FEB 2016

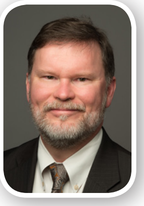
Actuarial UPDATE

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Ebola, Antiques, and Pensions

BY TOM WILDSMITH

President, American Academy of Actuaries



I LIKE TO HAVE CNN running in the background when I'm working. It's a useful reminder of the broader world outside my office. It's easy to become so focused on our jobs that we forget the political, economic, and social developments all around us. These developments can have implications for our work, but they also affect people's lives.

I was struck by CNN's coverage of the most recent Ebola outbreak. The doctors who were interviewed might have had different recommendations about the details of how best to manage the outbreak, but they all described the facts of the disease and the progress of the outbreak very consistently. It was clear that they were all describing the same reality, and it fostered a sense that you could trust the medical profession as a source of reliable information on Ebola. The message was clear: If you want to know the facts about Ebola, ask a doctor.

CNN and other media outlets were also covering the fallout from the Detroit bankruptcy at about the same time, and the city's pension program was a central part of the story. The contrast with the coverage of the Ebola outbreak was disturbing. Actuaries were quoted in a way that made their estimates seem disjointed and irreconcilable. It's difficult to provide the full context for a pension valuation in a news story, and conflict makes for compelling reading. *The New York Times* described a "staid profession [that] has been fighting over how to calculate the value ... of pensions that will be paid in the future," and held out "the possibility that a fundamental error has for decades been ingrained into actuarial standards of practice."[1]

This media portrayal may be understandable, but the result was unfortunate. It created the impression that the actuaries didn't simply have different recommendations, but that they weren't describing the same reality. If this portrayal is repeated over time, it has the potential to undermine the public's trust in our profession.

At home, Sally and I like to watch "Antiques Roadshow." It's an entertaining window into the past, and half the fun is in trying to guess what an antique is worth. The appraisers routinely provide more than one type of value for an item. These may include an auction value, a retail value, an insurance value, or a replacement value. This multitude of values doesn't undermine the appraisers' credibility—if anything, it enhances it. If you watch the "Roadshow," you quickly learn how these different estimates relate to each other, and it's clear that the appraisers understand how the price of an

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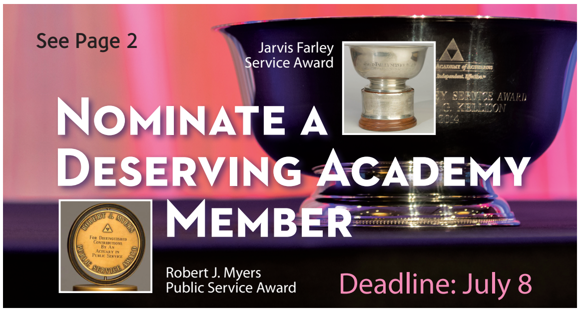


2016 Election Guides: Making Issues Count

THE ACADEMY has prepared a series of guides focusing on several major issues to help voters become better informed during the 2016 elections. These guides offer information on select campaign topics on which actuaries have expertise. The Academy hopes candidates for higher office will provide details on their proposals to address the challenges addressed by these guides and the positions they will support as duly elected public officials.

2016 MAKING ISSUES COUNT

Whether you actively engage national and statewide candidates through campaign events, or are simply reviewing candidate proposals, these guides help frame the pros and cons of select issues. The guides provide brief descriptions of major public policy programs such as Social Security and Medicare, as well as various options for reform. While candidates in 2016 may not be discussing these topics, the Academy raises these issues because of how important they are to voters and the well-being of the nation.

The Academy hopes these issue guides will help inform voters on these key issues facing the nation in this important election year. View the first batch of these election guides at election2016.actuary.org.

MARCH

15 Regulator-Only Webinar: "Use of ORSA by the Regulator: Considerations for Actuaries"

17 Webinar: "Professionalism and the U.S. Qualification Standards"

APRIL

10-13 Enrolled Actuaries Meeting, Washington, D.C.

JUNE

6-8 Seminar: "PBR Boot Camp: Basic Training and Beyond," Chicago

NOVEMBER

3-4 Annual Meeting and Public Policy Forum, Washington, D.C.

13-17 Life and Health Qualifications Seminar, Arlington, Va.

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

Call for Nominations for Academy Awards

THE ACADEMY ANNUALLY HONORS several highly dedicated and generous members for their service to the actuarial profession. Academy members are encouraged to nominate their colleagues for one of the three categories of awards.

The Jarvis Farley Service Award—a **lifetime achievement award**—honors actuaries whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession.

The Academy established the award in 1991 to honor one of its most dedicated volunteers. Jarvis Farley was a charter member of the Academy and an invaluable resource for the profession. He served on Academy committees from 1972 until his death in 1991. His untiring volunteer work for the Academy epitomized the caliber of service honored by the award. See past winners and eligibility requirements and submit your nominations for the Jarvis Farley Service Award here.

The Robert J. Myers Public Service Award honors **public service** actuaries who have made an exceptional contribution to the common good. The Myers Award honors an actuary for a single noteworthy public service achievement or a career devoted to public service.

Robert J. Myers, the chief actuary for the Social Security Administration from 1947 to 1970, was instrumental in the design and funding of the Social Security system and was described by Sen. Daniel Patrick Moynihan as "a national treasure." In recognition of his many years of extraordinary public service, the Academy created this award in 1994.

The nominee may be a current or former government employee, the employee of an organization whose primary focus is government work, or an unpaid volunteer working at a philanthropic organization. Work as a paid consultant, as a member of an actuarial committee, or as an officer of an actuarial organization is ineligible. See past winners and eligibility requirements and submit your nominations for the Robert J. Myers Public Service Award here.

In addition to these two singular awards, the Academy also has for several years given Awards for Outstanding Volunteerism to honor Academy volunteers in various practice areas who have in the past year made a single, noteworthy volunteerism contribution that is above and beyond what is reasonably expected of an Academy volunteer. In addition to Academy council or committee participation, service on behalf of the Academy may include participation on committees of other organizations, such as the NAIC, that reflects positively on the Academy and benefits Academy members. See past winners, eligibility requirements and submit your nominations for the Award for Outstanding Volunteerism here.

All of these awards are decided by the Academy's Executive Committee during the summer. The awards will be presented at the Academy's Annual Meeting and Public Policy Forum, Nov. 3-4 in Washington.

Professionalism Webinar Will Provide Answers on the USQS

To issue statements of actuarial opinion (SAOs) in the United States, you must be qualified. Do you have questions about how to meet the requirements of the U.S. Qualification Standards (USQS)?

Join us March 17 for an interactive webinar, Professionalism and the U.S. Qualification Standards, featuring experts from the Academy's Committee on Qualifications (COQ). During the webinar, participants will be able to suggest their own answers to commonly asked questions and to see how the COQ has answered them.

Whether you have a question about specific qualification standards, SAOs, practicing in more than one area, continuing education, or another topic related to qualifications, this engaging webinar will provide answers.

Webinar presenters will be Keith Passwater, chairperson of the COQ, and John Gleba, a member of the COQ. Paul Kollmer-Dorsey, Academy general counsel and director of professionalism, will moderate.

Click here for more information and to register.

Academy NEWS Briefs

HealthCheck, *ASB Boxscore* Released

THE FEBRUARY ISSUE of *HealthCheck* includes a call for volunteers for the Health Practice Council's Communications Committee, highlights the health-related items in President Obama's fiscal year 2017 budget proposal, covers three recent Academy webinars on health care issues, and notes several work groups' comment letters to the NAIC.

The quarterly *ASB Boxscore* covers the Actuarial Standards Board's (ASB) new chairperson, members, and committee chairpersons; the approval of an exposure draft of a revision to Actuarial Standard of Practice (ASOP) No. 5; and the second exposure draft of a proposed ratemaking ASOP.

IAA Colloquium to Feature Wildsmith Health Care Plenary Address

The International Actuarial Associations (IAA) is having a 2016 Colloquium sponsored by several IAA sections, including the IAA Health Section (IAAHS) in June that will feature a closing plenary session presentation by Academy President Tom Wildsmith on global health care cost drivers. Based on the joint IAAHS and Academy 2015 webinar series, the session features presentations on the health care systems in the United States, South Africa, Canada, and the UK, as well as some of the successes and challenges each country has experienced as they work to identify and address their own health care cost drivers. The session will be moderated by April Choi, chairperson of the IAA Health Section and a member of the Academy's Health Practice Council.

In addition, the Academy will host a breakout session on end-of-life care from a global perspective, based on a *Contingencies* article written by several members of the Academy's Health Practice International Committee.

The colloquium will be held in St. John's, Newfoundland and Labrador, Canada, June 27–29. Click here for program and registration information.

IN THE NEWS

The *Tampa Bay Times* and *El Paso Inc.* published a widely read *New York Times* personal finance column that quoted Academy Pension Committee Chairperson Ellen Kleinstuber on the risks and complexities facing pension plan participants who are offered a lump sum. The column also discusses the Academy's Pension Assistance List (PAL) program, which provides up to four hours of free pension help for people with questions. Click here for more information about the PAL program and how to volunteer.

A report by the Workers' Compensation Institute discussed current initiatives by the Academy and the NAIC to assist regulatory actuaries who review Own Risk and Solvency Assessment (ORSA) reports. The story also was published in *Martindale.com*.

Dues Reminder

ACADEMY MEMBERSHIP DUES are due Jan. 1 each year. If you have not done so, please log in now to pay your dues, print your invoice, or update your profile.

First Impressions of U.S. Actuarial Professionalism

By Paul Kollmer-Dorsey, General Counsel and Director of Professionalism, American Academy of Actuaries

I arrived at the Academy in October 2015 a newcomer to the world of U.S. actuaries and their proud tradition of professional self-regulation. I was impressed immediately by the profession's commitment to public service and by the commitment of the Academy's members to objectivity, independence, and effectiveness in their volunteer activities. Moreover, as I witnessed Academy volunteers participating in critically important public policy discussions, I became intrigued by the way that regulators and other public officials view Academy members as trusted advisers and reliable partners.

During the past four months, as I have started to make my way up the learning curve as the Academy's director of professionalism, I have had an opportunity to explore firsthand the sources of the credibility of the Academy and its volunteers that have allowed the U.S. actuarial profession to become such a powerful and trusted voice in the public policy arena. My conclusion is that such credibility and impact does not come merely from having members who are smart or business-savvy. Rather, it grows out of their commitment to professionalism.

Professionalism is a complex topic. I have been aided in my understanding of it through the intellectual prowess and generosity of my Academy colleagues and the many professionalism resources that are available on the Academy's website. One of these resources that I would recommend to every reader is the discussion paper, *Structural Framework of the U.S. Actuarial Professionalism*, which was written by some of the giants of the actuarial profession.

What these excellent resources establish is that professional credibility—and the expertise, objectivity, and independence from which it springs—are the products of what I will call *the right set of values, the right set of standards, and the right set of institutions*. These are bundled in the concept of professionalism, but I would like to break them down and explain how they fit together.

The right set of values

The Academy's founders believed there are certain values that make one a "professional." These values are: dedication to service, ethical conduct, specialized knowledge and skills, professional authority, and independence. The *Structural Framework* paper describes these values from the eyes of the beholder (i.e., the public) when it states: "Those seeking professional services usually turn for advice to professionals because of the trust they repose in the expertise, reputation, and standing of the profession."

Trust! Trust in expertise, in reputation, and in the standing of the profession. In other words, being a professional is not about personal interest or personal gain or political advantage. The founders of the Academy believed that to be a professional, every actuary had duties not only to him- or herself, but to the public and the profession. This duty is reflected in the very first sentence of the Code of Professional Conduct: "The purpose of this Code of Professional Conduct is to require Actuaries to adhere to the high standards of conduct, practice, and qualifications of the actuarial profession, thereby supporting the actuarial profession in fulfilling its responsibility to the public."

The right set of standards

To promote trust, the Academy and its members have established shared standards. These are expressed in the Code of Conduct, the U.S. Qualification Standards, and the actuarial standards of practice (ASOPs), and through the counseling and discipline provided by the Actuarial Board for Counseling and Discipline (ABCD). Each of these pillars of professionalism is rooted in the values of trust and professional responsibility.

Consider, for example, the way the *Structural Framework* paper describes counseling and discipline in terms of public trust: "The manner in which the profession responds to violations of professionalism standards is crucial to their [regulators and the users of actuarial services] confidence. Well-administered disciplinary procedures are clearly needed to demonstrate that the profession is in charge of its standards and thus able to protect the public appropriately."

The right set of institutions

In order to execute the professionalism mission through the promulgation, administration, and ongoing adaptation of the right set of standards, the actuarial profession also established the right set of institutions. The Academy board of directors initiated the bylaws that created the Actuarial Standards Board (ASB) and the ABCD. It also created the Committee on Qualifications purposefully to address the need to establish standards for signing statutory opinions. In addition, the Academy's Council on Professionalism serves as a liaison across the profession to "foster and reinforce members' desire to maintain professionalism in their daily practice and to provide members with the tools to do so." These entities are also structures that support and promote public trust.

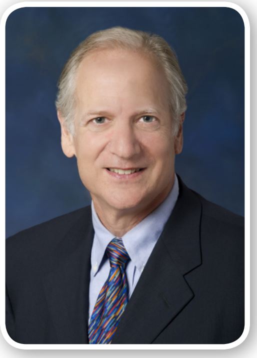
Importantly—and this is a point I plan to emphasize whenever the opportunity presents itself—these entities are the products of long, evolutionary, evidence-based, deliberative processes. It took years of effort and thinking to develop and adopt the Code of Conduct, the ASOPs, the Qualification Standards, and the mechanisms of the ABCD. They are not the products of rash innovation. To create these institutions, to strengthen them, and to keep them relevant has required continual effort. Such effort requires actuaries to step away from their day jobs and from their own self-interests, and to think about the public and the profession. It has taken time and it takes time. But the results have been impressive and essential to the respect that the actuarial profession enjoys.

My first impression of U.S. actuarial professionalism is extremely favorable. And I am pleased that the spirit of professionalism is alive and well. As Academy President Tom Wildsmith so eloquently summarized in this space in July 2015, "We all benefit from the trust the U.S. actuarial profession has earned by fostering an increasing level of actuarial professionalism over time."

COI, CE Attestations Necessary for Academy Volunteers

Interested Parties Must Also Attest on Any COI

By Kenneth A. Kent



FUNDAMENTAL TO ANY PROFESSION is to have the public's trust. This is one reason the Academy, in all its practice council and committee work, stresses objectivity and independence from self-interest. One of the essential measures we use to cultivate and protect our commitment to objectivity is the annual requirement for every Academy volunteer and interested party to submit a conflict of interest (COI) acknowledgement in recognition and understanding of our responsibility to the Academy and to the public when we volunteer for the Academy.

While all Academy members are committed to comply with the Code of Professional Conduct in all their work, the Academy board has made acknowledgement of our volunteers' COI and continuing education (CE) responsibilities a key requirement when doing Academy work. Academy interested parties are also held to this high standard, because we call on them to also comply annually with the COI acknowledgement, which emphasizes their commitment to the same professional objectivity and independence from any specific interests of employers or individuals when participating in Academy work groups of any kind.

So each individual participating in any Academy-sponsored activities on behalf of the profession and the public demonstrates objectivity whey they annually submit a COI acknowledgement. All Academy members who are members of an Academy committee (Academy volunteers) have an additional responsibility to comply with the CE requirements of the U.S. Qualification Standards (USQS).

During the performance of activities for the Academy, Academy members are required to disclose actual or potential COI if and when they arise, and, as appropriate, recuse themselves from activities that give rise to any such conflict. Part of this acknowledgement includes the longstanding requirement that they refrain from disclosing a committee's work-in-progress other than in a manner consistent with the COI policy and the Academy's "Guidelines for Making Public Statements."

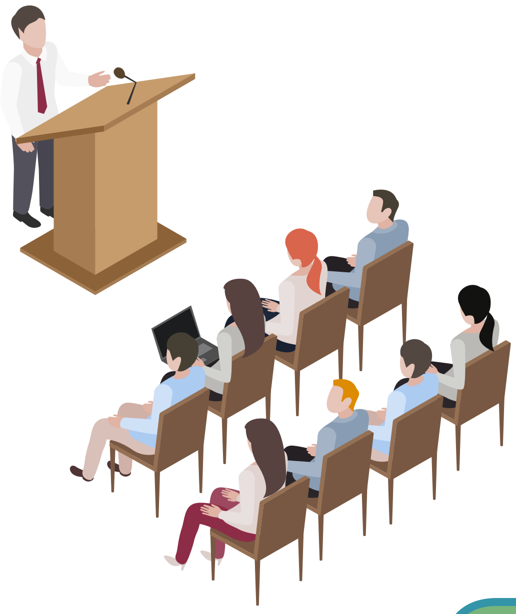
While Academy work products are not necessarily statements of actuarial opinion under the USQS, the board has made it a requirement for all Academy volunteers to meet the CE requirements of the USQS in the areas in which they practice. All Academy volunteers were expected to be in compliance with the CE policy as of Jan. 1. Specifically, it is expected that an actuary will have completed 30 CE hours—relevant CE, including 6 from organized activities and 3 from professionalism topics—in 2015 or as otherwise allowed under the USQS. Volunteers may earn CE credits, including organized activity credits, by serving on committees and in other ways described in the FAQs on the USQS.

I implore you as an Academy member who serves as a member of an Academy, or as an interested party, to provide these acknowledgements if you not already done so. Follow the instructions in the Jan. 29 email or on the membership page under "Volunteer Acknowledgements."

For more information about the Academy's commitment to professional objectivity, please visit the Professional Objectivity at the Academy page. If you have questions, you may contact the Academy at objectivity@actuary.org. If you experience any technical difficulties, please contact the Membership Department at membership@actuary.org or call 202-223-8196.

Kenneth A. Kent is vice president of the Academy's Council on Professionalism.

Professionalism Outreach



ACADEMY PRESIDENT TOM WILDSMITH addressed students in Columbia University's actuarial science master's program this month for its Proseminar Series, which is designed to "bridge the gap between academia and today's actuarial science industry."

His presentation on "Professionalism and the Aspiring Actuary" provided the audience of 100 with a compelling account of the broad societal impact of the U.S. actuarial profession's work and how the Academy historically has articulated, and continues to articulate, the consequent professional responsibilities of actuaries with regard to the public, employers, clients, and others.

Wildsmith highlighted how the Code of Professional Conduct defines what it means for an actuary to act as a professional in the United States, and described how the U.S. Qualification Standards, the Actuarial Standards Board's actuarial standards of practice, and the Actuarial Board for Counseling and Discipline's disciplinary process reinforce the public trust in the profession on matters of actuarial professionalism and public policy.

NEW Academy Members

IN THE SECOND HALF OF 2015, the Academy welcomed 496 new members. The new members have an average age of 31, and 30 percent are women. At the end of 2015, the Academy had 18,725 members.

The majority of the new members (328) are employed by an insurance organization or organizations serving the insurance industry, while 128 are consulting actuaries. Six identified themselves as government employees, six as "miscellaneous," and one did not specify.

Health was the most popular area of practice (174), followed by casualty (112), life (109), pension (44), and risk management (9). Nineteen new members listed their practice area as "other," and two did not identify an area.

Hervey K. Abotsi
Daniel Abrams
Luis Antonio Gil Abril
Daniel S. Ajun
Kenneth Alleman
Miles Allkins
Eduard Alpin
Alice Isabelle Alsberghe
Alyssa N. Anderson
Jeffrey Lee Anderson
Kirstyn Andrassy
Jonathan M. Applewhite
Ben Armstrong
Steven J. Armstrong
Richard S. Arnheim
Victor Avuglah
Zhongye Bao
Brandon N. Bard
Trevor S. Bare
Emily M. Bartel
Nathan Baseman
Brandon Basken
Douglas K. Bass
Daniel Behrens
Melissa Belen
Justin Bell
Jennifer R. Benhaim
Gregory L. Bernstein
Michael Bersch
Zhihui Bian
Ryan G. Bijur
Nathan D. Blair
Nkenge Blue
Mark J. Bogert
Matthew Boland
Caitlin Bollbach
Lucas Bourne
Stephen J. Boyd
Matthew Bravo
Andrew T. Brienza
Martin Louis Broser
Ross M. Brotherson
Eric R. Buenger
Allyson Burch
Karissa Burgess
Robert A. Burrell
Andrew D. Bux
Michael Byram
Megan Callahan
Michael B. Caparoso
Jeanne M. Carl
Austin Cartmill
Brendan Cavanaugh
Jeffrey Cecil
Timothy Chambers
Andrew Deven Chandler
Won Keun Chang
Bryan D. Chapman
Benjamin Charbonneau
Sha Chen
Yi Chen
David Chen
Siyu Chen
Michael Shi Bo Chen
Max Chiao
Brock P. Childs
Dane Cho
Danielle Marion Chomic
Sean Chou
Calvin Chou
Nicholas J. Chrzanowski
James Chu
Ying Chu
Aron Chun
Mark Cichra
John W. Clabots
Kara M. Clancy
Anthony A. Clark
Christopher Clines
Matthew Coatney
Patrick J. Colbert
Thomas J. Colbrook
Clara Comes
Bryant Cook
Nicholas D. Crugnale
Katelyn R. Crunk
Hillary Czerniak
Samuel Dirk Dallas
Jeremy Dartez
Arijit Das
William Henry Dashiell
Nik Datsenka
Brandon K. Davis
Adjani Janvie Delgado-Rivera
Jason DeMouy
Aneesha A. Deshpande
Lisa A. DeVince
Christopher Dickens
Daniel J. DiNinno
Kevin Doerge
Xiaoyu Dong
Tetyana V. Dostie
Sang Du
Mei Du
Sheryl Dubin
Matthew D. Dufek
Melanie Dunn
Blaise Duran
Rebecca L. Duvall
Victoria I. Dwyer
Jami C. Eckman
Pious Elengical
Jonathan M. Ellingson
Troy R. Elliott
Cheryl Eng
Yocheved Ephrathi
Emily R. Erskine
Ruben Escobar
Isaac R . Espinoza
Megan Evans
Andrea Everling
Nicholas Facchiano
Madelyn Faggella
Joseph C. Fedro
Gerrit Feenstra
Breanna Fifer
Brian S. Fimoff
Kaitlin Fink
Kelli Fitzgerald
Marshall Forest
Sara Frack
Lyne Francoeur
Laura T. Frankowiak
Daniel L. Freimund
Brian J. Frey
Edgar Friedman
Matthew Gates
Andrew T. Gavinski
Olga Genina
Nicole Gholson
Lauren E. Gilger
Natalie Gleed
Lisa S. Glover
Haining Gong
Wenyi Gong
Joseph H. Goodman
Kyle J. Gorski
Eli Greenberg
Kirill Grin
Fitzroy L. Grossett
Jeffrey F. Grover
Priyanka Gulati
Yunyan C. Guo
Sarah Gursky
Jacob Jared Gutierrez
Georgia C. Guttadauro
Steven W. Guzski
Derrick F. Haddad
Sarah Hall
Trevor P. Hamann
Melissa Ann Hambrock
Taha Hasanain Hameer
Steven J. Hancock
Maxwell D. Hanna
Jeffrey P. Hanschmann
Aaron James Hardiek
Amanda C. Harnden
Alex J. Harris
Angie H. Hartman
Brian W. Hartsell
Yin He
McKay Heasley
James E. Henderson
Adam J. Henry
Jay Francis Hines
Thomas Howard
Ruofei Huang
Monica Huang
Zachary A. Huber
Michael G. Huitink
Joyce A. Hwu
Seth Jackson
Samantha Jaeger
Xiaoxi Jannsen
Amanat S. Jetha
Fei Jia
Ao Jiang
Nan Jiang
Han Jiang
Brian Johaniuk-Milliman
Cory Brandon Johnson
Gregory S. Johnson
ChristopherJohnson
Michael R. Johnston
Bryan E. Jones
Brett Anthony Kahanec
Heather L. Kancharla
Phillp Kao
Munsif Karim
Iman Kazerani
Stacy Kearney
Justin K. Keen
Scott W. Kelly
Margaret Kelly
Greyson T. Kerley
Alan R. Kessler
Ryan M. Kiefer

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← **NEW MEMBERS,** CONTINUED FROM **PAGE 6**

Sean Seunghyun Kim
David J. Kim
Ketra N. Kirk
William G. Knickel
Shane P. Kohls
Stephen L. Kolk
Melissa C. Kolle
Bradley Koons
Abigail J. Korthals
Michael D. Kosciuk
Breyn L. Kowal
Benjamin Paul Koziol
Maxwell P. Krueger
Saleh M. Lalani
Eric Lam
Patrick P. Lam
Kelly B. Lambert
Benjamin S. Langhammer
John Donald Larson
Daniel Latinsky
An H. Le
Crystal Leben-Reyes
Eun Soo Lee
Nicholas Lewis
Yang Li
Fisher Xuan Li
Fengchun Li
Yumin Li
Corey Liebman
Reynold Dao-Wen Lim
Zachary C. Lin
Chun-I Lin
Yongjing Lin
Peony Lin
Michael Link
Xian Liu
Kenneth W. Lock
Cara M. Low
Reuven Lowenthal
Stephanie Lu
Nelson Lum
Anne Morris Lunn
Christina Lutz
Taylor Maas
Andrew J. Mackenzie
Matthew Malkus
Jonathan Marion-Massé
Robert Leo Markwell
William Matczak
Lauren E. Mazzone
Bethany McAleer
Stuart McCroden
Scott R. McHenry
John J. McKevitt
Kaitlyn S. McNulty
Andres Medina
Hannah M. Meece
Sonkulp R. Mehta
Nilesh Mehta
Nicholas Metaxas
Glen Eric Meyer
Matthew A. Meyer
Mary Lee Meyer
Craig Michaud
Eric J. Miller
Allen Miller
Matthew J. Miller
Matthew E. Miller
An C. Mines
Joshua L. Minshall
Stephanie A. Moench
Matthew G. Moor
Mark R. Moore
Evan J. Morgan
Ron A. Moulton
Stephanie C. Mowery
Matthew Thomas Mraz
Brandon M. Mulcrone
Laura Muzi
John William Myers
Laura Nagel
Rachel E. Narva
Beth Neas
Scott L. Negus
Alison Neilson
Katie E. Newton
Gary Ng
Hoang Tan Nguyen
Susan Nichols-Horan
Daniel K. Nishimura
Nongkoh D. Nwadibia
Stephen Nyamapfumba
Jacob E. O'Bryant
Kyle O'Donnell
Angela Olandese
George O. Omondi
Patrick James Orndorf
Nicholas R. Osten
Kate E. Ovchinnikova
Rachel Padgett
Evan S. Palumbo
James Hao Pan
Ting Pan
Brett A. Parmenter
Siyin Wang Penley
Amanda Perrotti
Heather Anne Peterson
Ashley Peterson
Joshua Ryan Phelps
Gabriel J. Plano
Kathryn S. Pollmann
Abby L. Popejoy
Bronwen Price-Dierksen
Luis Roberto Prieto
Dany Provencher
Sarah E. Prusinski
Benjamin Christopher Pugh
Feng Qin
Anna L. Quady
Daniel F. Quinn
Andrew Radel
John M. Redmond
Denise Reed
Chad M. Reker
Todd Remias
David Anthony Reyes
Patrick Rholl
Matthew Ricard
Jason S. Rice
Holly Rindfleisch
Daniel Roberge
Martin Roberts
Bradley R. Rockers
Mitchell Rubenstein
Paul Roger Ruckert
Michael P. Ruggiero
Andrew Ruhrdanz
Spencer H. Sadkin
Andre Mijail Saharig
Anthony Thomas Salis
Agnes Diana Sandu
Jacqueline E. Sankardyal
Peter Satagaj
Jessica Ann Saulo
Matt Sauter
Matthew Sawyer
Kimberly Saylor
Cory P. Schemm
Adam L. Schenkel
Alexandre Scherer
Phillip F. Schiavone
Stacey L. Schliesmann
Nathaniel L. Schmitt
Christopher R. Schreiner
Kristen L. Schuck
Enrique Schulz
John C. Schwanholt
Andrew Schwarze
Christopher M. Scott
Kok Ren Seah
Matthew Sedlock
Jonathan D. Seelig
Brandon S. Shain
Kevin Williams Shaw
Brendan Sheehan
Qi Shen
Lidia Shestakov
Eric M. Shingle
Mark E. Shive
Molly B. Shook
William M. Shrader
Eric Shubert
Laura J. Shull
Nikolay N. Silkin
Jonathan D. Sims
Margaret Sinick
William F. Slattery
Ryan Peter Slean
Jacob S. Smith
Joshua B. Snell
Peter Sohl
Danny E. Solorzano
Chandler Sommerville
Kendra Barnes South
Henry B. Speckhart
Dina Spektor
Carly J. Spicer
Cole M. St. Peter
Richard G. Staines
Patrick T. Stapleton
Michael A. Stark
Derek A. Steffan
Robert B. Stewart
Devin R. Streur
Alexander Styduhar
Christopher M. Styga
Timothy R. Sullivan
Chaim W. Sumner
Sun Sun
Martin Surovy
Darlene Taaffe
Myles Tague
Brent Taub
Ben D. Taylor
Devin Thomas
Andrew J. Timcheck
Acacia Tortora
Philip M. Trick
Johanna Tseng
Lauren F. Ugulini
Shawn Urban
Logan S. Veurink
Igor Volynsky
Jonathan D. Waite
Adrian Wan
Yexin Wang
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Shan Zhuge
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COPLFR Comments Address Actuarial Opinion Instructions, Salvage/Subrogation Fees

THE COMMITTEE on Property and Liability Financial Reporting (COPLFR) submitted comments to two NAIC working groups this month.

In the first comment letter, the committee addresses the NAIC's Actuarial Opinion (C) Working Group on the Actuarial Opinion Instructions. The letter—a follow-up to a working group conference call held earlier in the month—offers suggestions that the working group could bear in mind as it considers updates to the Instructions. The list of discussion items was compiled as a COPLFR subcommittee developed the revamped 2015 *Statements of Actuarial Opinion on P/C Loss Reserves* practice note.

Separately, a COPLFR letter responded to a request for comments by the NAIC's Statutory Accounting Principles (E) Working Group on the proposed *Clarification of Accounting Treatment for Fees Incurred for Salvage/Subrogation Recoveries*.

The comments discuss the coding of salvage/subrogation (S&S) expenses. While such coding is "not material to the evaluation of the solvency of a particular insurer," the letter states, it "may be material to the net financial results of an individual insurer." Further, specific coding of S&S fees "may lead to different conclusions by external parties of the relative profitability of insurers for a particular line of business."

Highlighting the Role of the Actuary in Workers' Comp Valuations

SENIOR PROPERTY/CASUALTY FELLOW Jim MacGinnitie submitted comments to the NAIC/IAIABC Joint (C) Working Group on the *2015 Workers' Compensation Large Deductible Study* draft.

MacGinnitie was following up on comments from the COPLFR from January, in which COPLFR observed that the working group's draft contained few direct references to "actuaries or their roles in preparing the valuation of the liability under the deductibles."

To that end, MacGinnitie suggests several additions to the text to "clarify the role of actuaries in the process of developing the various valuations covered by this study."

Webinar Looks at Health Care, Medicare/Medicaid Spending

MORE THAN 1,000 PEOPLE listened to the Academy's Feb. 4 webinar, "CMS Discussion of National Health Spending in 2014," in which panelists from the Centers for Medicare and Medicaid Services' (CMS) Office of the Actuary (OACT) discussed their most recent findings on national health spending.

Panelists Joseph Benson and Devin Stone—economists in OACT's National Health Statistics Group—presented and answered questions on the latest trends and projections of national health spending. The panel highlighted the factors underlying these trends and projections, which were published in *Health Affairs* in August 2015 and January 2016. Academy Senior Health Fellow Cori Uccello moderated the discussion.

After several years of historically low health spending growth, U.S. health care spending increased 5.3 percent in 2014—the most recent year for which complete data is available—to $3 trillion. The increase in the number of Americans with insurance due to the coverage expansions under the Affordable Care Act contributed to the increase, as did the introduction of new specialty drugs. Over the next 10 years, CMS projects that spending growth will average 5.8 percent annually, with health spending reaching $5.4 trillion in 2024.

Panelists discussed how health spending growth rates have and are expected to vary by payer and service type as well as the factors contributing to changes in growth rates.

On the payer side, Benson noted that in 2014 "spending by the federal government grew at a faster rate than all other sponsors of health care, at 11.7 percent, versus 3.5 percent in 2013."

That was largely due to the federal government fully funding coverage for newly eligible Medicaid enrollees and the ACA health insurance premium tax credits and cost-sharing subsidies. As a result, the federal government's share of the nation's health bill rose from 26 percent in 2013 to 28 percent in 2014, he said.

Stone presented expenditure projections for 2015–2024 and noted that health spending is expected to grow 1.1 percent faster than gross domestic product (GDP) per year over this period. Although the 5.8 percent projected health spending growth rate exceeds the 3.8 percent annual growth rate from 2008–2013, it falls well below the 9 percent per year growth rate for the three decades prior to the recession.

During the Q&A portion of the webinar, panelists answered numerous questions, including some related to the methodology underlying the projections, the impact of the delay in the excise tax for high-cost employer plans (the "Cadillac tax"), and the impact of pilot and demonstration programs through the CMS Innovation Center.

Slides and audio are available on the Academy's webinar page after member login.

Work Group Submits Comments to NAIC on Statutory Valuation Interest Rates

THE STANDARD VALUATION LAW Interest Rate Modernization Work Group submitted comments to the NAIC's VM-22 Subgroup of the Life Actuarial Task Force on statutory regulations regarding the determination of statutory valuation interest rates.

The work group reviewed the statutory regulations regarding the determination of statutory valuation interest rates, proposing changes to the current methodology for determining the statutory valuation interest rate for single premium immediate annuities (SPIAs) and other similar contracts.

In general, the proposed valuation rates are similar to the current rates for longer-duration contracts, those 15 years and longer, while the proposed valuation rates for shorter contracts are almost always lower than current valuation rates.

The comments include a series of tables and graphics outlining everything from credit quality to duration bucket mapping and single life expectancy under the current and proposed methodologies.

The comments conclude that while the proposed methodology presents some implementation challenges, it also satisfies the principles established by the work group that:

- The proposed valuation rates reflect the characteristics of the credit quality, duration, and time of assets purchased by the average life insurance company to back SPIA liabilities.
- The provisions for adverse deviation—i.e., default cost assumptions and investment expenses—are transparent.
- By using the average credit quality distribution of life insurer bond portfolios in determining the valuation rate, all companies will use the same valuation rate and will not have an incentive to invest in a riskier manner than they would otherwise.
- The reference rate index, quarterly updates, and provisions for adverse deviation are consistent with VM-20.
- Daily rates for "jumbo" annuities and quarterly rates with no lag for non-jumbo annuities be included, and quarterly rates with no lag greatly improve precision relative to the current method and should be relatively easy to implement.

'PBR Boot Camp' Seminar Set for Chicago in June

Get a head start on understanding principle-based reserving (PBR) before it takes effect, which is expected to occur in January 2017 for life insurers, at the Academy's "PBR Boot Camp: Basic Training and Beyond for Principle-Based Reserving Implementation," which will be held June 6–8 in Chicago.

To assist actuaries who will be utilizing PBR—and auditors and regulators who will later review that work—the Academy is hosting a new, intensive two-and-a-half-day seminar on PBR. Presented by the Life Practice Council, this seminar will include instructional sessions and interactive case studies to provide attendees with key learning experiences before PBR implementation begins.

The Academy believes in good faith that attendance at the seminar may constitute relevant continuing education and an organized activity as defined under the current Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, depending upon your area of practice.

Click here for information or to register for the seminar, which will be held at the Hilton Chicago O'Hare Airport. Register by March 18 to take advantage of our lowest rate for this seminar.

LIFE BRIEFS

- **David Ruiz** is now vice chairperson of the Life Financial Reporting Committee. **Katie Cantor**, **Tom Chamberlain**, **Cindy Chen**, **Tara Hansen**, and **Hoi Yan Kwan** have joined the Life Financial Reporting Committee as members.
- **Chanho Lee** is now chairperson of the PBR Model Governance Work Group. **Richard Sutton** has joined the PBR Model Governance Work Group as a member.
- **Tricia Matson** is now chairperson of the Longevity Risk Task Force. The following actuaries are now members of the Longevity Risk Task Force:
  - **Noel Abkemeier**
  - **Mike Altier**
  - **Tom Berry**
  - **Peter Bondy**
  - **Larry Bruning**
  - **Sivakumar Desai**
  - **John Fenton**
  - **Vince Granieri**
  - **Zachary Granovetter**
  - **Neil McKay**
  - **Stephen Murphy**
  - **Paul Navratil**
  - **Rich Owens**
  - **Art Panighetti**
  - **Tim Paris**
  - **Perl Peretz**
  - **Link Richardson**
  - **Michelle Rosel**
  - **Larry Rubin**
  - **Dan Rueschhoff**
  - **Sean Souders**
  - **Wayne Stuenkel**
- **Donna Claire** has joined the PBR Strategy Subgroup.
- **Amanda Young** has joined the PBR Model Governance Practice Note Subgroup.
- **William Hines** and **Wayne Stuenkel** have joined the Stress Testing Work Group.
- **Leonard Mangini** has joined the Life Reserves Work Group.
- **Lance Schulz** has joined the Life Principle-based Approach Practice Note Work Group.

NAAC Issues Annual Report

THE NORTH AMERICAN ACTUARIAL COUNCIL (NAAC) released its 2014-2015 annual report, "Moving the actuarial profession forward in North America," which compiles the cross-border work and collaboration of the nine actuarial organizations serving the United States, Canada, and Mexico.

Click here to learn more about the NAAC.

PENSION BRIEFS

- **Scott Kropf** has joined the Pension Accounting Committee.

LHQ Seminar Set for November

Save the dates for the **2016 Life and Health Qualifications Seminar**, which will be held Nov. 13-17 in Arlington, Va., outside of Washington, D.C. Stay tuned for registration information as it becomes available.

CASUALTY BRIEFS

- **Joseph Cofield** has joined the P/C Risk-Based Capital Committee.

HEALTH BRIEFS

- **Warren Jones** is now chairperson of the LTC Combo Valuations Work Group. **Carl Friedrich**, **Lorne Schinbein**, **Stephen Turer**, **Jon Wilkins**, and **Ximing Yao** have joined the LTC Combo Valuations Work Group as members.
- **Neil Sandhoefner** has joined the HPC Communications Committee.
- **Dylan Ascolese** and **Don Killian** have joined the LTC Medicaid Subcommittee.
- **Bill Finch** has joined the Medicaid Subcommittee.
- **Janis Frazer** and **Jim Vanvig** have joined the Risk Sharing Subcommittee.

White Paper Exposure Draft Released

THE SHORT-DURATION CONTRACTS WORK GROUP released a new white paper, *Challenges and Issues Implementing the FASB Short-Duration Contract Disclosures*, for exposure through March 15.

The white paper outlines the key requirements of Accounting Standards Update (ASU) 2015-09, *Financial Services—Insurance (Topic 944) Disclosures about Short-Duration Contracts*, and demonstrates several areas in which the updated accounting standards require clarity or result in the need for decisions to be made by preparers on implementation.

Most respondents to the FASB proposals in the exposure draft were supportive of keeping the model that has been in place since FAS 60, indicating this longstanding approach to measuring short-duration contract liabilities was reasonable. Analysts, in particular, indicated they would not find the proposal an improvement over current U.S. GAAP. However, financial statement users indicated they would benefit from additional disclosures to increase transparency around the estimates of unpaid claim liabilities. Based on this feedback, the FASB decided not to change the measurement approach for short-duration contracts but instead make changes to disclosure requirements.

The FASB did not issue an exposure draft for its proposals for additional disclosures for short-duration contacts. Instead, after a limited fatal flaw review, the FASB issued ASU 2015-09. This ASU is effective for public companies for annual reporting periods starting after Dec. 15, 2015, and for other companies after Dec. 15, 2016.

The work group will monitor emerging practice and continue to have conversations with other bodies with a vested interest in the implementation of these additional disclosures

FRC Sends Comments to FASB on Fair Value Measurement Disclosure Framework

THE FINANCIAL REPORTING COMMITTEE (FRC) submitted comments to the Financial Accounting Standards Board (FASB) on its proposed accounting standards update, *Fair Value Measurement (Topic 820): Disclosure Framework*.

The letter cited technical concerns about Question 5 in the framework, noting that many guaranteed minimum benefits on variable annuities, such as guaranteed minimum accumulation benefits and guaranteed minimum withdrawal benefits, are embedded derivatives under existing U.S. generally accepted accounting principles (GAAP).

Further, as part of FASB's project to implement targeted improvements to the accounting of long-duration insurance contracts, FASB has tentatively decided to report other similar guarantees at fair value.

A weighted average of these actuarial assumptions for a cohort of contracts may require averaging millions of data points and, as a result, will not be meaningful when calculated, the letter states. Also, the weighted average disclosure does not take into account that assumptions may be interrelated. For example, even if the entity came up with an average surrender rate of 5 percent and an average utilization rate of 2 percent, it is possible that these values could never occur together at any point in the valuation, which further limits the value of using weighted averages.

Instead, the committee recommends that the existing disclosure of ranges of values be enhanced to require a narrative description of the actuarial assumptions used, which should be specific enough to be useful to financial statement readers but not so specific that it would reveal proprietary pricing information. This disclosure could include a discussion of how the assumptions interact with each other.

ERM/ORSA Committee Releases Overview on ORSA Reports

THE ERM/ORSA COMMITTEE released a public-policy overview on the role of regulatory actuaries in reviewing Own Risk and Solvency Assessment (ORSA) reports.

For regulatory actuaries reviewing ORSA reports, key areas of the regulatory surveillance process include:

- The source of an insurer's own assessment of its aggregate key risks across all products and lines of business (including non-insurance risks) is not readily available elsewhere to regulators.
- The ORSA report contains information regarding insurer strategies, risks, controls, and results that can be used to obtain a general understanding of the whole organization (including international operations).
- The report should contain a summary of all the enterprise risks, which will enable regulators—regulatory actuaries in particular—to understand the insurer's aggregate key risks, the insurer's approach to mitigating those risks, and the maturity of the insurer's program relative to the industry.

The ORSA summary report provides reasonably consistent information from all insurers in a similar time frame. Regulators can thus assess industry-wide areas that may require more (or less) attention than currently provided and aid their consideration of potential changes to the regulatory framework in order to address those developments.

When coupled with other current regulatory tools, the ORSA report can help provide a more comprehensive financial picture of insurers, the insurance sector, and the risks to the constituents that regulators serve.

The Academy's upcoming March 15 regulator-only webinar, "Use of ORSA by the Regulator: Considerations for Actuaries," will draw from this paper's in-depth analysis.

Actuarial Update

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Subcommittee Sends Comments on Pension Issues Exposure Draft

THE PUBLIC PLANS SUBCOMMITTEE submitted comments to the Governmental Accounting Standards Board (GASB) on the exposure draft on Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.

While GASB may need to provide more guidance for some plan-specific situations, the committee wrote there is one area—the Deferred Retirement Option Program (DROP) design—that it believes GASB should consider adding more clarity to. Currently, whether or not plans include payroll for members in DROP as part of the total payroll for all active members is not consistent between plans and ease of data collection is part of the issue. Some plans with DROP features include DROP member payroll while others do not.

The percentage of the payroll for DROP members can be high, the letter states, noting that it would not be unusual to see 25 percent or more of payroll in a firefighter plan being for DROP members, making this a material consideration.

The committee suggests that GASB consider how to balance the desire to show useful relative value information with the ease of data collection, and that it believes that including DROP payroll would create better comparability.

Pensions, continued from page 1

antique might change from one setting to another. They're also very clear and precise about what those settings are, sometimes specifying a "specialist auction" or "high-end retail shop." When thinking about the value of an antique, context is everything.

This is not the only time we see multiple different values placed on the same thing. The tax appraisal for my house is different from its current market value, which is different from my remaining mortgage balance, which is different from what it would cost to rebuild if it were to burn down. These different values don't disturb me, because I understand how they all relate to the single reality of my house—and if I didn't, any competent real estate agent could explain it to me. It would be silly to argue about which value is "best," because each one serves a different purpose. In considering a corporation, we might look at the balance sheet value, market capitalization, or an estimate of the liquidation value. While these values can be very different, any good stock analyst can explain how they relate to one another and how they can be used to better understand a particular company's financial situation.

Different types of estimates are also available for public pension plans. Some are intended to facilitate an orderly pattern of funding over time, some are intended to project the economic impact on the plan sponsor over time, and others are intended to estimate what it would cost to settle the plan's obligations. With pensions, as with antiques, context is everything.

The mere fact that different types of estimates are available does not, in and of itself, threaten the reputation of the profession. Nor does the fact that actuaries may disagree about specific assumptions, the most appropriate funding strategy for a particular pension plan, or how the sponsors should be managing the plan. Instead, the risk lies in the sense that actuaries are not clearly and consistently describing the same reality. Without that, the public won't trust that they can go to an actuary to get the facts about what's going on with one of these plans.

How do we maintain the public trust? Clearly distinguishing between the various types of estimates is essential, and may require some refinements to our terminology.[2] We must clearly, accurately, and dispassionately communicate the context, purpose, and limitations of the estimates we produce. We may need to make additional disclosures to better describe the context and purpose of our estimates. But that's not all. To earn the public trust, we must also be prepared to clearly, accurately, and dispassionately describe not just the limitations, but also the context and purpose of estimates produced by actuaries we disagree with.

The actuary who will earn the most public trust—and do the most to genuinely help the public—will not be the one with the most sophisticated model or the most highly refined assumptions, nor the one who convinces the world that he or she has the single "best" approach to valuing a public pension plan. Rather, it will be the actuary who helps the public understand the significance of each of the different types of estimates, and how they can be used to better understand a pension plan's financial situation. Only when we are able, as a profession, to do this consistently and well can we expect the public to say: "If you want to know the facts about a pension plan, ask an actuary."

1 - Mary Williams Walsh, "Detroit Gap Reveals Industry Dispute on Pension Math," *The New York Times*, July 19, 2013.

2 - See, for example, the Academy issue brief *Measuring Pension Obligations*, November 2013.