, past president of the Society of Actuaries; Mary D. Miller, regular director of the Academy Board of Directors; Mary Frances Miller, president of the Academy; Cande Olsen, regular director of the Academy Board of Directors; Jeffrey Petertil, regular director of the Academy Board of Directors; David Sandberg, president-elect of the Academy; and Lawrence Sher, immediate past president of the Conference of Consulting Actuaries.
to the actuarial profession, and the Robert J. Myers Public Service Award is presented to a member of the Academy who has made an extraordinary contribution to the public good through service to the government or other organizations in the public sphere by either a single noteworthy achievement or a lifetime of service. The nominations for these awards come from Academy members.

“In our careers, all of us have encountered people who have contributed to the profession in a variety of ways. This is the kind of person you want to think about nominating for the Farley Award,” said Segal, adding, “There are a lot of those people around.”

“Recognizing public-sector actuaries is also important,” said 2010 Robert J. Myers Public Service Award recipient Sheldon Summers, “because they face challenges that place a great demand on their time and resources.” Summers, who was an actuary with the California Department of Insurance for 31 years before joining Claire Thinking Inc. last year, said that this is particularly true today. Many government actuaries are working for states that have budget deficits and, therefore, must assume added responsibilities, caused in part by new insurance laws, without the ability to hire more staff to help with the increased workload, he explained.

“Most of the government actuaries I know are fulfilled by knowing their efforts benefit the insurance-buying public. These hard-working actuaries deserve to be recognized and thanked for their ongoing contributions,” Summers said. “One way you can do this,” he said, “is by nominating them for the Myers Award.”

Nominations for the Robert J. Myers Public Service Award are due by July 8. Nominations are due by July 8

---

**2011 Robert J. Myers Public Service Award**

[Click here](#) to nominate a member of the Academy who has:

- Demonstrated a commitment to professionalism;
- Made an extraordinary contribution to the public good through service to the government or other organizations in the public sphere, even when facing conflicts from political pressure;
- Been an inspiration to practicing actuaries, and
- Commanded respect inside and outside the profession.

Nominations are due by July 8

---

**2011 Jarvis Farley Service Award**

[Click here](#) to nominate a member of the Academy who has:

- Demonstrated his or her commitment to professionalism;
- Made an extraordinary contribution to the actuarial profession through longtime service as an Academy volunteer;
- Been an inspiration to practicing actuaries; and
- Commanded respect inside and outside the profession.

Nominations are due by July 12

---

**Casualty Briefs**

- **Richard Lord**, principal and consulting actuary for Milliman in Pasadena, Calif., has been appointed chairperson of the Academy’s Medical Professional Liability Subcommittee. Outgoing chair **Kevin Bingham**, principal of Deloitte Consulting in Hartford, Conn., remains on the subcommittee as a regular member.
**Academy Work Group to Train CMS**

The Academy’s Medicaid Work Group will lead a live video training session in early June for officials from the Centers for Medicare & Medicaid Services (CMS) to explain the rate-setting process for Medicaid managed care programs.

Improving the state rate-setting process has been a priority for the CMS in recent years, and it became even more important after a 2010 Government Accountability Office report criticized the current process. The CMS formally requested the training session after it reviewed comments it had solicited from the Medicaid Work Group in January as part of an effort to improve the Medicaid rate-setting checklist.

“I believe this is the first time the Academy has been asked to conduct a training session of this kind, and we are very pleased to be able to help,” said Mike Nordstrom, chairperson of the work group. “The state rate certification and CMS approval process is important because of the large (and ever-growing) number of individuals already in Medicaid managed care,” Nordstrom added. An estimated 16 million people are expected to become eligible for Medicaid and the companion Children’s Health Insurance Program by 2019 as more provisions of the Patient Protection and Affordable Care Act of 2010 kick in, he explained.

Nordstrom and work group members Sabrina Gibson and Rob Damber will conduct the seminar. Likely topics include base data sources, base data adjustments, program change evaluation, prospective claim cost trends, health plan administrative and underwriting profit/risk/contingency loading, risk adjustment, risk-sharing arrangements, and performance incentives. The interactive training session will be broadcast to all 10 CMS regional offices across the country, and an estimated 40 to 50 CMS officials and actuaries are expected to participate.

**Consumer Disclosure Forms Reviewed**

The Academy’s Premium Review Work Group responded on May 2 to a Centers for Medicare & Medicaid Services (CMS) request for comments on the forms for reporting “unreasonable” premium increases under the Affordable Care Act (ACA).

The work group’s letter included a general examination of the preliminary justification form and instructions as well as the disclosure form designed to inform consumers about a health insurance issuer’s rate increase. The work group also outlined specific issues and recommendations on the consumer disclosure form and on the three parts of the preliminary justification form: Rate Summary Worksheet (Part I), Written Explanation of Rate Increase (Part II), and Rate Filing Documentation (Part III).

In its general comments, the work group urged the CMS to clarify the purpose of each form. It noted that if the information in the preliminary justification form is intended solely to provide the values included on the consumer disclosure form and not to evaluate actual rate increases, the CMS should make that clear in the instructions. If the purpose is to support a rate review and approval process, the form would need significant modification, the work group said.

The work group also suggested that the CMS include a glossary to help consumers understand terminology used throughout the disclosure form and offered its assistance in developing one.

**Academy Comments on NAIC White Paper**

Recent National Association of Insurance Commissioners (NAIC) white paper on adverse selection offers a good first look at the potential for adverse selection in relation to exchanges created through the Affordable Care Act (ACA). But in an April 5 letter to the NAIC’s Exchanges (B) Subgroup, the Academy’s Exchanges Work Group offered some suggestions for making the white paper even better, including:

- Revising the background section to improve differentiation between the types and causes of adverse selection as a way of framing the debate.
- Adding a separate discussion of the selection potential in limiting the number of carriers in an exchange, as it could, in turn, spur more competitive rates outside the exchange.
- Separating the list of key ACA provisions affecting adverse selection into two lists. One would be for those provisions that mitigate adverse selection (e.g., keeping the premium for plans offered inside and outside an exchange the same and using the same rating factors inside and outside the exchange). And the other would be for those that potentially exacerbate it (e.g., requiring issuers to offer at least one silver and one gold level plan to participate in an exchange, with no similar requirement outside of it, and allowing small groups up to 100 members to experience-rate outside of the exchange).
- Adding a brief discussion of the ACA risk-sharing mechanisms that can be used to mitigate adverse selection. As part of that discussion, the group suggested recognizing the factors that affect health spending (and, therefore, potential adverse selection), such as health status, income, gender, and age (to the extent that age is not already allowed as a rating factor).

The NAIC Exchanges (B) Subgroup currently is reviewing all comments it has received on the draft white paper, and, it plans to release a final version in early June.

**HEALTH BRIEFS**

Warren Jones, senior vice president and chief actuary for Transamerica Long Term Care in Bedford, Texas, has been appointed chairperson of the Academy’s State Long Term Care Task Force.
C-3 Phase II Practice Note Revised

THE ACADEMY’S VARIABLE ANNUITY PRACTICE NOTE WORK GROUP has updated its 2006 practice note, The Application of C-3 Phase II and Actuarial Guideline XLIII to reflect the guideline’s Dec. 31, 2009, effective date. When the original practice note was released, Actuarial Guideline (AG) No. 43 (commonly referred to as VARCARVM), the principle-based reserving valuation guide for variable annuity products, still was under discussion. The practice note, which is organized into a question-and-answer format, last was updated in July 2009 to reflect the guidance in AG 43. Several new questions, as well as a comparison of C-3 Phase II and AG 43, were added at that time. An addendum to the July 2009 practice note was released in December 2009 to address additional questions that were raised after the July 2009 version of the practice note was published.

The latest version of the practice note answers new questions about the implementation of AG 43, revises some of the previous answers based on actuaries’ actual experience with the implementation of AG 43, and includes the December 2009 addendum. Substantial updates were made to the sections regarding the standard scenario and hedging. Former Sections 3 and 12 were combined into the new Section 3, and the questions regarding revenue sharing were moved to a new Section 15.

Life PBR Transition Explored

IN A REPORT to the National Association of Insurance Commissioners’ Life Actuarial Task Force, the Academy Life Practice Council’s Tax Work Group examined the expected application of the federal income tax reserve rules to life insurance companies that elect to use the three-year statutory transition provision for life principle-based reserves (PBR).

In the report, the work group indicated that tax reserves would have to be calculated using life PBR for issues on and after the effective date of life PBR, regardless of whether the company elects the three-year statutory life PBR transition. The group also flagged an open tax issue regarding what would happen if a company uses the three-year elective statutory life PBR transition and later restates statutory reserves on in-force policies issued from the effective date forward. The report questions whether the resulting statutory capping or uncapping would be subject to a Code Section 807(f) 10-year spread for tax purposes, and, if so, in what manner. The report also notes that the Treasury Department and Internal Revenue Service have not yet issued formal guidance on any life PBR transition issues.

Webinar Focuses on Life Initiatives

ACADEMY MEMBERS heard detailed updates and news on recent life insurance activity at both the Academy and the National Association of Insurance Commissioners (NAIC) in an April 14 webinar hosted by the Academy’s Life Practice Council. Highlights included:

- The NAIC’s Life Actuarial Task Force (LATF) has released for comment the basic table, a projection scale, and a margin for a new payout annuity mortality table. Work is continuing on the development of mortality tables for preneed, simplified issue, and guaranteed life insurance.
- The Academy’s practice note on the principle-based approach (PBA) is in peer review and should be available in a few months.
- Towers Watson is overseeing a field test for the NAIC that will study the effect that principle-based reserving has on the life insurance industry and determine if any refinements to the NAIC Valuation Manual-20 are needed. Towers Watson expected to receive results from about half of the 41 companies participating in the field test by the end of April. A report on the field test is due to the NAIC on June 30, 2011.

The webinar was moderated by Dave Neve, chairperson of the Academy’s Life Financial Soundness/Risk Management Committee. Presenters included Leslie Jones, chairperson of the NAIC’s Life Actuarial Task Force; Todd Erkis, chairperson of the Academy’s PBA Practice Note Work Group; Jason Kehrberg, senior consultant at Towers Watson; and Nancy Bennett, Academy senior life fellow.

For a CD of the presentation slides and the recorded audiocast, go to http://www.actuary.org/webcasts/order.pdf.
Group to Update LTD Experience Table

THE ACADEMY and the Society of Actuaries (SOA) recently formed a joint Group Long-Term Disability Work Group, co-chaired by Darrell Knapp and Roger Martin, to develop a valuation table based on the 2008 SOA Group Long-Term Disability Experience Table. The work group’s goal is to replace the 1987 Commissioners’ Group Disability Table with the Academy’s recommended table.

Bodoff Wins ERM Award

Neil M. Bodoff, senior vice president at Willis Re in New York, received the Actuarial Foundation’s ERM Research Excellence Award in Memory of Hubert Mueller at the March ERM Symposium in Chicago. The award recognizes significant contributions to the growing body of ERM knowledge and research through the best paper submitted for consideration at the symposium. Bodoff’s paper, “Sustainability of Earnings: A Framework for Quantitative Modeling of Strategy, Risk, and Value,” presents an innovative framework through which strategic considerations can be incorporated into a quantitative model of a firm’s value. The paper is available online at www.actuarialfoundation.org/pdf/erm2011.pdf.

CLRS

SEPTEMBER 15–16, 2011
ARIA RESORT & CASINO • LAS VEGAS, NV

2011 Casualty Loss Reserve Seminar Reserving, the Underwriting Cycle and the Economy!

Attend the 2011 CLRS to stay current with industry developments in reserving and to learn from expert analysis of the underwriting cycle and the economy!

Why attend?

• Continuing education hours from more than 60 sessions, including interactive/hands-on learning and specific case studies.
• Basic and advanced topics, including reinsurance, accounting, emerging risks, and regulatory issues.
• Extensive networking opportunities!
• Exhibit hall display of relevant products and services.

Exhibitors: Don’t miss the chance to showcase your products and services at CLRS. Space is limited, so act today!

Registration is open! Visit www.casact.org/clrs.

Sponsored by:

©2011 The American Academy of Actuaries. All rights reserved.