Academy Spreads Social Security Message

Public Interest Statement Advocates Raising Retirement Age

Before the gravity-defying display that lit the Olympic torch in Beijing, actuaries were the ones commanding airwaves throughout the U.S. for igniting a fire under policymakers to fix Social Security.

The Academy successfully reached hundreds of print, radio, and television news outlets around the country as it offered its professional advice to raise Social Security’s retirement age as a critical step toward addressing the program’s long-term actuarial imbalance. The message was contained in the Academy’s first public interest advocacy statement, which Academy leaders introduced at an Aug. 4 news conference at the National Press Club in Washington.

Tom Terry, Academy vice president for pension issues, presented the statement on behalf of the U.S. actuarial profession, citing increased U.S. life expectancy as the primary factor in the Social Security program’s “permanent imbalance” under current law.

“The program is facing a demographic problem that demands a demographic solution,” Terry said. “Long

Academy Tabs Todisco as Pension Resource

After two decades of addressing retirement issues in the private sector, Frank Todisco will now turn his full-time focus to public policy as the Academy’s new senior pension fellow. Todisco begins his work with the Academy on Sept. 8.

Todisco, most recently a principal at Mercer Human Resource Consulting, comes to Washington via New York, where he spent 18 years as a retirement expert at Mercer. During that time, Todisco led projects related to some of the key retirement issues of the day, including those surrounding the financial economics debate and pension accounting, the health and future of defined benefit plans, and the increased role of defined contribution programs. He says this focus was by design, as his personal interests gravitated toward intellectual capital development and policy issues more than traditional consulting work.

“I’ve been involved in policy work in different ways over the years both at Mercer and as a volunteer for the actuarial

See RETIREMENT AGE, Page 4

See PENSION FELLOW, Page 8
Fox Anchor to Speak at Annual Meeting

Stuart Varney, Peabody Award-winning financial journalist for FOX Business News, will be the featured speaker at the Academy's annual meeting luncheon Oct. 27 in Bonita Springs, Fla.

Varney anchors the network's afternoon news coverage and appears on other shows for FOX Business News, where he has worked since 2007. He first joined FOX News in 2003 as a contributor to a variety of financial news shows. Before that, he was a founding member of the award-winning business team at CNN, where he worked since its launch in 1980.

A graduate of the London School of Economics, Varney brings an economist's perspective as he addresses rapidly shifting domestic and global economic trends. He won a Peabody Award for excellence in journalism for his coverage and analysis of the stock market crash of 1987.

The noon annual meeting luncheon will take place at the Hyatt Regency Coconut Point Resort in conjunction with the Conference of Consulting Actuaries (CCA) annual meeting. It is open to all Academy members and will feature the presidential transition ceremony and inaugural address of incoming President John Parks, the vote for new regular members of the Academy Board of Directors, and the presentation of the Jarvis Farley Service Award and the Robert J. Myers Public Service Award.

You can register through the CCA’s website. For additional information, contact Stephanie Blanding at the Academy (blanding@actuary.org; 202-223-8196).

Public Plan Forum
The Academy’s Public Interest Committee is hosting a public forum in Washington on Sept. 4. The purpose of the forum is to hear the views of stakeholders in the debate over the disclosure of the market value of assets and liabilities in public pension plans. Look for coverage of the forum in the next Update.

Looking for Volunteers
This fall, the Health Practice International Task Force will be studying foreign health programs, including the Dutch and Swiss health systems, to determine what U.S. policymakers can learn from them when designing health reform initiatives. The task force is looking for more member volunteers to help carry out its new mission. To volunteer, please contact Dianna Pell (pell@actuary.org; 202-785-6924).

In the News
Wired magazine's July cover story looked at how advances in data crunching are changing science, medicine, business, and technology. Included in the feature was an anecdote on how actuaries and the Academy used catastrophe models and "terabytes of data" to calculate estimated insured losses stemming from terrorist attacks. The estimate cited came from the Academy's report on terrorism risk insurance that was submitted to the President's Working Group on Financial Markets in 2006.

Tom Wildsmith, a member of the Academy's Committee on Federal Health Issues and a consulting actuary with PricewaterhouseCoopers in Chicago, was quoted in a July 10 Accounting Web article from his presentation on behalf of the Academy during a July 9 Securities and Exchange Commission roundtable on fair value accounting.

Sam Gutterman, a director and consulting actuary with PricewaterhouseCoopers in Chicago, was quoted in a July 10 Accounting Web article from his presentation on behalf of the Academy during a July 9 Securities and Exchange Commission roundtable on fair value accounting.
Actuaries’ Open Process

Pensions & Investments’ June 23 issue contained an opinion piece (“Market valuation non sequiturs;” Other Views) that addressed, among other things, the topic of market-value disclosures for public pension plans. That article contained some misrepresentations about the role of actuaries in the debate on this issue. I’d like to clarify the role of both Academy volunteers and the Academy itself as it relates to this issue.

Our profession — and those who volunteer their time and support for it — operate with a high degree of professionalism. The Academy adheres to policies designed to assure that our work on this issue, as well as all other issues, is conducted in an environment where the public interest is paramount. We have no reason to question the professionalism of the volunteers involved in this matter, whose role has been simply to raise the issue for discussion. That discussion has been both internal and external to the Academy and is still under way.

The Academy’s board of directors has recognized that the issue of market-value disclosures has important public policy implications and deserves serious discussion. The board has referred the issue to its public interest committee, which will manage the Academy’s process. Public input will be sought as an appropriate part of that committee’s process.

The Academy takes very seriously its role in representing the actuarial profession to the American public and in the need to serve the public good. The board of directors believes this is an issue that deserves discussion and potential action.

William F. Bluhm
President, American Academy of Actuaries
Washington

The above letter ran in the July 21, 2008, issue of Pensions & Investments.

KUDOS

Mark L. Schreier, executive vice president for finance and treasurer of Woodmen of the World Life Insurance in Omaha, Neb., is the recipient of Luther College’s Jacobson-Rugland Award for his contributions to the actuarial profession.

The American College has announced Frederick Sievert of Stamford, Conn., former president of New York Life Insurance Co., as the recipient of its Huebner Gold Medal. The medal is the college’s highest honor, given for support of the college and dedication to education and professionalism.
Setting a Referendum for Health Reform

BY JOHN SCHUBERT

WHEN I ACCEPTED THE CHALLENGE to be the next vice president for the Health Practice Council (HPC), I thought a lot about what I wanted to accomplish during my term. Looking back, I think the council’s accomplishments have exceeded my expectations, and I am honored and humbled to have been a part of such an exciting period for the profession in terms of its contributions to the national dialogue on health care reform.

These past two years have coincided with national preparations for the 2008 presidential election as health care reform has emerged as a priority. The HPC has had the opportunity to enhance the Academy’s profile as an objective resource to policymakers, the media, and the general public. Seizing that opportunity, we developed content for an Election 2008 website designed to break down certain aspects of the health care and Medicare reform debate into succinct explanations for public consumption.

In the past two years, the HPC has also released no fewer than 30 policy statements of various forms on issues ranging from Medicare and Schobel explained several approaches that policymakers may consider to raise the retirement age, depending on when increases might first be effective and how quickly the age is raised.

“If implemented right, increasing the retirement age could play a very significant role in eliminating Social Security’s long-range deficit,” he said.

According to the Social Security trustees’ 2008 annual report, the trust fund will begin paying out more than it collects in taxes sometime in 2017 and will be completely exhausted in 2041. Though Terry and Schobel explained that a solution to Social Security must involve comprehensive changes, they maintained that any package should include raising the retirement age.

The Academy also insisted that Social Security legislation be enacted as soon as possible, so that policymakers have a greater range of options and flexibility in how to implement changes. The issue could be
Continuing the Commitment

BY ROBERT MICCOLIS

WHEN I FIRST ACCEPTED THE CHALLENGE of becoming the Casualty Practice Council’s (CPC) vice president, I knew that following my predecessor Mary D. Miller would be a daunting task. Nonetheless, it has been a privilege to serve my profession these past two years. Shortly after my appointment, the Casualty Actuarial Society (CAS) decided to permit its board to elect additional members, including giving a spot to the Academy CPC vice president. I was honored to be elected to the CAS board and to represent the Academy in this fashion.

As vice president, I witnessed dramatic policy developments in the property/casualty insurance environment, including the passage of terrorism risk insurance renewal legislation at the end of 2007 and a number of bills intended to meet the challenges presented by the hurricanes of 2005. It’s been rewarding to see a number of CPC groups meet on Capitol Hill with staff from congressional committees and agencies to discuss actuarial issues related to their work. The practice council has also continued to provide its expertise to the National Association of Insurance Commissioners and the National Conference of Insurance Legislators in a variety of areas.

During my tenure, I’ve been pleased to see the annual seminar on effective loss reserve opinion writing continue to grow as its second and third editions were a popular and useful educational resource for P/C actuaries. Planning this year’s version has been especially exciting, as the seminar boasts an expanded format that covers both introductory and advanced topics. Thank you to the expert faculty who have made it such a success.

Also, last fall a subgroup of the Academy’s Committee on Property and Liability Financial Reporting created an overview for audit committee members of P/C insurers: effective use of actuarial expertise, an extraordinarily well-received document intended to educate corporate boards of directors on the role of the appointed actuary.

And the CPC, with its focus on issues in which actuaries provide unique expertise that enables the Academy to speak out in the interests of the public. After discussions within the committee, including seeking input from Academy membership, it recommended the statement to the Academy’s Board of Directors. The board approved the statement in June.

For the statement itself, go to www.actuary.org/briefings/socsec_aug08.asp or see the fall issue of the Enrolled Actuaries Report.

Robert Miccolis completes his term as the Academy’s vice president for casualty issues next month.

particularly pertinent to this November’s election because the key 2017 date could arrive just as one of this year’s presidential candidates is completing a possible second term in the White House.

For those resistant to working past 65, Schobel explained that the percentage of 65-year-olds remaining in the workforce has already been steadily increasing—from around 30 percent of men and 17 percent of women in the mid-1980s to over 40 percent of men and nearly 30 percent of women today. And going back 50 to 60 years ago, the labor-force participation rates for men were much higher than today.

“Nobody would suggest that today’s 65-year-olds are any less able to work than their counterparts of decades ago,” Schobel said. He also reiterated that Americans don’t need to wait until normal retirement age to take Social Security; when the normal retirement age increase was enacted into law in 1983, 62 years remained the earliest eligibility age for retirement benefits.

The press conference marked the first time the Academy has released a public interest statement that advocates for a specific public policy position. At the request of the Pension Practice Council, the issue was taken up earlier this year by the Academy’s Public Interest Committee, which is responsible for ensuring Academy advocacy efforts focus only on issues in which actuaries provide unique expertise that enables the Academy to speak out in the interests of the public. After discussions within the committee, including seeking input from Academy membership, it recommended the statement to the Academy’s Board of Directors. The board approved the statement in June.

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www.actuary.org
WHAT IS MASSACHUSETTS? Well, apart from being the only state to produce four U.S. presidents from one county, it’s the “Final Jeopardy!” question that turned an actuary from the Virginia suburbs into a game show champion.

By answering correctly, Jeopardy! contestant Sven Sinclair defeated his two opponents and racked up $28,599 in winnings—an impressive total for a single appearance on the show, as host Alex Trebek was quick to note.

“It was great fun,” Sinclair, a Congressional Budget Office analyst and member of the Academy’s Social Insurance Committee, told the Update.

Sinclair has been a Jeopardy! fan for years. When he first tried out for the show three years ago, he passed the initial trivia quiz but wasn’t called back for an audition. This spring, he had better luck; after getting through the preliminaries, he was soon on his way to Culver City, Calif., where Jeopardy! is taped.

Sinclair said he didn’t try much 11th-hour cramming to prepare. “You can’t know what will come up,” he noted. For the most part, he said, his store of trivia is “just what you know from reading and listening and just general living.”

When the show aired in June, millions saw Sinclair test his factual knowledge. (Jeopardy! has an estimated 93 million viewers per week.) And even if they didn’t know it, they also saw him use his actuarial instincts to craft smart betting strategies. On “Daily Double” wagers, for example, Sinclair bet very little if he wasn’t confident about the category. If the category played to his strengths, his bet was bold; with one such wager, in fact, he immediately doubled his winnings.

Since Jeopardy! takes one day to tape a week’s worth of shows, Sinclair had just a short break after the first game. Then he was back as the returning champion, starting the second “day.” At the end of that game, there was a new champion, a scientific researcher who knew a lot of TV trivia.

Sinclair said his biggest surprise was the toll the taping takes on contestants. “You get very excited playing, you produce a lot of adrenaline…it’s just physically draining,” he said. “It really makes me respect and admire some of the winners.”

As a winner himself, he has a couple of tips for aspiring Jeopardy! contestants: First, be prepared for wagering situations. Second, have fun. Don’t worry about making a fool of yourself on TV, he said, “because most of us do at some point, but it’s very easily forgotten.”

—ANNE ASPLEN

ERM Interest Increasing in Kenya

By Shiraz Jetha

ACTUARIES WITHOUT FRONTIERS, a section of the International Actuarial Association (IAA), wants to take North American actuaries to TASK—that is, to The Actuarial Society of Kenya (TASK). The IAA group is planning a series of resource projects sponsored by TASK to spread enterprise risk management education to Kenyan actuaries.

Actuaries Without Frontiers (AWF) is a group that helps provide actuarial resources to emerging countries on a short-term, voluntary basis. At the request of TASK, it is helping to organize a two- to three-week-long lecture series in local university classrooms next spring in Nairobi, Kenya, that will cover enterprise risk management (ERM) and economic capital (EC) concepts.

Though there are currently only about eight “practicing actuaries” residing in Kenya—of which five are fellows from leading actuarial organizations like the Society of Actuaries or the Institute of Actuaries—local universities offering actuarial science programs are seeing strong interest from the student community. The profession is also keen to build up its knowledge in new areas such as ERM, including state-of-the-art products and new risk evaluation techniques.

There are some 40 insurance companies and four reinsurers active in Kenya. Around 20 write life insurance, and the rest write property/casualty and health insurance coverages, with some writing both. In 2007, a new Insurance Regulatory Authority was established by converting the previous Department of Insurance into a full-fledged authority with an independent board and a mandate to develop and regulate the insurance industry in Kenya.

To encourage continued growth in the profession, TASK and AWF are developing resource plans for the project. Those include, alongside the ERM/EC lectures, one or two seminars for industry executives, actuaries, and regulators between April and June 2009.

AWF welcomes volunteers for this project. Travel and hospitality-related expenses would be covered for interested actuaries. For more information, contact Pritesh Modi (pmodi@nfs.bm) or me (sjetha@nooractconsulting.com) indicating your interest level in this initiative. As membership of AWF will be required, individuals interested in these types of opportunities are invited to join the section.

Shiraz Jetha, an actuary in the Washington Office of Insurance in Olympia, is a former member of the Academy’s Health Practice International Task Force.

Test your knowledge: Try the questions from the June 23 and June 24 Jeopardy! shows that featured Sven Sinclair at www.j-archive.com.

By S h i r a z J e t h a
Insurance Basics for Health Reform

As policymakers address health care reform issues, one goal is to improve the ability of the uninsured to access and to afford coverage. The Academy’s Uninsured Work Group released an issue brief in July to educate policymakers on the fundamental principles of insurability, how they apply to health insurance, and the implications for benefit design considerations in health reform proposals.

While discussing ways to expand coverage, policymakers may consider issues such as a minimum level of benefits, premium and cost-sharing requirements, and incentives to control cost growth. However, the new issue brief, Fundamentals of Insurance: Implications for Health Coverage, stresses the importance of understanding certain principles of insurance when attempting to implement reform proposals.

According to the issue brief, a risk is considered insurable if it conforms to the following principles: it is economically feasible to insure the risk; the loss is demonstrable; the economic value of the insurance is calculable; the loss is random; and the insured loss is independent in time and place.

In the context of these principles, the general comprehensiveness of any given health coverage plan may serve to compromise the principles of random loss and economic feasibility. For example, an individual will likely purchase health insurance that provides coverage for services the individual expects to use (i.e., the loss is not random), many of which are predictable and relatively inexpensive (i.e., budgetable expenses for which insurance may not be economically feasible). While some policymakers may argue that a health plan that covers only the most basic services could address these concerns, the brief notes that it may be difficult to define what constitutes basic medical services and even more difficult to sell such an insurance product to a population that values choice and more comprehensive coverage.

By understanding these fundamental principles of insurance, policymakers will be able to recognize—and take necessary steps to protect against—any potential consequences of health reform proposals that include specific coverage design elements.

—Heather Jerbi

New Task Force Eyes Insurance Regulation

As issues surrounding regulatory reform for insurance continue to draw attention on Capitol Hill, the Academy’s Risk Management and Financial Reporting Council decided to better prepare itself for potential congressional activity. Consequently, the Financial Regulatory Reform Task Force was formed in June to monitor the legislative landscape.

The task force is composed of actuaries experienced in property and casualty, life, and health insurance regulation issues.

“We looked around and didn’t find a place in our groups that addressed or could address these issues on a timely basis,” said James Rech, Academy vice president for risk management and financial regulatory issues and chairperson of the task force. “We felt that putting together a task force that would introduce actuarial expertise into financial regulation discussions was essential to get our input into this process.”

One issue that helped prompt the task force’s formation is proposed bill H.R. 5840, the Insurance Information Act, which seeks to create a federal Office of Insurance Information within the U.S. Treasury Department. The office would advise the president and Congress on policy issues related to all lines of insurance except health insurance. The bill was approved by the House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises and fast-tracked to go to the House floor.

The task force sent a letter to the chairman of the House Committee on Financial Services on July 8 before sending it to all members of the House on July 29 in anticipation of the bill going before the entire chamber. Although potential action was later postponed until September, the letter, signed by Rech, stressed the importance of specifically including an actuary in any legislation dealing with financial regulatory reform.

“The purpose was to let them know actuaries are here to help the process and to provide input in the regulation of insurance,” Rech said.

The letter also pointed to the 2003 Academy monograph, Role of the Actuary Under Federal Insurance Regulation, to further explain the value of having formalized regulatory actuarial guidance.

The task force also sent the same letter to Sen. Christopher Dodd (D-Conn.), chairman of the Senate Committee on Banking, Housing, and Urban Affairs, in preparation for a July 29 committee hearing. After the hearing, Dodd indicated that the Senate could possibly act this year on reform efforts, including legislation to transform regulation of surplus lines and reinsurance markets.
Academy Suggests Elements for NAIC Model Law

The Academy has offered input to the National Association of Insurance Commissioners (NAIC) in response to the development of guidelines in support of a proposed Medical Professional Liability Closed Claim Reporting Model Law. In a July 8 letter, the Academy’s Medical Malpractice Liability Subcommittee recommended data elements to be included in the model guideline being drafted by the NAIC’s Casualty Actuarial and Statistical Task Force.

In the letter, signed by Subcommittee Chairperson Kevin Bingham, the Academy suggested some data features to be included in the model guideline, including specialty and geographic location, type of policy, type of risk, and other demographic characteristics. The subcommittee also directed the NAIC task force’s attention to its 2005 white paper on the use of closed claim databases.

The subcommittee also made a few suggestions with regard to the definitions of the terms “claim” and “self-insurer” employed in the underlying model law.

Both the Government Accountability Office and the NAIC have done studies demonstrating the need for more accurate and detailed medical malpractice data. The underlying model law was created to ensure the availability of closed claim data necessary for the thorough analysis and understanding of issues associated with medical professional liability claims. It was presented to the NAIC’s executive committee in June, and a late-August conference call was scheduled to discuss the comment letters that have been received since that time.

—LAUREN PACHMAN

Qualification Standards

Is there any flexibility in the calendar-year CE requirement?

YES. The 30-credit requirement will usually be met in the calendar year before the year the statement of actuarial opinion (SAO) is issued. However, if an actuary who wants to sign an SAO has fewer than 30 credits of relevant CE from the preceding year, he or she can make up the shortfall. Those credits must be earned before the SAO is issued, and they will not count toward the CE requirement for the current year.

There is also a one-year roll-forward provision. If an actuary earns more than 30 relevant CE credits in any given year, the excess can be carried over to satisfy the next year’s CE requirement.