

THE ACTUARIAL update

AMERICAN
ACADEMY OF
ACTUARIES

VOLUME 23
NUMBER 7

JULY 1994

Actuaries Ready for NAFTA Practice

By Curtis Huntington

North American actuaries will be among the first professionals recognized for international practice under the North American Free Trade Agreement (NAFTA). Within weeks, representatives of the profession in the United States, Canada, and Mexico will apply to their respective governments for NAFTA recognition, less than a year after the treaty's ratification.

Our profession's quick response to the NAFTA challenge was highlighted at a recent international conference, the Globalization of Higher Education and the Professions: The Case of North America, May 18–21 in Cancun, Quintana Roo, Mexico.

The conference was hosted by the National Association of Universities and Higher Education Institutions of Mexico, the Center for Quality Assurance in International Education, and the Association of Universities and Colleges of Canada, with major support from the Ministry of Public Education of Mexico.

The meeting was organized to increase North American awareness of professional globalization. Participating were representatives of professions from the NAFTA's three signatories—Canada, Mexico, and the United States. Discussions focused on two subjects:

the compatibility of the three countries' educational and accreditation standards, and the linkage between higher education and professional certification and licensure.

Twelve North American professions were represented among the 500 participants. The large turnout—almost double the projected attendance—reflected the keen interest in the conference's important subject. In addition to actuarial science, the professions represented were agriculture, architecture, business/accounting, dentistry, engineering, law, medicine, nursing, pharmacy, psychology, and veterinary medicine.

Although the actuarial contingent was probably the smallest at the conference, we were recognized as one of the most advanced in terms of developing standards acceptable to professionals operating in all three countries. In fact, we are already preparing a final joint application—identical in all three countries—for the recognition of actuaries under NAFTA.

Council of Presidents

How did the actuarial profession get so far ahead of the other professions represented at this conference? It was through the efforts of the Council of Presidents and, more specifically, the

Working Agreement Task Force, which comprises the presidents-elect of the North American actuarial organizations.

Seven professional actuarial organizations in North America (the American Academy of Actuaries, the American Society of Pension Actuaries, the Canadian Institute of Actuaries [CIA], the Casualty Actuarial Society, the *Colegio Nacional de Actuarios de Mexico* [CONAC], the Conference of Consulting Actuaries, and the Society of Actuaries) have been working together on important trilateral issues since September 1992. The U.S.-based organizations have authorized the Academy to act on their behalf in negotiations with the CIA and CONAC, which speaks for the Mexican profession.

Education and Accreditation

In early 1993, the Academy, the CIA, and CONAC formed a joint task force, consisting of two members from each country, to review the coordination of actuarial education and accreditation among the three countries. The representatives were Allan Brender and William Weiland (Canada), Jose Luis Salas Lizaur and Oliva Sanchez Garcia (Mexico), and Michael Toothman and myself for the United States.

As task force chairman, I presented its final report at the Cancun conference. The report recommends recognizing two levels of actuarial credentials for actuaries wishing to practice under NAFTA. Level 1 qualifications would apply to individuals wishing to do income-earning work; Level 2 would be for those wishing to sign statutory statements in another NAFTA country.

The task force identified six criteria to be used to determine whether an applicant should be eligible to sign statements of opinion in a host country. Level 2 applicants must:

THIS MONTH

- 2 From a Guest President
- 3 Letters to the Editor
- 4 Point/Counterpoint
- 6 Academy Statement of Revenue and Expenses
- 7 Capital Views

ENCLOSURES

Included with this month's issue of *The Actuarial Update* are the following:

- In Search Of
- ASB Boxscore
- Code of Professional Conduct
- Annual Meeting Brochure

Continued on page 8

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EXECUTIVE OFFICE

The American Academy
of Actuaries

1100 Seventeenth Street, NW

7th Floor

Washington, DC 20036

(202) 223-8196

Fax: (202) 872-1948

MEMBERSHIP
ADMINISTRATION

Woodfield Corporate Center

475 N. Martingale Road

Schaumburg, IL 60173-2226

(708) 706-3513

THE ACTUARIAL
UPDATE

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FROM
A
guest president



A Voice, Not a Whisper

By Paul S. Polapink

The actuarial profession's working agreement designates the Academy the voice of the profession in matters of public policy.

This important responsibility may, and in my opinion should, lead the Academy to a more active role in areas that affect the livelihood of the profession, as well as the health and retirement benefits of millions of Americans.

As actuaries, we are fortunate to enjoy a high degree of respect from both the private and public sectors. It is incumbent on us as professionals to use this respect to gain access to policy makers. We must take a strong leadership role in developing practical health and pension reform legislation. As actuaries, we can bring the antidote of common sense and reason to the infections that plague employee benefit programs.

The Academy's voice was noticeably absent in the early stages of health care reform. This may have been because we failed to communicate to other actuaries or the public at large. In any event, it took a lot of scrambling and additional effort to bring our comments to the public forum. Our voice is now being heard and will have an impact on the future of health care reform.

The issue of retirement security also demands the profession's attention—now. The private pension system is plagued by chronic underfunding. A seemingly endless stream of ill-advised legislation has resulted in the loss of retirement benefit guarantees to countless workers. For instance, the Omnibus Budget Reconciliation Act of 1987 (OBRA '87) was supposed to solve the problem of underfunding in defined benefit plans. Instead, its extremely com-

plex provisions actually limit funding in many plans, while allowing some plans with huge funding liabilities to make no contribution at all.

The Clinton administration has now introduced the Pension Protection Act. Why? Because OBRA '87 did not work. Some say that OBRA '87 did not work because pension plans and their actuaries were able to use liberal actuarial assumptions and the provisions of the act itself to minimize necessary funding. Interestingly, the provisions that limited funding in OBRA '87 have not yet been eliminated in the current proposal. The bill *does* introduce new limits on funding, and for some unknown reason includes provisions that will inhibit the adoption and continuation of defined contribution plans.

One month after the administration proposal was made, eleven major organizations, including the American Society of Pension Actuaries (ASPA), wrote Treasury Secretary Lloyd Bentsen to express their displeasure with the defined contribution section of the bill. This coalition is currently working with the Treasury Department to modify elements of the bill that would have placed restrictions on the cross testing of defined contribution plans. By contrast, the profession's silence on the defined benefit provisions of the Pension Protection Act appear to put our stamp of approval on another piece of flawed legislation. I would like to see the Academy become more vocal on these policy issues.

Currently the Academy is prohibited as a professional organization from taking official

stands on public issues. Perhaps it is time to reconsider this policy. I realize it would be controversial to allow the Academy to lobby, and we should take no action that would endanger our credibility as a source of unbiased information. However, I believe the profession could make an important contribution to public debate by taking a stand on issues that directly affect the areas of our professional expertise.

For example, shouldn't the actuarial profession, through the Academy and ASPA, oppose hastily conceived legislation that will result in the loss of benefits to individuals in the private sector? Doesn't the Academy have a responsibility as one of the important voices in the public pension arena to take a proactive stand on these important issues?

While not everyone views lobbying with high regard, the process does work. This was demonstrated when the IRS's actuarial assumptions audit program was soundly defeated. It also appears that the Academy was instrumental in educating (lobbying) to obtain a favorable outcome in the *Mertens* case. Beginning in 1994 organizations such as the Academy must pay a significant tax on activities defined as lobbying by the IRS. Does this mean that the tax collectors will now consider our attempts to educate both legislators and the public a form of lobbying? I consider this change in the tax code particularly ill-considered. We should not have to pay to exercise our First Amendment rights.

The actuarial profession has gained a great deal of respect and credibility in both the public and private sectors. We should not wear this reputation like a decorative badge, but rather use it to advocate help build the solid benefits programs this country needs for its citizens. The Academy, if it is aggressive in carrying out its charge as the profession's voice, could also become its advocate.

Polapink is president of ASPA. The Update welcomes comments on the ideas expressed in his editorial.

Extend the Foundations

Steve Radcliffe's April editorial, "Fences and Foundations," was one of the best of a long line of excellent contributions from guest presidents. Not only are his fence and foundation analogies apt, but they relate directly to a problem that has plagued the Academy from its inception.

Few current members realize that the Academy was originally founded to serve as an actuarial licensing body. It was intended to be a federally licensed corporation, and membership was to be required of anyone engaging in the practice of actuarial science. That proved to be impossible, and the concept of an umbrella organization emerged, much as now exists.

Later, a committee was formed to develop specialty designations. We met several times, and

attempted to decide such questions as what was a specialty. At various stages, representatives of the Society of Actuaries tried to include a requirement that would have restricted the life insurance specialty to those who had passed all the SOA tests. Casualty Actuarial Society representatives proposed similar requirements for property-casualty work. This would have put out of business a lot of perfectly adequate Associates of both societies and affected many other actuaries—including me, who was handling health coverages for casualty companies. This led former Academy attorney Bill Hager to write a study on the antitrust aspects of professional designations.

Steve's right. Fences that are too tight result in foundations that can't be extended, and we really need some extension of foundations on the basis he set out. There is, however, the strong possibility that someone might be injured enough to start an antitrust fight.

W. Keith Sloan
Nashville, Tennessee

Henry F. Rood, first president of the Academy, died June 11 in Fort Wayne, Indiana. He was 87 years old.

Mr. Rood began his career as an actuary in 1931 with Lincoln National Life Insurance, where he held the post of president and chairman of the board at his retirement 40 years later.

Long active in professional activities, Mr. Rood was instrumental in the founding of the Academy. In 1963 he represented the Society of Actuaries on the Joint Committee on the Organization of the Actuarial Profession, which recommended establishing a separate organization to represent all United States actuaries. Two years later, in October 1965, the Academy was founded with Mr. Rood as president.

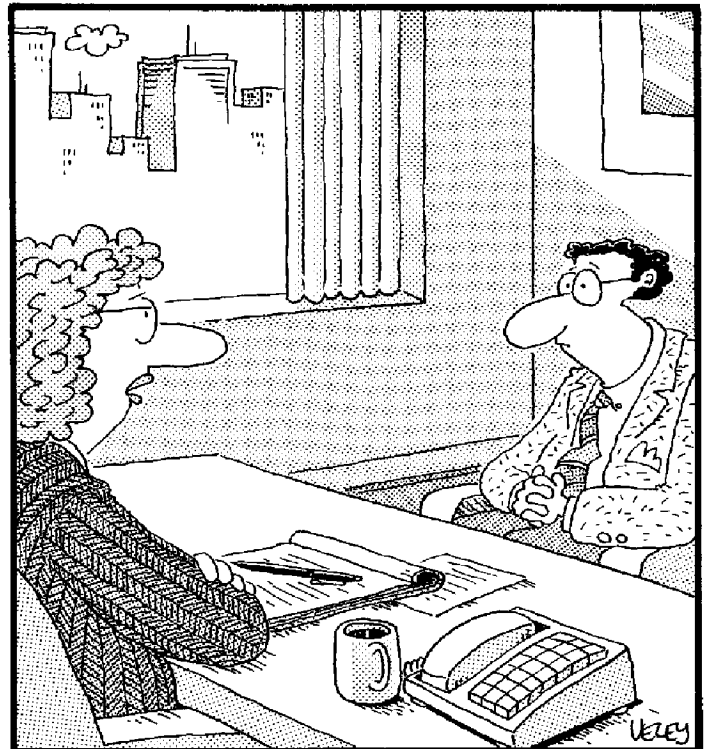
We at the Academy salute this important figure in the history of our profession.

Director of Public Relations Erich Parker has left the Academy after nearly 13 years. Erich's tenure was marked by a significant expansion of virtually all Academy activities. He was instrumental in the launch of *Contingencies* magazine and *Forecast 2000*, the public relations program of the actuarial profession in North America. We wish him well in his future endeavors.

The Update welcomes

letters from its readers. Letters for publication should be submitted to "Letters to the Editor," and must include the writer's name, address, and telephone number.

Letters may be edited for style and space requirements.



"This is one of those no-win situations, Phil. Unfortunately, you'll be not winning a little more than everybody else!"

Point/Counterpoint

Over the past year the Academy, through the work groups of its Health Practice Council, has worked mightily to bring the actuarial profession's special expertise to the debate on health care reform. The Academy, of course, does not take sides on policy questions; our role is to provide the best actuarial analysis to all sides in the debate.

But actuaries are citizens too, and many have strong political opinions. The Actuarial Update has invited two respected members of our profession to present their personal—and opposing—views on health care reform. We hope you enjoy the debate.

Health Care: Government Keep Out

By Frederick W. Kilbourne

Hillary Rodham Clinton has won, and you have lost. The battlefield, of course, is health care and the losers are the American public.

How can I claim, you may ask, that Hillary Clinton and the liberal forces she represents have won when her plan, the Health Security Act, was declared dead on arrival in Congress? When competing bills are all, or nearly all, given a better chance at enactment than her bill? When she is under attack from all sides, except the left, for issues ranging from health to wealth? I claim she has won because the national health care (financing) debate has been recast on her terms to be: How much more government involvement should there be in our national health care system? As the terms of the debate now stand, the answer may be "a lot," or "a whole lot," or possibly even "a little." Depending on the answer, she wins big or she wins small—but she wins. And you lose.

If we are to understand how you came to lose the battle now being waged, we must better define our terms. While President Clinton came to power as a so-called New Democrat, his administration represents the liberal agenda.

Liberalism may be many things, but it is not liberal in the sense of the word that connotes freedom. Liberalism may—or

may not—be the manifestation of the compassion of the believer for those less fortunate than others. It may—or may not—be the means whereby its adherents can exercise their goal of power over the lives and affairs of others. This can be debated endlessly, so let's merely say that liberals are fervent believers in government: Lots of it, more of it, and we're not talking here about city councils and your local sheriff. Given the opportunity to rhapsodize over the good uses to which they'd put their power—if only you'd grant it to them—liberals might even admit to their faith in big, really big, government. This is the sense in which you have lost the health care battle, and are in danger of losing the wider war.

Consider the myriad bills now under consideration by Congress, a body that gives only lip service to curbing the growth of government. The Health Security Act, of course, is staggering in its central planning particulars: a national health board, a national quality management program, regional health alliances, global budgeting, and on, and on. In this respect it even outdoes its only competitor on the left, the American Health Security Act (Rep. Jim McDermott's single-payer plan), which proposes a Canadian-style state-run health care system. Two steps to the right is Rep. Jim Cooper's Managed Competition Act with its own national commission, standard benefits package, and various taxes and subsidies. Nearby is Hear Today (Sen. John Chafee's Health Equity and

Access Reform Today Act), which also introduces a national commission, congressional oversight, employer and employee mandates, among other "benefits." To the right, is Rep. Bob Michel's plan, Affordable Health Care Now, which is content to use state insurance commissioners for its national commission, state insurance pools for uninsured persons, and relatively modest employer mandates. Further removed from socialism is Choice (Sen. Don Nickles's Consumer Choice Health Security Act), which nonetheless brings you mandated subsidies and federally qualified health insurance plans, and which itself is based on the health insurance coverage enjoyed by members of Congress. These bills differ in some important respects, but the common thread that runs through all of them is the rope that binds: more government control over your health care.

It's ironic that the "solution" to the perceived national health care (financing) "crisis" will be more government, for the evidence is clear that government is the primary reason for most of the health care cost problems that do exist.

In 1950, when health care spending accounted for less than 5% of the gross domestic product, the health care consumer paid directly for about 60% of that cost, while government paid—with taxpayers' money—25% and employers about 15%. Over the intervening years the proportion paid directly by the consumer has dropped to a third of the earlier level, while the national health care bill has nearly tripled, relative to gross domestic product. To further remove the consumer from the true cost of purchasing health care will continue this trend, absent rationing or other constraints on production (read: lowered quality of care).

So that is how, even though her bill may be DOA, HRC wins and the USA loses.

Kilbourne is president of the Kilbourne Company in San Diego.

These bills differ in some important respects, but the common thread that runs through all of them is the rope that binds: more government control over your health care.

Federal Health Care Role Is Necessary

By Howard Young

I agree with President Clinton's basic conclusion that health care benefits are unaffordable, or even entirely unavailable, for too many people. Thus, affordable universal coverage is my overriding goal. To achieve it, I believe that mandatory participation in a health care system with Federal standards and enforcement will be required.

My preference for a more proactive federal role in health care is based on many aspects of my experience and values, including my actuarial training and career. However, it is not an actuarial conclusion, because actuarial science cannot fully evaluate the political and philosophical issues in the health care policy debate. Rather, our profession's special expertise is geared to contribute to the design and implementation of the system decided on in the political arena.

Of course, a mandatory federal health program will produce problem situations and even horror stories, but that occurs now. Some people will have less advantageous personal results than their present arrangements provide, but many others will be better off than they are now. There is simply no perfect arrangement. Instead, legislative and administrative policy makers should set a realistic target of achieving significant improvements and establishing mechanisms to adapt to future experience.

Elaboration of these basic premises is not likely to change the views of anyone who starts from a different set of value judgments. Therefore, let's consider some of the less philosophical questions that might be raised.

Should there be a single national program (like Medicare), or variation at the state level or even within a state? Opportunity for state experimentation, around a federally defined core program, seems useful at least initially. However, if that leads to destructive competition, a national program could be required in the future.

Is it necessary that employers be required to maintain health care benefit programs, and contribute to their cost? Probably not, especially if the economists' consensus that all such costs are eventually shifted to employees is correct. However, there are many practical advantages to building on the present arrangements rather than starting an entirely new system. Also, such a requirement would eliminate the current beggar-thy-neighbor practice of firms that give their employees incentives to shift costs to a spouse's employer.

Do ERISA and the PBGC provide evidence that Federal regulation will have a negative impact on health care benefits? No, because whatever view one may have of ERISA and the PBGC, they govern voluntary benefit programs. With mandatory participation requirements, health care benefit programs can be much more effectively regulated.

Should community rating be required? While coverage requirements and community rating are not inseparable, each would facilitate the other. The actuarial reality is that—in the absence of requirements—adverse selection and competitive underwriting will undercut community rating schemes. On the other hand, uniform premium formulas—whether per capita or related to income—over large-scale risk pools will help finance benefits for many people who otherwise could not afford them.

Will cost controls be necessary? Yes, either as an operative provision from the beginning, or implemented later if program administrators and health care providers are not able to develop effective mechanisms. Reducing administrative expenses should be an important benefit of a federal program. While estimates vary as to the feasible amount of such savings, they all show significant amounts. Nevertheless, in the final analysis, it is health care providers—mainly doctors—who determine the type and quantity of services used, and they must be the focal point of

agreements or requirements to control costs.

How will universal coverage affect overall health care utilization and quality? People who do not now have coverage will use more services, but studies such as the Rand Corp. health insurance experiment indicate that significant health improvements can be achieved for those groups. Of course, the most emotional issue is whether people who now have generous coverage will experience less satisfactory health care. Undoubtedly, there will be situations when that actually happens, and more cases in which individuals *perceive* it to be the case even if not really so. The temptation here, for advocates of government action, is to be glib and philosophical: "No one gets everything he or she wants." But the hard fact is that reform cannot be achieved without some trade-offs.

I do not fully agree with the specifics of the Clinton proposal, but our fundamental goal of universal coverage is the same. My actuarial training and experience indicate that federal government action—going beyond encouragement or incentive—will be needed to achieve that.

Young teaches actuarial science at the University of Michigan at Ann Arbor.

The hard fact is that reform cannot be achieved without some trade-offs.

ACTUARIES ON THE INFO HIGHWAY

Actuaries Online, the first computer bulletin board for the actuarial profession, is now up and running.

The service is a private forum within the CompuServe network sponsored by the Society of Actuaries. Actuaries Online offers users a message board, private conferencing services, and a data library whose files can be downloaded onto personal computers. Forum members may post and reply to messages, browse data, and locate actuarial resources and fellow actuaries from around the world.

Actuaries Online is available to all CompuServe subscribers for \$8 per month. For more information, contact Peggy Grillot of the Society of Actuaries by telephone at 708/706-3504 or by E-mail at 72662,356.

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 1993**

**Summary Report
from the Treasurer**

Highlights of the Academy's audited financial statements for 1993 are included in this issue of *The Actuarial Update*

Note that the auditor's opinion does not include any qualifying reservations. During 1993, revenue exceeded expenses by \$45,730, thus increasing the undesignated fund balance to \$1,765,325.

There were no major increases in expenses over 1992 results except for a one-time cost of \$291,303 associated with the Academy's recent relocation. In absence of this cost, the excess of revenue over expenses would be \$337,033.

James R. Swenson
Secretary/Treasurer

**AAA 1993
FUNCTIONAL ALLOCATION**

Dues income	\$2,973,312
Dues rate	295
Membership base	10,079
Item	Per Member*
Government information	\$80
Public relations	43
Member communications	32
Organizational services	12
Interorganizational liaison	11
Executive/administrative	47
Actuarial Standards Board	38
Contingencies	29
Actuarial Board	
for Counseling & Discipline	10
Change in reserves	(7)
Dues rate	\$295

*Net of non-dues income.

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 1993**

Revenue:	
Membership dues	\$2,973,312
Membership application fees	33,870
Interest	122,840
Administrative services*	110,630
Academy Alert subscriptions	38,942
EA meeting distribution	67,733
CLRS distribution	16,177
Advertising income	243,500
Service fees (ABCD & ASB)	124,365
Magazine subscriptions	1,947
Valuation Law Manual	46,820
Other	39,774
	<u>\$3,819,910</u>
Expenses	
	<u>3,774,180</u>
Excess (deficiency) of revenue over expenses	<u>\$ 45,730</u>

*Staff and overhead costs relating to the Enrolled Actuaries Meeting and Casualty Loss Reserve Seminar.

**STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 1993**

	Academy Operations	Actuarial Standards Board	Actuarial Board for Counseling and Discipline	Total
Staff salaries	\$1,123,595	141,512	43,986	1,309,093
Employee insurance	73,707	9,283	2,885	85,875
Payroll taxes	77,130	9,714	3,019	89,863
Retirement plan	106,716	13,441	4,178	124,335
Temporaries and consulting fees	8,463	-	-	8,463
Rent	184,068	23,183	7,206	214,457
Telephone	19,147	2,412	750	22,309
Postage and freight	96,990	30,724	6,939	134,653
Travel and related expenses	158,724	31,569	31,624	221,917
Committee meetings	92,638	18,300	3,704	114,642
President & president-elect travel	34,313	-	-	34,313
General office supplies & rentals	90,688	11,422	3,550	105,660
Printing	145,087	107,444	19,280	271,811
Service agreement (SOA)	70,449	-	-	70,449
Auditing & accounting	19,079	2,403	747	22,229
Insurance	18,062	2,275	707	21,044
Depreciation & amortization	54,878	6,402	1,990	63,270
Subscriptions & periodicals	28,676	3,612	1,122	33,410
Public relations	86,659	30,523	-	117,182
Academy Alert	10,320	-	-	10,320
Contingencies	306,076	-	-	306,076
Professional services	5,127	-	-	5,127
Income taxes	11,545	-	-	11,545
Standards notebooks	3,127	2,226	-	5,353
Valuation Law Manual	47,906	-	-	47,906
Loss on lease termination	291,303	-	-	291,303
Other	28,560	2,214	801	31,575
	<u>\$3,193,033</u>	<u>\$448,659</u>	<u>\$132,488</u>	<u>\$3,774,180</u>

BALANCE SHEET DECEMBER 31, 1993

Assets	
Current assets:	
Cash	\$165,232
Certificates of deposit	393,537
Money market funds	2,634,727
Accounts receivable	123,471
Accrued interest receivable	10,334
Prepaid expenses	77,192
Total current assets	<u>\$3,404,493</u>
Certificates of deposit —long-term	787,998
Furniture, equipment & leasehold improvement, net	152,160
	<u>\$4,344,651</u>
Liabilities and Fund Balances	
Current liabilities:	
Accounts payable	\$177,379
Deferred membership dues revenue	1,990,590
Deferred revenue—other	21,806
Accrued expenses	37,141
Accrued loss on lease termination	291,303
Deferred rent credit	894
Total current liabilities	<u>\$2,519,113</u>
Fund balance (undesignated)	1,765,325
Fund balance (ABCD litigation fund)	60,213
	<u>\$4,344,651</u>

Health Care Reform

Now weeks behind schedule, congressional committees are racing to report health care legislation before a self-imposed July 4 deadline. Only one committee, Senate Labor and Human Resources, has approved health care legislation. However, committee chairman **Ted Kennedy's** mark, which mirrors the Clinton plan with more breaks for small businesses, is too controversial to muster a Senate majority. On the House side, the chairmen of two committees with primary jurisdiction over health care legislation—**Sam Gibbons** of Ways and Means and **John Dingell** of Energy and Commerce—still cannot find the votes to report a bill. Gibbons, who replaced indicted Rep. **Dan Rostenkowski**, is working from a mark that retains the basic structure of the plan crafted in Rep. **Pete Stark's** health subcommittee. However, Gibbons's plan would change the financing structure and rely primarily on federal retention of premium payments made by non-enrolling employers—i.e. those companies whose workers are covered under their spouse's employer's health plan. It's unclear whether this new approach will attract the twenty votes needed to report a bill out of committee.

Dingell to Bypass Committee

Dingell, meanwhile, recently indicated that he may abandon the effort to report legislation from his deadlocked committee, leaving that task to the Education and Labor and Ways and Means Committees. Education and Labor is the House committee with the most momentum, but with the least chance of reporting a bill acceptable to the full House. The committee is expected to pass both a modified version of the Clinton plan and a single-payer bill.

Key Senate Finance

Problems in the House make it even more likely that Senate Finance will emerge as the key committee in developing a bipartisan final package. While committee Chairman **Daniel Patrick Moynihan's** mark resembles the Clinton plan more than the compromise the committee once appeared to favor, insiders speculate this may be intended to appease Senate Democrats unwilling to water down the Clinton plan too soon. Moynihan is reportedly tired of being trashed by the administration and congressional Democrats for reaching out to the GOP. He is expected to offer a vote on the president's plan to demonstrate that Clinton's proposal must be scaled down.

Meanwhile, negotiations between centrist Democrats and Republicans continue. A universal access plan, featuring a so-called trigger mechanism that would impose employer mandates if certain levels of coverage are not reached by a date, is gaining favor and may be the basis for final legislation.

Federal Solvency Bill

Energy and Commerce's **John Dingell** has unveiled a proposal that would subject international and interstate insurers to federal regulations. The plan is a scaled-down version of Dingell's 1993 comprehensive legislation (HR 1290). The new proposal would require foreign insurers to obtain a federal license to operate in the U.S. Domestic carriers could operate in the same lines as foreign insurers to gain a single license. Companies with this license would be limited to lines of coverage that are inherently interstate or international. The plan would establish a commission to set standards for licensing foreign companies and to ensure that standards are met before they can enter the U.S. market. Noticeably absent from the proposal are features from the original bill to create a federal solvency guaranty fund and a national agent/broker licensing body. However Dingell indicates that

the licensing body question is still open for further debate. No date has yet been set for the bill's introduction. Although less contentious than its predecessor, the bill will not be acted on during this session of Congress.

Colorado Reform

Colorado Gov. **Roy Romer** has signed legislation to increase health insurance access for individuals and small employer groups. The measure requires insurance companies in the state to issue a policy to any Colorado resident or small group willing to pay the premium, regardless of the health of the individual or group member. The bill will also phase out preexisting condition limitations. The law becomes effective July 1.

Anti-Trust Legislation

House Judiciary Committee Chairman **Jack Brooks** (D-Tex.) has revealed details of an accord with the American Insurance Association (AIA) to scale back the insurance industry's antitrust exemption. The compromise would end the insurance industry's exemption under the McCarran-Ferguson Act, but establish a number of safe harbors. The compromise language would create one interim and seven permanent safe harbors for collective industry activities, including guaranteed protection to determine and disseminate loss development factors and developed losses, data collection, and trending. Brooks has expressed his intent to move the legislation through the Judiciary Committee promptly either as a stand-alone measure or as an amendment to a larger vehicle, such as the health care reform bill. However, splits within the industry and the legislative time crunch make action in this session unlikely.

For further information on the legislative developments described above, contact David Rivera at the Academy's Washington office.

**1994
CALENDAR**

National Association of Insurance Commissioners Fall Meeting
September 18-20

Casualty Loss Reserve Seminar
September 19-20

Academy Annual Meeting
September 28

Conference of Consulting Actuaries Annual Meeting
October 2-5

Actuarial Standards Board Meeting
October 13-14

Society of Actuaries Annual Meeting
October 16-19

American Society of Pension Actuaries Annual Meeting
October 16-19

Casualty Actuarial Society Annual Meeting
November 13-16

NAFTA,

continued from page 1

- ❑ demonstrate the achievement of knowledge in actuarial science;
- ❑ show practical experience in their home country;
- ❑ prove knowledge of the host country by passing a practice examination;
- ❑ meet continuing education requirements;
- ❑ meet the host country's legal, regulatory and membership requirements; and
- ❑ complete a professional course in the host country.

For residents of the United States, the first criterion is satisfied by membership in the Academy and the designation of Fellow of the Casualty Actuarial Society or the Society of Actuaries.



The actuarial delegation at the Cancun conference meets with representatives of the Mexican government. From left to right: SOA President-elect Bob Berin; CIA Past President Mo Chambers; Academy Executive Vice President Jim Murphy; Curtis Huntington; CONAC President Hector Hernandez Llamas; Carmen Carreño, director of actuarial science of the Universidad de las Americas; CIA President-elect Kurt von Schilling; Mariano Herran Salvat, the Mexican government's director general of professions; Austin Johnson, consultant to the director general; Socorro Marquina, the director general's liaison to professional organizations; CONAC Vice President Oliva Sanchez; and Jose Luis Salas Lizaur, president of the Asociacion Mexicana de Actuarios Consultores.

Conduct and Standards

The three organizations formed a second joint task force later in 1993 to review actuarial codes of conduct. Specifically, the task force sought to ensure that the codes of all three jurisdictions will not be in conflict. The members of that task force are its chair, Morris Chambers, and Jean-Pierre Provencher (Canada), Rosa Maria Farell Campa and Juan Carlos Padilla Aguilar (Mexico), and Mary Adams and Michael Fusco (United States).

This task force compared the Rules of Professional Conduct of the CIA, the *Codigo de Etica del Gremio Actuarial* of CONAC, and the Academy's Code of Professional Conduct and concluded that there is no material conflict among the codes of conduct and that they are essentially consistent.

While acknowledging that the codes reflect some noteworthy cultural differences among the three countries, the task force concluded that no elements of the existing codes need be changed to avoid a "crisis of conscience" on the part of an actuary providing professional services in a host country.

Nevertheless, the task force recommended that each North American actuarial organization expeditiously amend its code of conduct, bylaws, and standards of practice to explicitly require its members to follow the code of conduct and standards of practice and qualification of the country in which they are practicing.

This task force now will turn its attention to standards of practice. However, on the premise that no standard of practice in a jurisdiction should contravene the code of conduct operative in that jurisdiction, the group will spend most of its energy documenting existing standards and procedures for establishing and amending standards in each country.

Professional Discipline

A third joint task force, originally established to address the subject of professional discipline, was disbanded early in 1994. Its mandate was then transferred to the task force on codes of conduct and standards of practice, since discipline is a natural extension of that task force's work on conduct and standards.

In addition to documenting the disciplinary procedures and practices already in existence in each country, the task force will develop protocols to extend the current agreements among the six U.S. and Canadian organizations to include our Mexican colleagues

The Mexican Scene

The Mexican government places great importance on the implementation of NAFTA because of its tremendous economic impact on the country. In addition, the important role of the actuary is recognized at the highest levels of the Mexican government.

At a special 45-minute meeting with Mariano Herran, the Mexican government's director general of professions, the actuarial delegation outlined the tremendous progress that actuaries have made over the past few years.

Future Events

By the time this article appears, the professions' joint identical application should be in the hands of NAFTA officials in each country. The leadership of the actuarial profession looks forward to our profession's inclusion on the initial list of professionals officially recognized under the North American Free Trade Agreement.

Huntington teaches actuarial science at the University of Michigan and is chairperson of the Academy Committee on International Issues.