Academy Steps Up Role in Genetic-Testing Debate with Report to Regulators and Speech to Scientists

The fears of consumers and insurers about the use of genetic tests for insurance purposes are very real, but have been exaggerated. That's the message that David Christianson, chairperson of the Academy's Task Force on Genetic Testing, presented at a February 18 session of insurance regulators, scientists, and attorneys at the annual meeting of the American Association for the Advancement of Science in Seattle. The Academy group's report, "Risk Classification in Voluntary Life Insurance," was released to the more than 700 reporters in attendance.

With accurate genetic tests now widely available, insurers are concerned about increased adverse selection on the part of applicants who have information about their genetic status unknown to the insurer. Some consumers fear being denied coverage because of genetic status, and civil libertarians propose sealing life insurance applicants' genetic test results. At the Seattle meeting, Christianson emphasized that solutions for the concerns of both groups can be found within the current underwriting system. "Voluntary insurance needs underwriting based on sound principles of risk classification," said Christianson.

According to the Academy report, an insurance prohibition on genetic information would bring high-cost individuals into the insurance market, cause higher prices for low-risk policyholders—who would, in effect, subsidize individuals with higher risks—and a disastrous price spiral.

Classifications of risk are constantly modified to reflect advances in treatment and technology. Christianson noted. For instance, coronary conditions and high blood pressure are being underwritten far more liberally today than 15 years ago. In addition, he said, better understanding of genetic conditions has no negative impact on mortality and, in fact, may increase life span because of better preventive care. The insurance market reflects this because insurers have an incentive to sell policies. Christianson urged regulators and insurers to go beyond the status quo to consider increased high-risk coverage, genetic insurance, and a Social Security life-insurance benefit.

The other panelists, who criticized expanded genetic testing and its use by insurers, were Washington State Insurance Commissioner Deborah Senn, American Civil Liberties Union (ACLU) President Nadine Strossen, Stanford University professor Paul Billings, and anti-genetic-testing advocate Donald Power. Their discussion made clear that opinions applied to Washington's "Risk Classification in Voluntary Life Insurance" was released to the more than 700 reporters in attendance.

After the meeting, the ACLU's Strossen told Christianson that his group's report, "Risk Classification involuntary Life Insurance," was released to the more than 700 reporters in attendance.

For a copy of "Risk Classification in Individual Life Insurance," fax a request to Doreen Evans at (202) 872-1948. The issue brief also may be downloaded from the Academy library section of Actuaries Online.
Actuaries Head for the Hill

Members of the Academy's Federal Health Committee and Pension Committee took the profession's office of impartial expertise to the 105th Congress during separate Capitol Hill visits in January and February.

On January 20 and 21, health actuaries under the leadership of Vice President Bill Bluhm and Federal Health Committee Chair Geoff Sandler met with staff from the Senate Finance and Labor Committees, House Ways and Means, and with health advisors to House Speaker Newt Gingrich (R-Ga.), Reps. Richard Gephardt (D-Mo.), Pete Stark (D-Calif.), and Jim McDermott (D-Wash.).

They discussed Medicare reform, Medicaid portability, proposals to prevent health coverage to uninsured children, and lobbying for new types of health-care entries.

On February 6, Pension Committee members met with key staff from the Senate Finance and House Ways and Means Committees, and pension or retirement income advisors to Senate Minority Leader Tom Daschle (D-S.D.) and Sen. Jim Jeffords (R-Vt.).

The Minority Leader's comprehensive Medicare simplification legislation, which was introduced by Sen. Mark Kirk (R-Ill.) and Sen. Paul Wellstone (D-Minn.), has gained significant support from actuaries and other health-care professionals.

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In addition, according to Segal, the Academy group was "pleased surprised that the congressional staffers understood that defined contribution plans offered more meaningful retirement security than defined benefit plans." Committee members and Academy Senior Pension Fellow Ron Gebhardtsbauer have already received requests to meet with Daschle staffer Glen Ivey on the minority leader's comprehensive Medicare simplification legislation, which was introduced by Sen. Mark Kirk (R-Ill.) and Sen. Paul Wellstone (D-Minn.), has gained significant support from actuaries and other health-care professionals.

The debate on Social Security's future has taken on new substance with the January release of the report of the president's Advisory Council on Social Security. The Academy Social Security Committee, which responded quickly to the report, is now considering a strategy for a future actuarial involvement. The Social Security Committee is seeking to expand its ranks.

Academy actuaries interested in joining the committee's effort should contact Academy Policy Analyst David Rivers by fax at (202) 872-1948.

Nominations Needed

Chuck Bryan is taking names. The 1994–95 Academy president, who leads this year's Nominating Committee, requests that members seriously consider candidates in order to serve the Academy well in a leadership position. The 1997 Nominating Committee will select nominees for president-elect, vice presidents for life and pension, and three regular directors for election at the Academy Annual Meeting in October.

Maintaining our strength as a profession will require the participation of all actuaries. I urge you to get involved. You can start by expressing your opinions. What are the most important challenges confronting the actuarial profession? Are we losing ground to other professions? Are we making fast enough to take advantage of new opportunities? Write the Actuarial Update with your views, or contact the leaders of your organization directly. I can guarantee that your voice will be heard. Let us hear from you!
Academy Life Practice Council VP Arnold Dicke

According to Academy Life Practice Council Vice President Arnold Dicke, life actuaries at times believe that their public policy initiatives receive less attention from the Academy than those of the health or pension practice areas. This isn't true, says Dicke: "Initiatives for the National Association of Insurance Commissioners (NAIC) comprise the largest portion of the Academy's public policy effort." Which is only appropriate because, as Dicke points out, life actuaries make up more than 50 percent of the Academy's membership. To improve the visibility of the life practice area, the Academy recently has begun a more intensive communications effort directed at the insurance trade press. Update Managing Editor Jeffrey Speicher recently spoke with Dicke about recent Academy public policy initiatives in the life practice area. Here is a portion of that conversation.

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Volunteers Sought

An Academy project to rewrite life, health, and annuity valuation laws for the NAIC has already garnered media attention in the form of a February 3 National Underwriter article by life insurance reporter Jim Connolly. The article outlined some of the issues that will face the Academy task force that regulator Tom Foley has solicited to "see how we should be doing valuation in this country." (See Update Close-up of Arnold Dicke, above.)

According to Connolly’s article, the question of asset adequacy versus formula reserves will be crucial to the project. Formula reserves are used under current law and specify use of mortality tables and interest rates. Asset adequacy reserves are generally used for larger companies and according to some regulators have not been sufficiently tested over all companies.

New York Insurance Department actuary Tom Carmollo is cited in the Underwriter story as favoring formula reserves, while life company actuary Steve Preston states concern that the Academy group will not be able to "at least consider the possibility of asset adequacy testing." However, in a February 7 letter to Academy President Larry Zimpelman, NAIC actuary Mark Peery reiterated that the NAIC "does not want the Academy to feel constrained by past valuation methods."

The Academy Life and Health Practice Councils are seeking participants for their joint task force on valuation review. If you are interested in offering your expertise to this important project, fax your name, address, and telephone and fax numbers to Academy Director of Public Policy Christine Caasley at (202) 872-1948.

FOR THE RECORD

Valuation In Spotlight; Volunteers Sought

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ASB Sends Casualty Standard Back to Committee

A proposed standard on expense provisions for property/casualty reinsurance could mean fundamental changes in actuarial practice, the Actuarial Standards Board (ASB) decided at its January 13-14 meeting in Washington, D.C. The board voted to return Exposure Proposals in Property/Casualty Insurance Ratemaking to the ASB Casualty Committee for further consideration.

Of particular concern to the board is the standard’s treatment of dividends in ratemaking, which may be a narrowing of accepted practice. ASB casualty practice member Phillip Ben Zvi said that this issue, along with the net cost of reinsurance and budgeting, may need further consideration by practitioners to determine whether the proposed standard precludes what is common practice for some companies. In returning the standard to Task Force on Ratemaking member Fred Cripe, ASB Chairman Richard Robertson requested more detailed guidance on the correctness of the proposed standard’s approach. A Casualty Committee progress report is due by July. Also at the meeting, the ASB committee chairpersons presented a summary of projects for 1997. The quarterly ASB Bureau meeting agenda will detail the status of these projects.

In addition, the board reviewed a revised draft of the ASB Procedures Manual presented by the Editorial Advisory Committee. Article XI of the American Academy of Actuaries bylaws, which created the ASB, provides that the ASB may develop its own procedures for the promulgation of standards of practice. The manual is intended to provide a clear and detailed explanation of these procedures. The current manual has not been reviewed since the ASB was established in 1988. Since that time, the board has added new steps to the process of developing standards, modified the operating committee structure, and created a process for changing existing standards. The board suggested additional changes and will give the document further review at the April ASB meeting.

The next ASB meeting will be April 16-17 at the Academy office in Washington. On the meeting agenda will be a review of the proposed third exposure draft of a standard for social insurance; a proposed final standard developed by the Health Committee; Compliance with Statement of Actuarial Opinion Requirements for Hospital, Medical, and Dental Service or Indemnity Corporations, and for Health Maintenance Organizations; a proposed revision to Actuarial Standard of Practice No. 15, Dividend Determination and Illustration for Participating Individual Life Insurance Policies and Annuity Contracts; and the revised ASB Procedures Manual. The board meeting is open to the public, and all interested parties are encouraged to attend.

Opportunities in Arbitration

A new Florida statute gives actuaries an enhanced opportunity to serve as arbitrators of insurance rate-filing disputes. Under the law, commercial property/casualty and personal-property rate filings disputed by the Florida Department of Insurance may be sent to arbitration at the insurer’s option.

The expertise of actuaries is often needed to untangle the complexities of such disputes. Practitioners who are familiar with up-to-date actuarial techniques and methods are especially valuable to the arbitration process. However, the new Florida statute also requires that insurance arbiters belong to the American Arbitration Association.

Actuaries who would like more information about qualifying as arbitrators in Florida should contact the American Arbitration Association or the Florida Department of Insurance. Other state departments may require association membership. I urge actuaries in all states to consider serving in this important regulatory role.

News of Practice Notes

The casualty practice note on the 1996 Statement of Actuarial Opinion has been sent to all casualty actuaries. If you did not receive a copy, fax a request to Doreen Evans at (202) 872-1948. The practice notes for health are unchanged from last year, and the life practice notes relating to valuation actuaries. However, a new life practice note on sales illustrations will be available from the Academy later this spring.

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Academy Joins Genetic-Testing Debate with Risk Classification Report

Mark Mactas: Setting Long-term Goals for the Profession

VP Arnold Dicke on Valuation, Nonforfeiture, and the SOA

ASB Acts on Casualty Standard

ENCLOSES

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