

Work Group Releases Long-Term Care Credibility Monograph

THE ACADEMY'S LONG-TERM CARE (LTC) Credibility Monograph Work Group published a [monograph](#) on increasing the awareness of the applicability of credibility procedures to LTC insurance, providing information on current practices, and outlining considerations for applying credibility procedures and presenting results.



Warren Jones, a member of the Academy's LTC/Disability Committee, [gave a presentation](#) on the monograph on behalf of the work group at the NAIC 2016 Summer National Meeting in San Diego Aug. 25.

For next steps, the monograph offered two potential research ideas:

- ➔ Developing a comprehensive summary of credibility theory with direct applicability to LTCI-related actuarial work; and
- ➔ Performing research in which differing credibility procedures, methods, and assumptions are tested on actual blocks of historical data, with the goal of developing recommended approaches to applying credibility procedures to various LTCI-related work and in different contexts.

When compared to other lines of insurance business, LTCI is a relatively young and emerging product line, the monograph's executive summary notes. While the earliest policies were issued more than 40 years ago, few insurers were offering products at that time.

SEE **LTC**, PAGE 11

Academy Presents at NAIC; Post-NAIC Webinars to Look at Life, P/C Issues

THE PRESENTATION of the LTCI credibility monograph (see story, above) was just one of several presentations given by Academy representatives at the NAIC 2016 Summer Meeting in San Diego late this month. In addition to the practice-specific areas below, the Academy also made several professionalism presentations (see story, p. 5).

Health

The Academy's Medicare Part D Risk-Based Capital (RBC) Subgroup [presented a report](#) to the NAIC's Health RBC Working Group recommending the RBC risk factors for Medicare Part D coverage remain the same for standard coverage but be increased for supplemental coverage. The recommendations are based on a recent analysis of detailed carrier experience, and the report serves as a follow-up to the subgroup's previous report, released in April 2014.

SEE **NAIC**, PAGE 10



After her presentation to the NAIC's Casualty Actuarial and Statistical Task Force, Committee on Property and Liability Financial Reporting Chairperson Lisa Slotznick speaks with Mike McKenney, property and casualty actuarial supervisor at the Pennsylvania Insurance Department.

2

CE Credits Available at [Annual Meeting](#)

2

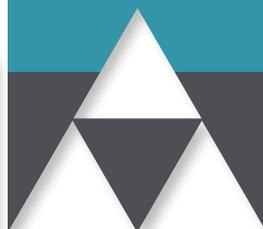
Voting Underway For Academy [Directors' Election](#)

4

Professionalism Counts: ASOP No. 1 and Professional [Judgment](#)

7

Global Health Webinar Looks at [Taiwan, Hong Kong](#)



SEPTEMBER

13 Webinar: [Post-NAIC Update \(P/C\)](#)

15 Webinar: [Post-NAIC Update \(Life\)](#)

18-20 [Casualty Loss Reserve Seminar \(CLRS\) & Workshops](#), Chicago

21-23 [PBR Boot Camp—Basic Training and Beyond](#), Orlando, Fla. (sold out)

OCTOBER

5 Webinar: [Exploring Global Health Care Cost Drivers: France and U.K.](#)

19 Professionalism Webinar: [An Overview of Cross-Practice Standards](#)

NOVEMBER

3-4 [Annual Meeting and Public Policy Forum](#), Washington, D.C.

13-17 [Life and Health Qualifications Seminar](#), Arlington, Va.

DECEMBER

6-7 [2016 Seminar on P/C Effective Loss Reserve Opinions](#), Chicago

For a list of all previous and upcoming Academy events, please visit the Academy's [Calendar of Events](#).

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the member login page on the Academy [website](#).

Academy NEWS

Annual Meeting Offers Opportunities for Continuing Education Credit

THE ACADEMY'S 2016 [Annual Meeting and Public Policy Forum](#), to be held Nov. 3-4 in Washington, D.C., offers an excellent opportunity to remain current with the latest public policy and professionalism developments affecting the profession, while meeting your continuing education (CE) requirements.

Attendees can earn organized activity CE credits, depending upon your area of practice, and professionalism CE credits. Estimates of available CE credits for this year's program will be made available as the agenda is finalized in the coming weeks. Last year, attendees earned up to 19 hours of CE: 13.6 organized activity CE credits, depending upon their area of practice; 1.5 hours of business skills CE credits; and 4.2 hours of professionalism CE credits.

Subject-matter experts who will be speaking or leading sessions include federal agency representatives, leaders of the NAIC and the U.S. actuarial profession, and other prominent stakeholders. Agenda highlights and more are available on

the Academy's website, including information about keynote and plenary speakers: former Sen. Chris Dodd, Congressional Budget Office Director Keith Hall, Pension Benefit Guaranty Corp. Director Tom Reeder, and Oregon Insurance Commissioner Laura Cali.

Rounding out the event will be a performance by the political satire troupe Capitol Steps, who will perform at the Nov. 3 dinner and provide a timely, irreverent musical take on the presidential candidates and the political landscape in Washington. The dinner is included in the two-day registration fee, and dinner tickets can also be purchased separately.

Register now to save—[regular registration rates](#) are available through Oct. 21. ▲



Voting Underway for Academy's Regular Director Positions

ACADEMY MEMBERS should have received an email this month from Intelliscan (electionadmin@intelliscaninc.net), the Academy's election vendor, with your online ballot to elect regular directors to the Academy's Board of Directors.

Please check your spam folder if you have not seen this email in your inbox, and make sure to add the email address to your safe-senders list. Academy members as of Aug. 12 are eligible to vote, and eligible members who have opted out of Academy email communications will receive voting instructions and ballots by mail.

The online election began on Friday, Aug. 26, and will run through Friday, Sept. 16. Visit the Academy's [Board Election Center](#) to learn more about this year's candidates—[April Choi](#), [Bob Rietz](#), [Lisa Slotznick](#), and [Stuart Mathewson](#), as noted in the July [Actuarial Update](#)—as well as more information about the Nominating Committee Guidelines on how candidates are selected and other details.

If you need help with or have questions about your ballot, please contact Keith Wier, account manager for Intelliscan, at kwier@intelliscaninc.com. For other questions, please contact Claire Mickelson, Academy senior policy analyst, at mickelson@actuary.org. ▲

Academy NEWS Briefs

Volunteer Survey Draws Large Response

ALMOST 600 MEMBERS participated in the Academy's annual volunteer survey this month, which members use to indicate interest in the Academy's committees and working groups. All participants who expressed an interest in volunteering will be contacted in the coming months. Volunteers are essential to the Academy's work—many thanks to all who completed the survey.

Recently Released

THE AUGUST ISSUE OF [HealthCheck](#) covers Senior Health Fellow Cori Uccello's participation in a panel discussion on 2017 premium cost drivers, the Academy's testimony for a congressional hearing on health insurance, and several new health-focused election guides.

The August edition of the [ASB Boxscore](#) includes items on an exposure draft of a revision of Actuarial Standard of Practice (ASOP) No. 24 (life); a second



exposure draft of a proposed ASOP on risk (pension); a third exposure draft of a proposed ASOP on modeling (general); and a final report from the ASB Pension Task Force. ▲

IN THE NEWS

The Academy's [Social Security Game](#) was cited by a caller to the syndicated radio show, "Money Talk With Bob Brinker," to illustrate the financial consequences of different Social Security reform options. The program aired on [KABC-AM](#) (Los Angeles; the game was mentioned just before the 29-minute mark), as well as [WLS-AM](#) (Chicago), [FM News 101 KXL](#) (Portland, Ore.), and other stations.

Senior Health Fellow Cori Uccello provided an actuarial perspective on the trends observed within the individual risk pool under the Affordable Care Act (ACA) in a [Bloomberg BNA story](#). The story reports on an analysis released by the Centers for Medicare & Medicaid Services (CMS) that finds the ACA individual market risk pools improved between 2014 and 2015. [Another version](#) of the story is available on the [Bloomberg BNA](#) website.

[BenefitsLink.com](#) published [testimony](#) submitted by Uccello and Karen Bender,

chairperson of the Academy's Individual and Small Group Markets Committee, for a U.S. House Ways and Means Committee hearing on rising health care premiums, on the major components driving 2017 premium changes.

A subscriber-only [Bloomberg BNA](#) story cited the Multiemployer Public Plans Subcommittee's Aug. 5 [comment letter](#) on the Pension Benefit Guaranty Corp.'s proposed rule on mergers and transfers between multiemployer plans. The comment letter was also published in [BenefitsLink.com](#).

Barb Klever, chairperson of the Academy's Risk Sharing Subcommittee, discussed possible changes to CMS's ACA risk-adjustment model in a subscriber-only [Inside Health Insurance Exchanges](#) story.

The [Greeley Tribune](#) (Colo.), [The Daily Jeffersonian](#) (Cambridge, Ohio), [The Tribune Chronicle](#) (Warren, Ohio), and the [Clermont Sun](#) (Batavia, Ohio) published a column by the [Rural Health News Service](#) that cited the Academy's 2017

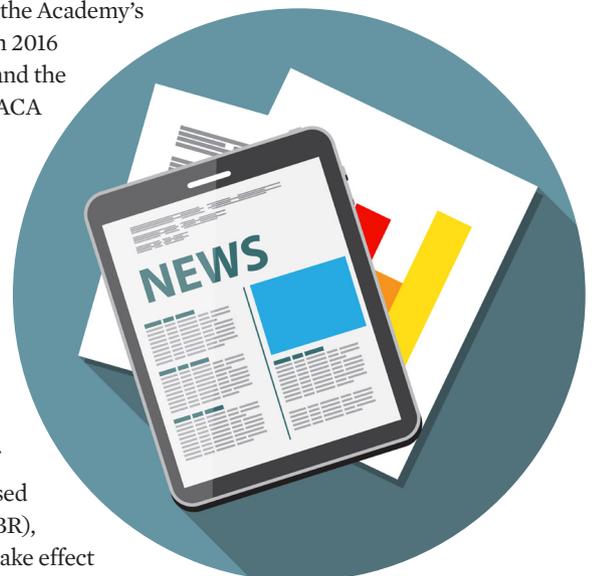
rates issue brief. The column explores how premium and subsidy fluctuations under the ACA have affected Midwestern policyholders. An [American Press story](#) on projected 2017 premiums also cited information from the brief, as did [Managed Healthcare Executive](#) in its coverage of premium increases for 2017 announced for California's official ACA marketplace.

A [Commonwealth Fund article](#) examining how the ACA has affected competition in health insurance markets cited data published in the Academy's [issue brief](#) on 2016 cost drivers and the effect of the ACA reinsurance program in reducing premiums.

An [Annunty Outlook Magazine](#) article on the implementation of principle-based reserving (PBR), expected to take effect

in January 2017, prominently notes the Academy's work with the NAIC on the PBR framework.

An op-ed in the [Times-Herald](#) (Vallejo, Calif.) drawing attention to the funding challenges facing the California Public Employees' Retirement System (CalPERS) references a Pension Practice Council [issue brief's](#) call for pension plans to have a strategy in place to attain or maintain a funded status of 100 percent or greater over a reasonable period of time. ▲



ASOP No. 1 and Professional Judgment

BY MARYELLEN COGGINS, CHAIRPERSON, ACTUARIAL STANDARDS BOARD

Actuarial Standard of Practice (ASOP) No. 1, *Introductory Actuarial Standard of Practice*, tells us that “ASOPs provide the actuary with an analytical framework for exercising professional judgment.” How should actuaries understand the relationship between professional judgment and the standards of practice that they are required to satisfy under the Code of Professional Conduct?

ASOP No. 1 does not define “professional judgment,” but rather explains it by referring to what is needed to exercise it:

“Professional judgment—Actuaries bring to their assignments not only highly specialized training, but also the broader knowledge and understanding that come from experience.”

In other words, the ASOPs provide a framework within which actuarial training and experience—resulting in actuarial expertise—enables the application of professional judgment when performing actuarial services. (It is worth noting that ASOP No. 1’s description of professional judgment also connects important dots between the ASOPs and the U.S. Qualification Standards, which are grounded in basic education and experience, as well as continuing education.)

Professional judgment is not subordinate to standards of practice, but married to them to form a cohesive (and happy!) union. ASOP No. 1 clarifies that “while ... ASOPs are binding, they are not the only considerations that affect an actuary’s work.” Those “other considerations” include “the actuary’s own professional judgment informed by the nature of the engagement.” In other words, ASOPs are not substitutes for professional judgment. They are predicated upon its proper exercise.

ASOPs also do not give free rein to individual judgment (no matter how expert). Instead, ASOPs discipline the exercise of judgment. ASOPs, for example, “allow for the actuary to use professional judgment when selecting methods and assumptions, conducting an analysis, and reaching a conclusion,” but within the parameters of what a particular ASOP requires an actuary to “consider, do, document, and disclose.” The effect is not so much striking a balance between prescription and know-how as achieving synergy between disciplined process and qualified expertise so that the actuary can successfully provide actuarial services in a complex world of risk and uncertainty where “actuaries can reasonably reach different conclusions when faced with the same facts.”

This analytical framework is reinforced throughout ASOP No. 1. Consider the following terms explained in ASOP No. 1 and used throughout the ASOPs. Each of these terms effectively sets



a standard for the actuary and describes the role of judgment in meeting the standard:

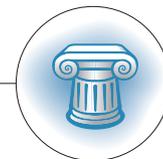
- ➔ **Materiality:** “An item ... is material if its omission or misstatement could influence a decision of an intended user. ... The actuary should evaluate materiality of the various aspects of the task using professional judgment.”
- ➔ **Reasonable:** The ASOPs may “call for the actuary to take ‘reasonable’ steps. ... The intent is to call upon the actuary to exercise the level of care and diligence that, in the actuary’s professional judgment, is necessary to complete the assignment in an appropriate manner.”

Similar parallel constructions are included for the terms “practical/practicable” and “significance/significant.”

Perhaps nowhere in ASOP No. 1 is the analytical framework for the exercise of judgment better highlighted than in the sections dealing with deviation from standards of practice. Where an ASOP uses the term “must,” ASOP No. 1 says, “The ASB does not anticipate that the actuary will have any reasonable alternative but to follow a particular course of action.” The word “should,” by contrast “indicates what is normally the appropriate practice for an actuary to follow when rendering actuarial services.”

Even where these terms are used in standards of practice, ASOP No. 1 recognizes that “situations may arise where the actuary applies professional judgment and concludes that complying with [a particular] practice would be inappropriate, given the nature of the assignment and the principal’s needs.” In such instances, ASOP No. 1 directs the actuary to comply with the disclosure requirements of ASOP No. 41, *Actuarial Communications*, which states that “[i]f, in the actuary’s professional judgment, the actuary has deviated materially from the guidance set forth in an applicable ASOP ... the actuary can still comply with that ASOP by providing an appropriate statement in the actuarial communication with respect to the nature, rationale, and effect of such deviation.” The ASOPs trust the judgment of qualified actuaries even as they require reasoned explanations for deviations from the standards.

And doing so in the context of principle-based standards that define appropriate actuarial practice is appropriate. As former ASB Chairperson Bob Meilander wrote in 2013, “The ASB strives to assure that the ASOPs address those situations that require professional judgment, as that is what our profession is trained to do and should be able to do with excellence.” ASOP No. 1 provides the analytical framework that pairs professional judgment with principle-based standards that actuaries can use to achieve such excellence in the provision of actuarial services. ▲



Professionalism in Spotlight at NAIC Summer Meeting

ACADEMY REPRESENTATIVES made several professionalism presentations at the NAIC Summer 2016 National Meeting held in San Diego, Aug. 23-27. Immediate Past President Mary D. Miller, Actuarial Board for Counseling and Discipline (ABCD) Chairperson Janet Fagan and Actuarial Standards Board (ASB) Chairperson Maryellen Coggins appeared before the NAIC's life, health, and casualty actuarial task forces to provide an update to regulators on ABCD, ASB, and Academy professionalism activities.

The trio used the opportunity to remind members of the task forces of the importance of the continued close and constructive relationship between the Academy and the regulator community, noting, for example, the outreach of the ASB to regulators to provide a sounding board for actuarial standards of practice under development and the Academy's policy of allowing state and federal agencies to advertise job openings for qualified actuaries at no cost through Academy publications (see, for example, p. 8).

Regulator-Only Breakfast

On Friday, Aug. 26, they were joined by Committee on Qualifications (COQ) member Tom Campbell as speakers at the Academy-sponsored regulator-only professionalism breakfast. Each made in-depth presentations at the well-attended event.

Fagan provided an overview of the ABCD processes for providing counseling in response to [requests for guidance \(RFGs\)](#), as well as formal disciplinary proceedings. She stated that the ABCD has responded to 73 RFGs so far this year, setting it on a path to surpass the record number of 96 achieved during in 2015. Fagan went on to note that RFGs represent confidential "people-to-people contacts" that allow ABCD members to help individual actuaries "who are trying to do the right thing."

Coggins provided an overview of the ASB process of developing actuarial standards of practice (ASOPs) and described a number of important ASB projects, such as the recent issuance of the [Pension Task Force report](#) and the ongoing work of the ASB Pension Committee to revise pension-related standards in light of the report's recommendations. Coggins also reviewed a number of revised and new standards in the development and exposure process, such as the [third exposure draft on modeling](#) (which the ASB approved in June) and a newly proposed ASOP on setting assumptions (which the ASB will consider at its September meeting). She also thanked regulators for participating in the ASB regulator survey earlier this year, noting that over 80 regulators responded to the survey, 75 percent of whom said that they would be willing to participate in some capacity in ASB task forces or committee projects.

Campbell noted that the COQ has received a number of questions from regulators and that he has been struck with the care that regulators are taking to assure that actuaries serving in the public sector are qualified to review and opine on the filings that they receive. Campbell also discussed [a new FAQ on long-term care](#) that the COQ released in May.

Past President Mary D. Miller updated the regulators on the well-received [Attestation Form](#) released by the Academy at the beginning of 2016. She noted that approximately 1,500 unique users have accessed and used the form. Miller also provided an overview of recent and upcoming Academy events that would be of interest to the regulators, including the Academy's upcoming [Annual Meeting](#) in November.

The panel's presentations were following by a robust question-and-answer session between the presenters and attendees on an array of topics. The Academy will again host a regulator-only professionalism breakfast at the NAIC meeting in Miami in December. ▲

October Professionalism Webinar to Address Cross-Practice Standards

THE ACADEMY will host a [professionalism webinar](#) in October that will present an overview of the value and challenges of cross-practice standards by looking at ASOP No. 1, *Introductory Actuarial Standard of Practice*; ASOP No. 23, *Data Quality*; ASOP No. 25, *Credibility Procedures*; and ASOP No. 41, *Actuarial Communications*. It also will look at some of the proposed standards on modeling and assumptions that are in development, and discuss their relationship to practice-specific standards and the practicing actuary.

While the large majority of current and prospective ASOPs apply to specific areas of practice, the Actuarial Standards Board (ASB) has promulgated, and is in the process of developing, a number of ASOPs that

apply to all practice areas. These cross-practice standards are valuable in that they are intended to create a baseline for appropriate actuarial practice.

The webinar's presenters will be ASB Chairperson Maryellen Coggins; Beth Fitzgerald, the ASB's vice chairperson, finance; and Frank Todisco, the ASB's vice chairperson, operations. It will be moderated by Paul Kollmer-Dorsey, the Academy's general counsel and director of professionalism.

The webinar, "[An Overview of Cross-Practice Standards](#)," will be held Wednesday, Oct. 19, from noon to 1:30 p.m. EDT.

Registration is now [available online](#); government regulators may attend free of charge. ▲



2016 ANNUAL MEETING AND PUBLIC POLICY FORUM

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Attendees can earn organized activity CE credits, depending upon your area of practice, and professionalism CE credits. Good-faith estimates of credit for this year will be made available as the agenda is finalized.

Last year, attendees earned up to 19 hours of CE: 13.6 organized activity continuing education credits, depending upon their area of practice; 1.5 hours of business CE credits; and 4.2 hours of professionalism CE credits.



CHRISTOPHER J. DODD
Former Senator

Former Sen. Chris Dodd, principal sponsor of the Dodd-Frank financial reform law, will discuss the election and provide uniquely qualified insights on insurance and banking system oversight and health policy.

KEITH HALL

Director, Congressional Budget Office

Keith Hall, director of the Congressional Budget Office, will discuss the long-term budgetary outlook of health, retirement, and other programs important to the public and the actuarial profession.



KEITH HALL



W. THOMAS REEDER JR.
Director, Pension Benefit Guaranty Corporation

Tom Reeder, director of the Pension Benefit Guaranty Corporation (PBGC), will provide perspectives on the strengths of and key challenges facing the PBGC, the agency that protects the pension benefits of more than 40 million Americans in private-sector pension plans.

LAURA N. CALI

Oregon Insurance Commissioner

Laura Cali, an actuary and Academy member who became the youngest insurance commissioner in the country, has been her state's commissioner since 2013 and serves as chair of the NAIC's Big Data (D) Working Group and vice chair of the Auto Insurance (C/D) Working Group.



LAURA N. CALI

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Work Group Releases Report on Proposed 2016 Cancer Claim Cost Valuation Tables

THE CANCER CLAIMS COST TABLES WORK GROUP published a [report](#) Aug. 25 on developing a new set of valuation tables for use with cancer insurance policies.

The purpose of the project was to develop a new set of valuation tables for use with cancer insurance policies, and to aid actuaries pricing and reviewing product filings by providing information about the initial data provided by the industry in response to the work group's data call.

The current tables used to value reserves for cancer policies were developed in 1985 based on experience data from the late 1970s. Since that time there have been changes in the medical treatment of cancer and therefore the product design of cancer policies. These trends and changes have limited the relevance of the 1985 tables, which can be seen in the results of this study.

The study was limited to two benefits included in typical cancer policies: first occurrence benefit and cancer hospitalization. The first occurrence benefit is generally a lump sum amount paid on

the first occurrence of cancer. Hospitalization benefits are generally indemnity amounts paid on a per day basis when the covered person is confined to a hospital for the treatment of a covered cancer.

The incidence of cancer in the proposed valuation table shows a slightly different pattern by attained age than that in the 1985 table. The proposed table for first occurrence rates shows higher incidence rates in the middle-age years than the 1985 tables, which the work group believes is due to better medical tests for the presence of cancer.

The report also shows that hospitalization claims costs by attained age are significantly lower than those in the 1985 tables. While it could not separate the 1985 tables into incidence and length of stay, the work group believes that both are drivers of the difference. Overall medical trends have shown that outpatient surgery has trended higher since the 1985 tables, with a corresponding decrease in inpatient surgery stays. The overall length of hospital stays also has trended shorter. ▲

Global Health Care Webinar Looks at Taiwan, Hong Kong

THE ACADEMY'S "Exploring Global Health Care Cost Drivers" webinar series continued this month with a webinar looking at the health care systems of [Taiwan and Hong Kong](#), with a focus on cost drivers. Almost 250 people from 143 registered sites in 12 countries attended the Aug. 25 webinar. The ongoing webinar series is being presented jointly by the Academy's Health Practice International Committee and the International Actuarial Association Health Section (IAAHS).

Alexander Leung, a member of the Health Practice International Committee and the IAAHS, presented Taiwan's information, noting its total health care expenditure as a percentage of GDP was 5.9 percent in 2014—ranked 16th worldwide compared with 16.4 percent for the United States, the highest. Its expenditure per capita was about \$2,700, ranked No. 14, compared with the United States' top-line \$8,700.

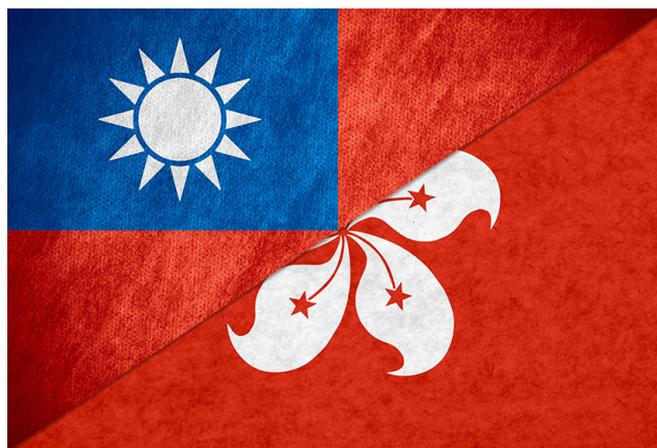
Taiwan has had national health insurance since 1995, covering 99 percent of its population, compared with 58 percent before then. The single-payer system is a payroll-based insurance premium, with unrestricted choice of health care providers. Premiums were increased in 2002 and 2010, and the system was reformed in 2013.

Its "Integrated Circuit Smart Card," which people use to access care, has demonstrated a number of benefits including lower administrative costs and better recordkeeping, Leung said. It stores a person's name, gender, personal and medical visits/admissions data, prescription and immunization records, and other information that helps keep data current while streamlining costs.

Both Taiwan's and Hong Kong's systems include options for traditional Chinese medicine. Hong Kong's system was outlined by Lawrence Tsui, a member of the Actuarial Society of Hong Kong (ASHK) Health Care Section and the ASHK's liaison to the IAAHS.

A pre-national health insurance infant mortality rate of 9.8 per 1,000 in 1980 fell to 4.2 in 2010, while life expectancy rose to 76.2 (male) and 82.7 (female), from 69.6 (male) and 74.5 (female) for the comparable period.

Hong Kong, a special administrative area of China that Tsui described as being one of the world's most purely capitalist economies, is one of the wealthier jurisdictions, with per-capita income of about \$56,000, slightly higher than the United States' \$53,000. Its health spending per capita is comparable to Taiwan's, at about \$2,600, or 5.4 percent of GDP.



SEE **WEBINAR**, PAGE 8



WEBINAR, CONTINUED FROM PAGE 7

Hong Kong's government health care expenditure was about 15.9 percent in 2014, compared with 24 percent in the United States, Tsui said, but unlike Taiwan, it does not have a single-payer system. Instead, about half of its health care is a public system and half private. Forty-two hospitals are public and largely government funded, and another 11 hospitals are privately funded.

Private health insurance—largely coordinated through employers—covers about 40 percent of Hong Kong's population; largely because of an aging population, its health care spending is projected to rise to 9 percent of GDP by 2033, from 5.4 percent in 2013.

Hong Kong's infant-mortality and life-expectancy figures have improved

in the past decade, with the former falling to 1.7 per 1,000 in 2014, from 2.7 in 2004, and the latter rising to 81.2 (male) and 86.9 (female)—the highest in the world—from 79 (male) and 84.8 (female) in 2004.

Hong Kong also has developed several pilot programs for public-private partnerships to reduce costs and help reduce wait times for procedures such as cataract surgery. Eligible patients may enroll with a private medical practitioner and receive up to 10 consultations for a cost of about \$6 each, for example. [Slides and audio](#) are available on the Academy's webinar page. The next webinar in the series, which will look at [France and the United Kingdom](#), is scheduled for Oct. 5. ▲

Public Employment Opportunity Health Actuary (Position #120421):

The primary purpose of this position is to analyze health rate insurance filings to determine whether the requested rates are excessive, inadequate, or unfairly discriminatory and reasonable in relation to the costs of the benefits provided and review for compliance with the Patient Protection and Affordable Care Act ("PPACA") of 2010 by using acceptable actuarial techniques. Applicants are to have graduated from an accredited school with a baccalaureate degree in mathematics, actuarial science, statistics, or a business-related discipline such as economics, finance, or accounting. Applicants must also be a member in good standing of the American Academy of Actuaries and have an Associate or Fellow of the Society of Actuaries designation. For questions and application submissions, contact Arlene Ige, Health Branch Administrator, at ihealth@dcca.hawaii.gov, and include the position title in the subject line.

More on the Hawaii Insurance Division at <http://cca.hawaii.gov/ins/>.

The American Academy of Actuaries has long supported government employers who are seeking to hire qualified actuaries. See our [Public Employment Opportunity Post-ling Policy](#) for more information. ▲

HEALTH BRIEFS

➔ **Daniel Rhodes** has joined the Retiree Benefits Subcommittee.

AMERICAN ACADEMY OF ACTUARIES

2016 Seminar on Effective P/C Loss Reserve Opinions

DECEMBER 6–7, 2016
HILTON CHICAGO O'HARE AIRPORT

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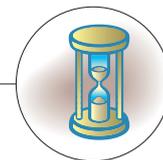
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Work Group Submits Comments to NAIC on AG 49

THE LIFE ILLUSTRATIONS Work Group submitted [comments](#) to the NAIC's IUL Illustrations (A) Subgroup regarding the extension of Actuarial Guideline 49 (AG 49) to all in-force life insurance illustrations. The letter requests that the subgroup consider that:

➔ Applying AG 49 to all policies in force would be inconsistent with the history of the applicability of Model No.

582 and the original drafting vision of AG 49, neither of which contemplated applicability to illustrations of policies already in-force as of the effective date.

➔ If any or all of AG 49 becomes retroactive, a reasonable timeframe to allow companies to make new and legacy systems adjustments should be provided. Without such lead time, companies could be faced with immediate non-

compliance issues due to the inability to provide an illustration that complies with AG 49 requirements. ▲



Early Registration for LHQ Seminar Ends on Sept. 12

EARLY REGISTRATION rates continue through Sept. 12 for the 2016 [Life and Health Qualifications Seminar](#), to be held Nov. 13-17 in Arlington, Va. (Washington, D.C., metro region).

This seminar is considered by many to be the most succinct and effective way to fulfill some of the important requirements needed to qualify to issue actuarial opinions for the NAIC life and health annual statements and earn necessary continuing education (CE) credit. It also serves as a basic education refresher or as a source of required CE credit for more experienced actuaries. Topics will include health insurance valuation; premium, loss, expense, and contingency reserves; risk-based capital; and professionalism.

“This seminar has been described by others as the most helpful of any seminar, and I agree.” – 2015 LHQ attendee

[Register today](#) for the discounted rate. Prices will increase by \$200 for members after Sept. 12. ▲

“This seminar has been described by others as the most helpful of any seminar, and I agree.”

LIFE BRIEFS

- ➔ **Benjamin Bock** has joined the Life Valuation Committee.
- ➔ **Alexandre Lemieux** has joined the PBR Intensive Seminar Subgroup.
- ➔ **Jim Reiskytl** has joined the Annuity Reserves Work Group Floor Reserve and the Longevity Risk Task Force.
- ➔ **Ze Cao** has joined the Annuity Reserves Work Group Model Reserve.
- ➔ **Larry Gulleen** has joined the Reinsurance Practice Note Work Group.

CASUALTY NEWS



Casualty Loss Reserve Seminar Offers Livestreaming Opportunity

SELECT SESSIONS FROM the upcoming Casualty Loss Reserve Seminar (CLRS), to be held in Chicago Sept. 18-20, will be livestreamed on Sept. 19. Early registration for the livestream is available through Sept. 5, and registration will close on Sept. 14. Virtual attendees will be able to interact with one another and pose questions to panelists. Visit the [CAS website](#) for a list of sessions that will be livestreamed, as well as information on [how to register](#) for the CLRS. ▲

CASUALTY BRIEFS

- ➔ **Rade Musulin** is chairperson of the new Flood Insurance Work Group, and the following actuaries are members of the work group: **Clifford Angstman, Joanne Briody, Kay Cleary, Kurt Dickmann, Edward Ford, Howard Kunst, Stuart Mathewson, Jeffrey McCarty, Achille Sime-Lanang, David Smith, Nancy Watkins, and Yanjun Yao.**
- ➔ **Daniel Roth** is the chairperson of the new Travel Insurance Task Force. The following actuaries have joined the task force as members: **Annemarie Brownmiller, Emily Coventry, Robert Daino, Steven Glicksman, Donald Schley, Michael Smith, and Bill Stanfield.**



Task Force Submits Comments on Fed's Proposed Rule on Enhanced Prudential Standards

THE FINANCIAL Regulatory Task Force submitted [comments](#) to the Federal Reserve Board on its proposed *Prudential Standards for Systemically Important Insurance Companies*.

The task force wrote that it supports the identification of the chief actuary role, because actuaries have had a longstanding, central role in assessing the adequacy of reserves and capital of financial security programs.

“The actuarial profession in the United States has a robust set of qualification standards and standards of practice to guide the practicing actuary in these and other roles,” the letter states. “The standards themselves are maintained and updated to adapt to the changing world. Current examples are the development of actuarial standards of practice regarding the use and development of models and the exploration of a standard regarding the evaluation of capital adequacy.”

While the task force supports the splitting

of the chief actuary and chief risk officer roles in large, complex organizations such as systemically important financial institutions, it cautioned about extending such a requirement to less complex organizations, as there may be circumstances in such organizations in which it would be appropriate and desirable to have the same individual serve in both positions. And when analyzing the liquidity requirements of a group, it is appropriate to recognize entity-level constraints on the potential to provide liquidity to other entities in the group, the letter notes.

In its comments, the task force considers certain contracts that allow an insurer to delay payment of certain types of benefits to policyholders when requested, about which the Fed had asked whether it is reasonable for insurers to assume such a delay in their planning for liquidity needs. “We believe that this depends on the types of stress that are being considered,” the letter states. “For normal business environments, it would not be appropriate to assume such delays. However, for extreme events, it may be appropriate to assume a delay in payments occurs to the extent permitted contractually. In situations in which this is not included as a contractual option (i.e., the delay of payment), then it would not be reasonable for the insurer to plan for such delays in times of stress.” ▲



NAIC, continued from page 1

Life

The joint Academy and Society of Actuaries Preferred Mortality Oversight Group gave an Aug. 24 presentation to the NAIC's Life Actuarial Task Force (LATF) on simplified issue and accelerated underwriting mortality under VM-20, and a presentation on the [guaranteed issue and preneed mortality table](#).

The Academy's Longevity Risk Task Force gave a [progress report](#), which included a working definition of “longevity risk,” analysis of U.S. mortality trends, a review of regulatory and company approaches to longevity risk, and initial conclusions.

The Academy's Annuity Reserves Work Group (ARWG) gave a presentation to LATF's VM-22 Subgroup on [non-variable annuity principle-based reserving](#). The work group noted the need for consistency among all annuities, with a modeled reserve consistent with VM-21, and the need to take into account the Variable Annuities Issues Working Group improvement items.

Post-NAIC Recap Webinars to Include P/C Issues

Two mid-September Academy webinars will provide reviews of the NAIC 2016 Summer National Meeting—and related Academy activity.

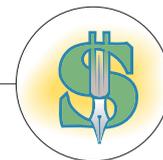
On [Sept. 13](#), the Casualty Practice Council will review property and casualty activity at the meeting. The webinar—the first of its kind in the property/casualty practice area—will provide an account of the Casualty Actuarial and Statistical (C) Task Force and other key meetings, and will cover topics such as issues as automobile insurance, climate change, the sharing economy, and Big Data.

On [Sept. 15](#), the Life Practice Council will review the meeting's life activity. The webinar will include an account of the Life Actuarial (A) Task Force meeting, activity in other groups regarding principle-based reserving and related considerations for reinsurance, and updates on variable annuity and other major topics.

Read more about the Academy's activity at the NAIC meeting in the forthcoming post-NAIC alert. ▲

Committee Submits Comments to ASB on Proposed ASOP

The Life Products Committee submitted [comments](#) to the Actuarial Standards Board (ASB) on the proposed Actuarial Standard of Practice (ASOP) that applies to the pricing of life insurance and annuity products. ▲



Essential Elements Highlights New Risk Regulators and Regulations

THE ACADEMY RELEASED “[New Risk Regulators and Regulations](#)” in late August, an *Essential Elements* paper that highlights many of the new state, federal, and international regulators and oversight efforts that have emerged in the wake of the 2008-09 global recession. The *Essential Elements* series is designed to make actuarial analyses of public policy issues clearer to general audiences.

The report outlines the 2008-09 global financial crisis, which led to the NAIC’s launch of its Solvency Modernization Initiative, and the federal Dodd-Frank Wall Street Reform and Consumer Protection Act. Dodd-Frank spawned the Financial Stability Oversight Council (FSOC), responsible for identifying threats to the U.S. financial system.

The paper outlines FSOC’s scope, as well as that of the Federal Insurance Office, also created via Dodd-Frank. (Former Sen. Christopher Dodd, co-sponsor of that law, will be a keynote speaker at the Academy’s [Annual Meeting and Public Policy Forum](#) in November.) It also looks at prominent international regulatory bodies, including the Financial Stability Board, and new state regulations, including proposed changes to risk-based capital requirements. ▲



ERM/ORSA Committee Engages With NAIC

THE ENTERPRISE RISK MANAGEMENT (ERM) and Own Risk and Solvency Assessment (ORSA) Committee of the Risk Management and Financial Reporting Council worked closely this month with two working groups at the NAIC.

On Aug. 10, the committee provided a [presentation](#) to the NAIC’s ORSA Implementation (E) Subgroup on the committee’s recently released ORSA and the Regulator [policy paper](#) and an ORSA risk exposures [practice note](#).

The ORSA policy paper is intended to provide regulatory actuaries who are reviewing ORSA reports with background information regarding ERM processes and information that might be included in an ORSA report, according to Tricia Matson, chairperson of the

committee. Further, she added, the practice note provides actuaries and regulators with information on the approaches used to quantify risk exposures that may be included in Section 2 of an ORSA report.

Separately, on Aug. 17, the ERM/ORSA Committee [submitted comments](#) to the NAIC’s National Treatment and Coordination (E) Working Group on its “Draft Form A Review Best Practices” exposure document. Matson notes that the draft best practices document “provides a good basis for reviewing mergers and acquisitions,” and goes on to make suggestions intended to highlight certain aspects of the review, including consideration of ERM processes and the actuarial appraisal performed as part of the acquisition analysis by either the acquirer or the selling entity. ▲

LTC, continued from page 1

The products have changed dramatically over the decades, from nursing home-only policies



to comprehensive LTCI policies to combination life/annuity-LTCI policies. More recently, there has been a greater emergence of accelerated benefit riders that address LTCI expenses. Administrative, claims, and underwriting practices have also changed significantly over that time period.

Different approaches have been taken in group and individual products and markets, and insurers have taken significantly different approaches to selling policies as well. Indeed, the market has matured within the past decade to offer a variety of options to meet various consumer needs. However, with the recent low interest rate environment and the resulting pressures

on insurers, the monograph notes that many insurers are left with small blocks of policies with too little experience data to reliably explain emerging experience or predict future experience.

Pricing and repricing assumptions for LTCI products generally are developed using the past experience of the insurer and/or from industry studies. These assumptions include lapse, mortality, claim incidence, claim continuance, claim utilization (i.e., salvage), and investment returns. In developing assumptions, actuaries might want to consider the volume, accuracy, and relevance of any data utilized, the monograph notes. ▲

NEW Academy Members

IN THE FIRST SIX MONTHS OF THIS YEAR, 414 new members joined the Academy. The new members' average age is 30—down from 31 last year—and 30 percent are women. At the half-year mark, the Academy had 19,101 members.

The majority, 241 (58 percent), are employed by an insurance organization or organizations serving the insurance industry, while 157 (38 percent) are consulting actuaries. Seven identified them-

selves as government employees, five listed “miscellaneous,” and there was one university employee. Three gave no answer.

Health was the most popular area of practice (176), followed by life (88), casualty (71), pension (54), and risk management (13), while seven listed their practice area as “other.” Five did not identify an area.

Stephen Ofori Abrokwah
Kwesi Sarkwa Acquah
Paul R. Albarano
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Nichole Alexander
Craig Allen
Yawovi Amegbleame
Stephen D. Amend
Michael D. Anderson
Samantha J. Andrews
Stephanie M. Atkins
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Li Ming Chin
Judy E. Chiu
Gustavof L. Christensen
Stephanie Chu
Andrew Chung
Hae Chang Chung
Travis Clark
Genevieve Clarke
Serena A. Clarke
Justin D. Clinger
Derek James Coburn
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Joshua Collins
Ryan Cook
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Stephen Giordano
Noah Goldberg
Michael Golding
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Nicolas Gomes
Christopher R. Graham
Ashley Gregory
Brice S. Groskreutz
Rhaea Guieb
Dmitriy Guller
Puja Gupta
Kyle Guzman

SEE **NEW MEMBERS**, PAGE 13

NEW MEMBERS, CONTINUED FROM PAGE 12

Geoffrey D. Hackman	Justin Kendle	Joshua R. Mayhue	Gino Pagano
Kyle H. Halleran	Steven Kesten	Kyle J. McCarthy	John D. Paine
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Shane Ayers Keith	Mikkel R. Matsoukas	Kevin J. Owens	Amy E. Schultz
James J. Kelly	Michael T. Mayhew	Bryan M. Pack	SEE NEW MEMBERS , PAGE 14

NEW MEMBERS, CONTINUED FROM PAGE 13

David Schultz	James Robert Sparks	Jesse D. Tsai	Joseph D. Williams
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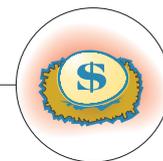
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Multiemployer Subcommittee Sends Comments on Mergers, Transfers

THE MULTIEMPLOYER Plans Subcommittee released a [comment letter](#) on the Pension Benefit Guaranty Corp.'s (PBGC) proposed rule on mergers and transfers between multiemployer plans.

The multiemployer system has changed dramatically since the original issuance of regulations on mergers and transfers; in particular, the concept of plan "solvency" has significantly different implications now than it did in the past, the letter states, noting that prior to the 2008 financial crisis and subsequent recession, few plans faced immediate or projected insolvency. Now, a significant minority of them—mostly, plans certified to be in "critical and declining" status—have serious solvency issues that must be addressed.

When very few multiemployer plans faced the possibility of near-term insolvency, it may have made sense to prohibit mergers and transfers unless each plan existing after the transaction was projected to satisfy stringent tests based on minimum asset, cash flow, and funding threshold requirements. But, the letter states, times are quite different now, and the focus "should instead be on promoting mergers



and transfers between multiemployer plans that postpone projected insolvencies, increase benefit security for plan participants and beneficiaries, and reduce expected long-term losses for PBGC's multiemployer program."

The letter also offers specific comments and proposed changes on the subjects of solvency requirements for mergers and transfers, actuarial certification for a financial assistance merger, and annual determinations for continued suspensions following a merger. ▲

Lifetime Income Risk Joint Task Force Comments to Labor Department

THE LIFETIME INCOME RISK Joint Task Force submitted a [comment letter](#) to the Department of Labor (DOL) concerning proposals for increasing retiree income options, with a focus on additional safe harbors that encourage delivering lifetime income.

The letter notes that risks in securing stable retirement income have increased as a result of employers shifting more retirement savings from defined benefit plans to defined contribution (DC) plans, with retirees in DC plans expected to assume both the investment and the longevity risk. Through recent regulations, it states, DOL has helped participants access improved fiduciary investment advice under qualified retirement plans.

Although current rules permit employers to provide DC plan retirees with the option to either purchase income annuities or take a structured withdrawal program, rarely do employers offer these

options in practice, the task force letter notes, with a primary reason being the concern of additional fiduciary liability employers would assume by expanding plan options. While the current safe harbor guidelines set out a process for selecting providers and products, many plan sponsors believe that the guidance the DOL offers for selecting annuities within DC plans is not sufficiently clear. Also, it notes, the department currently has no guidance that governs structured withdrawal programs. Additionally, the task force believes plan sponsors could provide much more robust and useful participant education, but their willingness to do so is also limited due to fiduciary liability concerns. ▲

PENSION BRIEFS

➔ **John Schubert** has joined the Pension Practice Council.