

THE ACTUARIAL update

AMERICAN
ACADEMY OF
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MAY 1994

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Academy Group: Clinton Health Premium Estimates May Be Too Low

By Jeffrey Speicher

Health insurance premiums under the proposed Health Security Act could be as much as 20% more expensive than estimated by the Clinton administration, according to the Academy Cost Estimates Work Group.

Such an underestimation of premium costs would add \$125 billion to the federal budget over 5 years because the government would have to pay higher subsidies to small businesses and low-income Americans.

The cost estimates group announced its findings at an April 21 press conference at the National Press Club in Washington, D.C.

The work group's members are health actuaries Phyllis Doran of Milliman & Robertson, Alice Rosenblatt of Coopers & Lybrand, and Dale Yamamoto of Hewitt Associates. The group is one of seventeen organized by the Academy to study actuarial aspects of the administration's health care reform package.

To arrive at its higher estimates, the group varied several key assumptions that underlie the Clinton administration's estimate of premium costs, including the actual cost of health care in today's market and the cost of covering the currently uninsured.



Dale Yamamoto (left) and Jim Murphy at April 21 press conference.

While praising the work of the actuarial staff of the Health Care Financing Administration (HCFA) in preparing the administration's estimates, the Academy group noted that those estimates depended on possibly inadequate data. In a statement at the press confer-

ence, HCFA chief actuary and Academy board member Guy King praised the thoroughness of the work group's effort, but cast doubt on its most pessimistic scenario.

In comments to reporters, Doran emphasized the danger that the administration's premium caps could reduce payments to health insurers "to a level lower than required to cover their costs," thus forcing them to leave the market. The result could be health care shortages and rationing.

In announcing the release of the report, Academy Executive Vice President Jim Murphy noted that since most other current health care reform proposals are based on the HCFA models and data the work group used, "the Academy's work has broad applicability to other bills that are gaining prominence."

After the press conference Rosenblatt and Yamamoto headed to Capitol Hill, where they briefed Congressional Budget Office analysts and key Senate Finance Committee staffers on their findings.

Media coverage for the Cost Estimates Work Group was handled by the actuarial profession's *Forecast 2000* campaign. The group's findings were featured on CNN-TV, the Reuters, Associated Press, and UPI news services, and in articles in the *Washington Post*, the *Los Angeles Times*, the *San Francisco Chronicle*, the *Washington Times*, the *White House Bulletin*, and *Business Insurance*.

The work group's report, number seven in the Academy's monograph series, is now available from the Academy's Washington office. ■

DISCIPLINARY NOTICE

The Discipline Committee of the American Academy of Actuaries, acting in accordance with the Academy's bylaws and on the recommendation of the Actuarial Board for Counseling and Discipline, has expelled Neil W. Portermain from membership in the Academy. The 45-day period for Mr. Portermain to appeal the Discipline Committee's decision to the Academy Board of Directors has expired without any communication from Mr. Portermain.

**WE'VE MOVED!!
DETAILS INSIDE
ON PAGE 8.**

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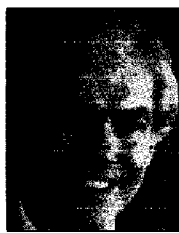
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FROM A GUEST president



Building Fences and Foundations

By Steve Radcliffe

I have observed two megatrends that will dramatically influence the future of the actuarial profession. One trend is driven by compliance and the other by science. The interplay between the two will be crucial to all actuaries.

The first trend involves licensing actuarial practice. The profession has taken several steps to enhance the credibility of actuaries with our various publics. We now ensure consistent, quality actuarial work products by promulgating enforceable standards of practice. A fairly sophisticated set of qualification standards is also emerging. A strict set of disciplinary procedures that can be enforced firmly and consistently is on the way. The profession has been building this infrastructure for the past 15 years. However, this new structure is still in the development stage and has not been fully tested.

The second trend has as its goal strengthening the foundation of our profession by advancing actuarial science. The thrust of this trend is to enhance the profession by "building better mousetraps." It requires the retooling of existing paradigms and the creation of new ones. The pathfinders of our profession must grind out new research to a useful and productive conclusion. This need is driven by a changing world economy to which we simply must respond. We need a new science to ensure that the financial security systems of the future will be as successful of those of the past.

Both megatrends will influence the future of the profession, and a careful balance between the

two will be necessary. However, they are not necessarily complementary. Licensing the profession documents the current paradigms and builds fences around allowable actuarial practice. These fences potentially could hinder the pathfinders. We may be fencing ourselves in just when we should be looking for greener pastures. Licensing may protect current jobs, but building new foundations will create the jobs of the future.

The profession is at a crossroads. We are at once successful and vulnerable. Our past successes have given us tremendous prosperity. The future is not as clear. Jobs will be the number-one issue for actuaries in the next few years. Traditional actuarial work will be devalued as the industries that employ actuaries consolidate. This will put greater emphasis on the creation of new work for actuaries—work that is not yet described by any paradigm and that may be completely out of the traditional molds. This environment will require more foundation setting than fence building.

Don't get me wrong. It is important to require that competent actuaries do quality work. The profession's integrity is at stake. However, most actuaries are already doing good work. On the other hand, they are not doing as well at keeping tools up-to-date with the changing world.

As president of the Society of Actuaries, I have been trying to tilt the emphasis toward the science of our profession. I firmly believe that development of useful ideas and productive new tools will provide a sound claim on the future. We cannot rely solely on requiring actuarial cer-

tification as a basis for our future. In the future it may be that actuaries who are well trained in the science of evaluating the financial consequence of risk will be more valuable than a licensed actuary skilled in some specific practice.

One final thought. We must resist the temptation to develop licensing requirements that are not firmly grounded in scientific principle. We need to define the tools before we write the rules for using them.

One example of this problem occurred a couple of years ago when the Academy considered adopting qualification standards for actuarial work on Statement of Financial Accounting Standard No. 106. The science for this discipline had not even been developed. It was therefore premature to promulgate qualification standards, and the standard was not adopted. Another recent example is the illustration of cash values on life insurance policies. Because of the urgency of the problem, there has been an intense demand for standards in preparing these illustrations. However, the profession hasn't agreed on definitions of the terms used in the illustrations procedure. The very first step in building a science is writing clear and precise definitions. The SOA can help write some of these definitions and principles to provide a foundation for these standards for illustrations. At any rate, we must have good principles to back up the standards.

Licensing actuarial work is important to the profession. For some sectors of our profession, especially those dealing with compliance, standards are crucial. However, we need to spend more time on the science of our profession.

Yes, fences do help keep the sheep in and the wolves out. But at the very least, we should build a good gate in the fence so the shepherds can search for greener pastures and build the new foundations of the future.

Radcliffe is president of the Society of Actuaries.

Academy Work Group Examines Clinton Standard Benefits Package

Julia Philips addressed a press breakfast in Washington, D.C., on April 5 to announce the release of the Academy monograph "Actuarial Issues Involved in Evaluating a Guaranteed Standard Benefit Package Under Health Care Reform." She then met with legislative staff on Capitol Hill to discuss in more detail the importance of including a carefully designed standard benefit plan in any health care reform.

Philips is chair of the work group of ten Academy members who collaborated on the Academy's fifth monograph on health care reform issues. The group's report suggests as an initial alternative to sweeping health care reform, a leaner, lower-premium package with basic safety-net coverage if the public is unwilling to pay the cost of a benefit package as rich as the Clinton administration's proposal. In the future it could be easier to enrich lean benefits after cost-saving goals have been achieved than to reduce rich benefits if the cost-saving goals are not being achieved. The report states that the alternative of financing benefit enhancements with actuarial cost savings as they develop is much less risky.

The monograph also addresses the inclusion of HMO plans in a standard benefit package, as well as the issue of prescription drug benefit copayments. According to the monograph, a plan with higher cost sharing than the Clinton administration's combination plan for both in- and out-of-network should be included to be consistent with the most popular preferred provider plans today.

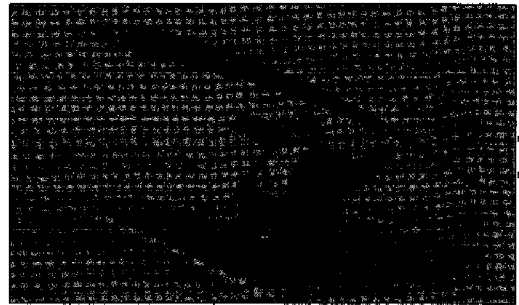
Philips's appearance was the source of several reports in the press, including an article in the April 6 *Washington Post* under the headline "Actuary Study Urges a 'Leaner' Start on Health Care Reform." Fifteen reporters, including a camera crew from Medical News Network, attended

the press breakfast. Associated Press, Dow Jones News, the *Indianapolis News*, *Atlanta Constitution*, the Bureau of National Affairs, and *Business Insurance* reported on the standard benefits monograph.

The Academy's government information and public relations departments worked together on the event. The Academy's monographs, which are available through the Washington office, are products of the Academy's seventeen work groups studying specific issues related to health care reform or the Health Security Act. ■

The Actuarial 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.

AND REMEMBER—THE UPDATE CORRESPONDENT WHO WRITES THE BEST LETTER TO THE EDITOR BETWEEN MAY AND OCTOBER WILL WIN A MONT BLANC PEN.



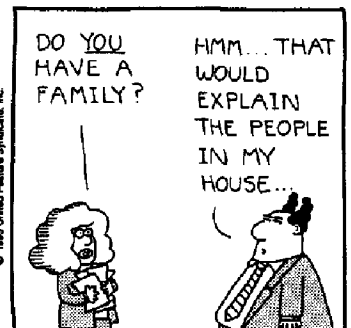
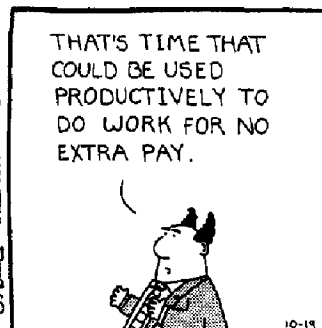
H. B. Lewis/Laughing Stock

ACTUARIAL SALARY SURVEY

In mid-May the Academy will be sending a questionnaire to a sample group of actuaries in the United States. The questionnaire is part of an actuarial salary study that will provide information to prospective employers of actuaries. The study is particularly geared to states and municipalities that need actuaries on staff but have no experience in hiring them. This study is the brainchild of the Academy Committee on Actuarial Public Service.

If you receive the one-page questionnaire, please take the approximately 2 minutes necessary to complete it. Also, please encourage your coworkers to do the same, particularly actuaries who are not Academy members or who have not yet attained Associate status. The information obtained will be valuable in enhancing employment opportunities for the entire profession.

All questionnaires will be completely confidential. The questionnaires will not be identity-coded, and there will be no follow-up interviews. To obtain the results of the study, please complete the separate postcard that will accompany the questionnaire.



DILBERT reprinted by permission of UFS, Inc.

Standards Should Accommodate Health Reform, Says Utah's Wilcox

Late last year, Utah Insurance Commissioner Robert Wilcox was appointed head of a National Association of Insurance Commissioners (NAIC) working group charged with writing a model law on risk-based capital for health insurers. Wilcox, himself an Academy member, requested Academy assistance in developing the model law's central component: the risk-based capital formula. An Academy group under Academy State Health Committee Chairperson Bill Bluhm is currently engaged in an intensive effort to craft this formula.

Commissioner Wilcox recently attended a meeting of the formula-writing group in Washington, D.C., where he had this conversation with The Actuarial Update.

UPDATE: Why did you contact the Academy State Health Committee to assist in this project?

WILCOX: This formula is not an easy thing to develop, and the NAIC could not do it without outside assistance. We just do not have the expertise to do this job adequately. I knew the Academy had participated in developing risk-based capital formulas for life and property/casualty insurers, so I jumped on the chance to seek its help for this project as well. And once again the Academy responded by stepping in and taking on the commitment to work with the NAIC.

I'm confident that Bill Bluhm and his State Health Committee bring to this project exactly the sort of experience we need. I guess we'll see the proof in the pudding when the assignment is completed, but I feel good about the progress that's been made. The Academy members involved in the formula-writing process have already proven their dedication.

I've asked them to develop a formula that is probably more complicated than we will end up

adopting because I want them to address all possible technical issues involved. The NAIC working group will then undertake to simplify the formula before it's actually put into effect.

UPDATE: What has the NAIC charged your risk-based capital working group to do?

WILCOX: The simplest part of the charge is to develop risk-



Utah Insurance Commissioner Robert Wilcox

based capital standards for health entities that had not been included in the risk-based capital model law for life and health companies. Most notably, HMOs, nonprofit health service corporations, and Blue Cross.

But it has taken on a broader dimension. One of the things that you quickly discover when you start working with these entities is that there is no consistency in the way we regulate these organizations. If we expect there to be a viable market under health care reform, we have to develop consistent regulations. I feel quite strongly that we have to eradicate the regulatory differences based on corporate organization structure.

It should not make a difference whether an insurer is organized as an HMO, a preferred

provider organization, or a traditional indemnity carrier. They all need to operate on a level playing field. There must be consistent financial accounting rules, and certainly risk-based capital standards are crucial that consistency. In the final analysis we're going to come up with a risk-based capital standard that goes across the board and will include everyone who has a role in health insurance, even entities that haven't been invented yet.

UPDATE: You expect then that new health insurance hybrids will emerge in the future?

WILCOX: Yes. For instance, on the airplane today, I happened to sit next to a doctor from Montana who's working to develop a new health plan where the risk-taking entity will be a combination of hospitals and doctors. That's different from what we've seen before. As new kinds of health care organizations evolve, we have to have the financial structure to deal with them because the consumer is going to expect the same level of protection from that kind of organization as he would expect from a top-ranked insurance company. So it's our responsibility to set forth standards that will give consumers that kind of assurance.

UPDATE: So the model law will be flexible enough meet the demands of the changed market that will emerge after health care reform legislation is adopted?

WILCOX: I think that we would really be avoiding our responsibility if we didn't try to encompass the new things that are going to come out. We can't be an impediment to health care reform. It would be very easy to say that insurers have to fit into these little boxes, but in the process we would be really putting some restraints on health care reform that don't need to be there.

UPDATE: How would the formula apply to different kinds of entities?

It should not make a difference whether an insurer is organized as an HMO, a preferred provider organization, or a traditional indemnity carrier. They all need to operate on a level playing field.

WILCOX: What we're striving for is a single formula that would apply to any type of insurer, but the formula will actually take in account the kind of contract that they write. So that if you're writing an HMO contract, then that would invoke certain provisions of the formula that are appropriate to an HMO. For example, you have to deal with assets in an HMO quite differently than you do an indemnity carrier because the assets provide services not cash.

And if an indemnity carrier wants to run an HMO, it should not be forced to set up a separate subsidiary in order to do that. It should be able to do that within its basic corporate structure, and with the risk-based capital formula *accommodating that modification* and ensuring that proper financial standards would apply.

UPDATE: Do you see any insurers dropping out of the market because of the new risk-based capital standards?

WILCOX: I would certainly hope not. If insurers drop out because of the risk-based capital standards, they probably shouldn't be in the market in the first place. I don't see risk-based capital standards as an impediment in the market.

We've had a risk-based capital law in Utah for maybe 10 years. It's about the same order of magnitude as the NAIC life standard. Ours is a simpler formula, but it has worked well. We recently suspended the certificate of authority of a property/casualty company writing in Utah based on the risk-based capital standard. If we had been using the old flat-dollar-amount standard, we would not have been able to act as quickly as we needed to.

UPDATE: What effect will health care reform have on the market? Do you think more capital will be needed?

WILCOX: It depends on what is enacted of course. I am concerned about the capital demands of the self-insured market. The insured market is adequately capitalized and will require little, if

any, additional capital. However, if Congress passes something like the Clinton plan that would eliminate self-insurance for most employers, we might have a problem.

Currently, employers who self-insure are dramatically undercapitalized. If the individuals covered by those plans enter the insured market, we will have to attract some capital to provide security for their health care contracts. The extent to which we have allowed the self-insured market to become undercapitalized is something often overlooked in the health care debate.

UPDATE: As a state regulator, how do you see the process of reform?

WILCOX: Health care reform is not a one-stop journey. It will take us 2 or 3 decades to develop the kind of health care delivery system that our society is going to feel comfortable with. If you look at other countries, at Canada, for instance, you see it is not living with the system that it's going to end up with. The Canadian system is going to evolve and change. In this country we'll have to get used to the fact that it's going to take some time to develop a system that we'll all be comfortable with.

The financial standards that we're formulating now can provide the foundation to make the system work, if we keep standards flexible and even-handed. If we lock ourselves into a straightjacket with our financial standards, then health care might evolve in directions that we will not like. What we do as regulators should not be the driving force behind what kind of health care reform we have. Those decisions need to take place in a different arena. So what I'm striving for is a financial structure that can accommodate whatever health care reforms are adopted.

UPDATE: When do you expect that the health risk-based capital law will go into effect?

WILCOX: We plan to present the work product from the Academy at the June NAIC

meeting in Baltimore. Then we'll proceed to make the necessary modifications and adjustments, expose the formula for public comments, and respond to those comments. I'm hopeful that before the end of the year, we'll be able to present the formula to the NAIC executive committee and see it adopted at the December meeting. That would be a real accomplishment, but I think we can get there. We would not have been able to get there without the people from the Academy putting in a strong effort to meet that commitment.

UPDATE: How many actuaries do you have on your staff in the Utah Insurance Department?

WILCOX: Just myself. During this session of the legislature, I received authorization to hire a health actuary, and so we're going to bring someone on board between now and July 1. Until now we've been using consultants and have made that work rather effectively, I think.

UPDATE: The Academy Committees on Actuarial Public Service is trying to find ways to enhance the role of actuaries in government service. Do you have any suggestions?

WILCOX: Strengthening the role of actuaries in the regulation of insurance is something I've felt very strongly about for a long time. One of the reasons I was interested in taking this job was to try to do what little I could to bring greater actuarial expertise to bear on regulatory issues.

And frankly, in the business of insurance regulation we need to strengthen the role of actuaries generally, government actuaries as well as company and consulting actuaries. We must give them more authority and responsibility with regard to the issues that insurance regulators deal with. If we don't do that, I don't think we'll succeed in our major task of improving insurer solvency regulation.

UPDATE: Thank you, Commissioner. ■

Currently, employers who self-insure are dramatically undercapitalized. If the individuals covered by those plans enter the insured market, we will have to attract some capital to provide security for their health care contracts. The extent to which we have allowed the self-insured market to become undercapitalized is something often overlooked in the health care debate.

Academy Pension Council Prepares for Retirement Income Debate

By Howard Fluhr

Financial security in retirement for the baby boom generation will be one of the key public policy issues of the 1990s.

The Academy Pension Practice Council and its committees are



Vice President
Howard Fluhr

preparing for what is expected to be an intense national debate on pension policy.

Late last year, the council created a task force charged with studying trends in retirement income with emphasis on the long-term future. The task force will examine recent trends in the major components of retirement income, analyze factors affecting those trends, and report on the prospects for retirement income security for successive cohorts of retirees.

The task force, under the leadership of former Academy Vice President Larry Zimpleman, has already begun gathering data and is expected to release its preliminary findings later this year. The task force's report will be a focus of this year's profession-wide *Forecast 2000* public relations campaign.

To further ensure that the actuarial profession will be well positioned for the public debate on retirement income, the Pension Practice Council has recommended that the Academy Board of Directors sponsor a pension plan modeling project and create a high-profile Academy fellowship for a senior pension actuary. Furthermore, the council is spearheading a coordinated effort with other U.S. actuarial organizations, as well as key nonactuarial groups, such as the Employee Benefit Research Institute.

Committee Actions

On April 19, Pension Committee members Gregg Richter and Lane West testified before the U.S. House of Representatives Ways & Means Committee on the Clinton administration's Pension Benefit Guarantee Corporation (PBGC) reform legislation. The Pension Committee's testimony commended the Clinton administration for its efforts, and provided recommendations for further improvement. The committee provided input to the administration's PBGC task force last summer.

The Pension Committee is currently drafting numerous letters and comments on proposed PBGC reform legislation. In let-

ters to congressional committees, the Pension Committee focused its comments on sections in the Clinton administration's bill that would eliminate cross testing for nondiscrimination compliance in controlled groups that have defined benefit and defined contribution plans.

The committee has contacted the office of Sen. Bill Bradley (D.-N.J.) and offered its technical assistance as his staff drafts comprehensive pension reform legislation. The committee is also preparing comments for the Department of Labor's ERISA Advisory Council on public disclosure of plan descriptions, annual reports, and participant statements.

The Pension Accounting Committee is commenting on two proposed Governmental Accounting Standards Board standards that cover public employee retiree benefits. The committee is also assisting the Pension Committee in its comments on the PBGC legislation.

The Social Insurance Committee has completed a draft standard of practice for social insurance program actuaries. The draft will be presented to the Actuarial Standards Board at its April meeting. The committee has offered its assistance to the Health Practice Council's work groups on Medicare and Medicaid.

In preparing for the retirement income debate, the committee is drafting two white papers. The first will support Senate Finance Committee Chairman Daniel Patrick Moynihan's (D-N.Y.) position that a means test for Social Security is inappropriate because it is a social insurance program. The second will examine the long-range deficit and the option of raising the retirement age.

Fluhr is chairperson of the Academy Pension Practice Council and president and chief executive officer of The Segal Company.

1994 JARVIS FARLEY SERVICE AWARD

The Academy is now soliciting nominations for the 1994 Jarvis Farley Service Award.

The award honors individuals who have given exemplary volunteer service to the actuarial profession. The award was created in 1991 in memory of Jarvis Farley, who served the Academy and its committees with untiring devotion for many years. The award was presented for the first time in 1992 to Mary Hardiman Adams. The 1993 recipient was Jerome Scheibl.

All Academy members are eligible nominees, including past and present committee members and chairpersons, board and committee members of the Actuarial Standards Board, members of the Actuarial Board for Counseling and Discipline, and members of the Academy Board of Directors. Current Academy officers are not eligible.

To nominate an Academy member for the Jarvis Farley Service Award, fill out the postcard enclosed with this month's *Update*. Please provide a brief description of your nominee's contributions to the profession and include your name and telephone number. Nominations must be received by July 15. If a worthy nominee is chosen by the Academy Executive Committee, the award will be presented at the Academy's Annual Meeting on September 28.

And on the subject of service . . .

Academy committee service request cards are also enclosed with this issue of *The Update*. Please consider helping the Academy advance our profession by volunteering to serve on an Academy committee.

HEALTH CARE

As the health care debate reaches a critical stage, Congress's pulse remains erratic. With both House and Senate deadlines for floor action nearing, the gap between those who favor more government involvement and those who would leave health care to the free market is still unbridged. In the House, the three committees with primary jurisdiction still remain divided on major issues, most notably on the employer mandate, price controls, and plan structure.

House Ways and Means Chairman Dan Rostenkowski, has begun a series of caucuses to start hammering out the components of a bill that would garner enough votes to pass the full committee. Rostenkowski, who believes that a broad-based tax increase may be needed to finance health care reform, has announced that he will use the plan passed by Pete Stark's health subcommittee, minus its financing provisions, as the starting point for full committee markup.

In another key House committee, Energy and Commerce Chairman John Dingell has offered further concessions to small business in hopes of winning the swing votes of his committee's moderate Democrats. However, Dingell's latest efforts to woo conservative Democrats to his camp have met with little success. One of the key swing votes on his committee, Rep. Jim Slattery (D-Kans.) says he will support no bill that contains employer mandates and may offer his own plan soon if a compromise on the issue cannot be reached with Dingell.

The most liberal committee involved in the process, House Education and Labor, has begun markup on a bill submitted by Pat Williams (D-Mont.), chairman of the Labor and Management Relations Subcommittee. Williams's plan uses the basic framework of the Clinton proposal, but replaces the mandatory alliances with voluntary alliances,

increases subsidies for small businesses and low income workers, and makes the benefits package more generous. Williams expects his subcommittee to approve both a version of his plan and a single-payer reform bill.

While the House Democratic leadership seems content with securing all of the votes needed for passage without Republican support, Democrats in the Senate are aiming for a bipartisan measure. Members of the Senate Finance Committee, who held their first bipartisan caucus April 19, have expressed optimism that a bipartisan bill can be crafted. Although no agreements have been reached yet, support is growing for two measures—a tax cap on employers that would limit tax deductibility for employer-provided coverage, and some sort of "trigger" device that would impose an employer mandate if a specified level of coverage had not been achieved by a date certain.

Senate Majority Leader George Mitchell (D-Maine) has presented options to Senate Democratic leaders that address small business concerns about an employer mandate. Mitchell's framework includes: making benefits less generous through higher deductibles and out-of-pocket limits; changing the maximum amount a small firm pays for health care to a worker-by-worker limit on premiums as a percentage of pay; and reducing the mandatory employer contribution from 80% to 50%. Mitchell also suggests lowering the alliance threshold from 5,000 to 1,000 employees.

As momentum for a bipartisan compromise builds in the Senate, many House members are wary of passing a comprehensive bill that would be struck down by the more conservative Senate, and leave House members vulnerable to attacks by small business groups. House members' distrust of the Senate may partially explain their inability to bridge the gap between opposing sides and move the reform process through more rapidly.

PENSION ISSUES

Pension plan participants may not sue plan nonfiduciaries who do

not receive or control plan assets, even if the nonfiduciaries have knowingly aided in a fiduciary's breach of duty, according to a decision by the U.S. First Circuit Court of Appeals. The court's ruling in *Reich v. Rowe*, expands on last year's U.S. Supreme Court decision in *Mertens v. Hewitt*, which held that ERISA does not authorize suits for compensatory damages against nonfiduciaries for knowing participation in a fiduciary's breach of duty. In *Mertens*, the Supreme Court limited its holding to compensatory damages. The First Circuit ruled that ERISA itself contains no authorization for equitable relief against nonfiduciaries. The court's decision has increased the Labor Department and Sen. Howard Metzenbaum's (D-Ohio) determination to pass legislation that would restore a pre-*Mertens* world.

Rep. Dan Rostenkowski has introduced legislation that would require most baby boomers to work longer before they receive full Social Security retirement benefits. The bill would raise the normal retirement age from 65 to 67 for people born in 1960 or later. Further, the proposal would lower the income threshold at which Social Security benefits are subject to income tax and hike the Social Security payroll tax starting in the year 2020. The bill was introduced a week after the annual report of the OASDI trustees concluded that the Old Age and Survivors Trust Fund is in close actuarial balance and should remain so well into the 21st century. While legislative action on Rostenkowski's bill is not expected this year, the measure is expected to be a key vehicle for tax legislation next year.

Meanwhile, another Ways and Means Democrat has also introduced a bill to strengthen the Social Security system. Rep. J.J. Pickle (D-Tex.) has offered legislation that would extend the normal retirement age to 70, reduce spousal benefits, and make COLA adjustment once every 2 years instead of annually. The plan would not raise payroll or income taxes.

1994 CALENDAR

National Association of Insurance Commissioners Summer Meeting
June 12-15

Society of Actuaries Spring Meeting (Pension, Health)
June 15-17

Actuarial Standards Board Meeting
July 19-20

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

Continued on next page

Public Service Actuaries: Getting Their Due

By Edwin Husted

In the past year, the Academy Committee on Actuarial Public Service has taken several actions to support the actuary in public service.

A pay survey that will assist us in promoting equitable compensation for government actuaries is announced in this issue of *The Update*. (See page 3.) In the near future, the Academy Board of Directors will act on our suggestion of an annual award to honor outstanding public service by an actuary. Our committee works closely with the National Association of Insurance Commissioners to promote the interests of actuaries who work for state governments. We also collaborate with the federal government to continue and expand its visiting actuary program.

Last year, the committee made a very tangible recommendation designed to increase the participation of government actuaries in the life of the profession: We suggested that the Academy lower its dues for actuaries in public service. The Academy Board responded by reducing 1994 dues for actuaries employed by government and is considering an extension of that practice.

Governments do not reimburse their employees for dues and other professional expenses. As a result, many government actuaries maintain their professional designation through membership in the Society of Actuaries or the Casualty Actuarial Society but do not join the Academy.

Academy membership offers many advantages to government actuaries, the most important being the opportunity to join in the effort to bring the profession's expertise to the public policy makers. And needless to say, the experience of government actuaries is an invaluable resource to the work of the Academy.

As a young government actuary, I myself faced the decision of whether to join the Academy. I

asked a prominent actuary for advice on why I should join both the Academy and the SOA. He replied that if I ever disagreed with the profession, I could publicly resign from the Academy and still quietly maintain my professional credentials as an SOA member. That was an interesting, but not convincing, reason for what was then an outlay of \$100 a year.

Fortunately, I joined the Academy, and over the years I have gained a real appreciation of its efforts to advance the profession.

The Academy instituted the

1994 government actuary dues reduction on an experimental basis. So far, more than 10% of eligible actuaries have taken advantage of the offer and become members. While this response is encouraging, it is perhaps not sufficient to justify continuation of the policy in future years. The Committee on Actuarial Public Service will contact the remaining potential members directly and inform them of the new policy. We hope that readers will encourage government actuaries who are not members to participate more fully in the life of the profession by joining the Academy.

Husted is chairperson of the Committee on Actuarial Public Service.

CAPITOL VIEWS

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The Senate has overwhelmingly passed a comprehensive bankruptcy reform bill that does not include two key provisions regarding pension plans. The final version deleted language that would have required debtors to use post-petition financing to pay retiree contributions before other debts. Also, an expected amendment to give administrative priority to Chapter 11 debtors' minimum funding of pension contributions did not materialize.

SUPERFUND

The fate of Superfund reauthorization remains uncertain after a key congressional player announced he's decided to shelve legislation. Rep. Al Swift (D-Wash.), chairman of the House Energy and Commerce Subcommittee on Transportation and Hazardous Materials and chief House sponsor of the Clinton administration's Superfund reauthorization bill, had earlier warned that Congress's full agenda this session would require a quick consensus from Superfund participants if any legislative action was to take place this year. After consulting with committee members, Swift determined that the vast differences between parties on two main

issues—the insurer-financed pool and remedy selection—are too great. If the Superfund law is not reauthorized by September, the federal government could lose its ability to assess taxes on certain industries to pay for site cleanups next year. Despite Swift's announcement, not everyone is writing off the chances for reauthorization in this Congress. The administration and the chief sponsor of superfund legislation in the Senate, Sen. Frank Lautenberg (D-N.J.), have stated their commitment to continuing their efforts to reform the superfund program. There could be a 1-year authorization without reform.

Idaho Gov. Cecil D. Andrus (D) has signed legislation that guarantees individuals the right to obtain health insurance. The Individual Health Insurance Availability Act expanded on a bill passed last year that requires all insurance carriers to offer small businesses one of two health plans. The new law extends most of the provisions of the small business bill to individuals. Under the legislation, individuals must be offered at least one of two health plans from an insurer; rates must not vary by more than 25% from the average rate charged for such plans; premium increases may not exceed 15% annually, and limitations on existing conditions cannot exceed one year.

WE'RE OUTTA HERE!!

On May 2 the Academy moved to more spacious—and less expensive—quarters. Please note our address is 1700 Seventeenth Street, N.W., 7th Floor, Washington, DC 20036.

Our telephone and fax numbers remain the same.

Stickers with our new address are included with this mailing of *The Actuarial Update*. We suggest that you attach them to printed material from the actuarial profession that you regularly use.

Such as page 1 of the *Directory of Actuarial Memberships*.

In addition, we have enclosed a Rolodex style card for your convenience.