

# Registration Open for Academy's Annual Meeting and Public Policy Forum

**R**EGISTRATION IS OPEN for Academy's [2016 Annual Meeting and Public Policy Forum](#), to be held in Washington, D.C., Nov. 3-4, just days before the presidential election the following week.

The Academy's annual signature event will give you an in-depth look at the top public policy and professionalism issues facing the actuarial profession, and the opportunity to interact with policymakers and other stakeholders in a unique setting while experiencing a variety of perspectives on topics that matter to you, your professional work, and the public.

Breakout and plenary sessions will focus on practice-specific content, and topical property/casualty, health, life, and pension issues, with high-profile speakers covering developments in areas such as the Affordable Care Act, cybersecurity, Social



Security, and principle-based reserving for life insurance and financial regulatory reform. Attendees also will have the opportunity to gain necessary continuing education credit in all areas of actuarial practice.

Program details will be released in the coming weeks, and the event—as always—will include a reception and dinner with entertainment, to be held on the evening of Nov. 3. The Annual Meeting webpage also

includes [highlights](#) from the 2015 Annual Meeting and Public Policy Forum, which was held last November in conjunction with the Academy's 50th anniversary.

Visit the [Annual Meeting webpage](#) to learn more about this event, how to register, and where to stay. Extraneously discounts end June 30, so register today for the lowest rates—we look forward to seeing you in the nation's capital in November. ▲

## Actuaries Longevity Illustrator Launched

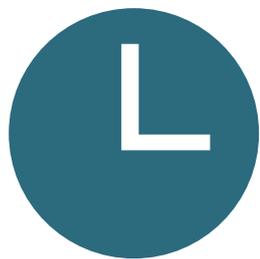
**T**HE ACADEMY AND THE SOCIETY OF ACTUARIES (SOA) released the [Actuaries Longevity Illustrator](#) in May, an easy-to-use online tool to calculate longevity risk. The illustrator, available to everyone, provides the user with the likelihood of living various lengths of time, through which individuals and couples can better understand the risk of outliving their retirement income.

Within two weeks of its release in early May, the illustrator—which was widely publicized by news stories in a host of media publications including [Time magazine](#), [MarketWatch](#), the [Huffington Post](#), and [Money Talks News](#)—had logged about 25,000 visits by users.

Life expectancy is a single number coming from a single set of assumptions, and individuals may outlive that estimate. The Actuaries Longevity Illustrator provides a range of outcomes illustrating the uncertainty of longevity risk, and the Academy and SOA note that there is a significant financial risk involved in living longer. They note that retirement planning should include a range of situations and risks that may be encountered.

“The idea of making an interactive Actuaries Longevity Illustrator available as a public service began several years ago when we noticed that retirees, and those planning for

SEE **LONGEVITY**, PAGE 12



Actuaries

**LONGEVITY**  
ILLUSTRATOR

2

Academy Reps Attend IAA Meeting in Russia

2

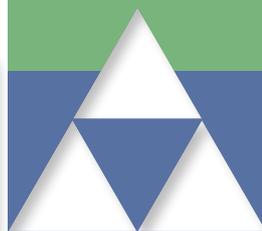
Issue Brief Looks at 2016 Health Premium Drivers

4

Academy Helps NYC Honor 100 Years of Actuarial Public Service

7

'Professionalism Counts'—The "I" in Integrity



## JUNE

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

28 Webinar: [Big Data and Actuarial Professionalism](#)

## AUGUST

25 Webinar: Exploring Global Health Care Cost Drivers: Hong Kong and Taiwan

## SEPTEMBER

18-20 Casualty Loss Reserve Seminar (CLRS) & Workshops

21-23 PBR Boot Camp—Basic Training and Beyond, Orlando, Fla.

(Registration opens in June)

## NOVEMBER

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

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

## Academy Representatives Address Education Syllabus at IAA Meeting

**T**HE ACADEMY sent nearly two dozen representatives to the International Actuarial Association (IAA) meeting in St. Petersburg, Russia, in late May to ensure that the interests of the U.S. profession were fully reflected in this critical international forum. The Academy presented the U.S. profession's perspective on topics such as pensions and retirement, health care, insurance accounting and regulation, and professionalism. One topic of continuing concern to the Academy, as well as other associations worldwide, is a proposal to revise the IAA Education Syllabus.

The criteria for actuarial associations to become members of the IAA have, for many years, included guidelines to ensure that each IAA member association has an education requirement for its own member actuaries that meets a reasonable minimum standard. This is necessary to ensure that IAA members are truly professional actuarial associations, and not merely trade associations, fraternal clubs, or other social organizations. The guidelines used to assess an organization's own education requirements have included an IAA syllabus, which was developed in 1998 and last updated in 2012. This syllabus was intentionally designed to be flexible enough to accommodate the diversity of actuarial practice around the globe. It allows applicant associations to tailor



their own education systems to meet the needs of their local jurisdictions. Local associations adjust the weight given various actuarial topics to reflect the work their members actually do, as well as the legal system, economic system, tax rules, and accounting rules of their local jurisdiction. The Academy believes this flexibility is not just appropriate, but necessary.

The most recently proposed revisions to the IAA syllabus take a fundamentally different approach. The proposed syllabus is both very detailed and highly prescriptive, and would significantly limit the ability of IAA member associa-

SEE **IAA**, PAGE 11

## Health Practice Council Issue Brief Looks at 2017 Premium Drivers

**A** NEW ISSUE BRIEF released by the Individual and Small Group Markets Committee, [Drivers of 2017 Health Insurance Premium Changes](#), provides an overview of the general factors underlying premium rate setting and highlights the major components driving premium changes for 2017 under the Affordable Care Act (ACA).

"The Academy's objective analysis provides the public and public policymakers with an in-depth and timely understanding of what's behind changes in the proposed premium rates,"

said Academy President Tom Wildsmith.

After its May 9 release by the Academy, the issue brief became a major topic of discussion in national health and financial news stories (see "In the News," page 6). The issue brief identifies several major factors affecting 2017 premium changes, including:

- ➔ The underlying growth of health care costs. Although increases in health care spending are still relatively low compared to historic averages, prescription drug spending is

SEE **HEALTH**, PAGE 12

STAY ON TOP OF THE  
ISSUES THAT MATTER.

# REGISTER NOW

2016 ANNUAL MEETING AND PUBLIC POLICY FORUM  
NOVEMBER 3-4, 2016 ★ CAPITAL HILTON WASHINGTON, D.C.

Held just days before Election Day, the Academy's 2016 Annual Meeting and Public Policy Forum is **the one event** that will give you an in-depth look at the top public policy issues facing the actuarial profession nation while providing you the opportunity to advance professionalism in your practice. This two-day event provides a unique and intimate setting for you to interact with policymakers and other key stakeholders, and to hear a variety of perspectives on the topics that matter the most to you, your work, and our society.



AMERICAN ACADEMY of ACTUARIES

*Objective. Independent. Effective.™*

Capital Hilton  
1001 16th Street NW  
Washington, DC 20036

Register Today

[www.actuary.org/2016annualmeeting](http://www.actuary.org/2016annualmeeting)

NOVEMBER 3-4, 2016

# Academy NEWS Briefs

## Academy Helps NYC Honor 100 Years of Actuarial Public Service and Professional Excellence

**A**CADEMY PRESIDENT TOM WILDSMITH participated in a New York City Office of the Actuary dedication ceremony on May 16 commemorating the centennial of the city's Pension Commission investigation, *Report on the Pension Funds of the City of New York, Part II*.

"The report we are commemorating was a remarkable technical achievement," Wildsmith said. "But that's not where its greatest significance lies. It is a landmark example of a dedicated actuary harnessing the tools and techniques of actuarial science in direct service to the public. It was a professional achievement, in all the best senses of that word."

The origin of their legacy dates back to at least 1913, when New York City had a pension problem and decided to take steps to address it. A biography of the city's first chief actuary, George Buck, describes the issue this way: "The nine pension funds of the city were in chaotic condition at that time. Pension legislation had been developed largely on the initiative of employees; those groups of employees with the strongest political backing had the most liberal benefits." In response, Mayor William Jay Gaynor appointed a city Pension Commission, whose groundbreaking work to assess and reform the city's pension systems included a series of reports. Among them was the 1916 report, which was the first complete actuarial investigation of the systems. It outlined principles for reorganizing the systems and providing actuarial funding.

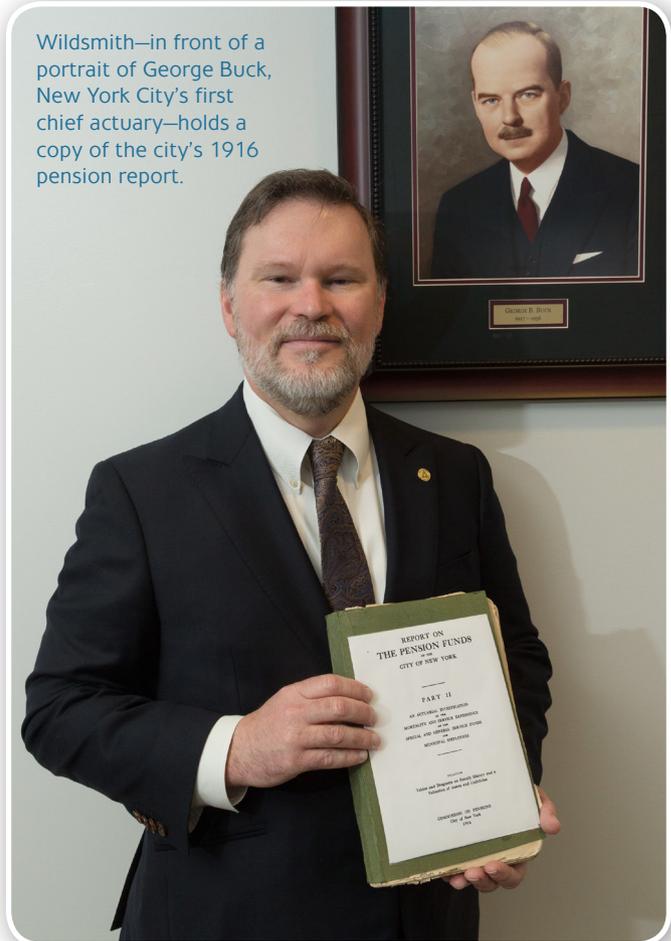
Wildsmith honored the chief actuaries and cited their work as an inspiring example of public service and professional excellence, and praised them for creating a "legacy of professionalism."

Other speakers included John Adler, director of the Mayor's Office of Pensions and Investments and chief pension investment advisor; City Comptroller Scott Stringer; New York City Chief Actuary Sherry Chan; and representatives of other actuarial organizations. Two former chief actuaries and family members of the city's two deceased chief actuaries also were in attendance.

Capturing and formalizing the spirit of professionalism has been a major undertaking of the U.S. actuarial profession during the hundred years since that report was published, Wildsmith noted. "We have built a professionalism infrastructure that includes a code of conduct, standards of practice, and disciplinary processes. The Academy was established to create this infrastructure, which plays a vital role in assuring the public that we can, as a profession, be trusted. But as important as these standards and institutions are—and I'm very proud of them—the heart of professionalism remains the commitment of the individual actuary to doing the right thing."

Comptroller Stringer presented Chan with an official city commendation for "a century of devoted work delivering actuarial information and services for the New York City retirement systems." The commendation recognizes the essential services and contributions of the office to the city's employees, its retirement funds and systems, and the city as a whole. Actuarial artifacts from the past hundred years, including an original copy of the 1916 report, were assembled as part of the centennial dedication and are on display in the Office of the Actuary. ▲

Wildsmith—in front of a portrait of George Buck, New York City's first chief actuary—holds a copy of the city's 1916 pension report.



Stringer and Chan, with the commendation.



# Academy NEWS Briefs

## One Month Left to Nominate a Colleague for an Academy Service Award

**IT'S TIME TO NOMINATE** a deserving colleague or respected mentor for an annual Academy award that recognizes his or her public service, or service to the actuarial profession and the Academy, as described below.

- ➔ The [Robert J. Myers Public Service Award](#) honors an actuary who made an exceptional contribution to the common good, specifically through a single noteworthy public service achievement or a career devoted to public service.
- ➔ The [Jarvis Farley Service Award](#) is a lifetime achievement award presented to an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service.
- ➔ The [Outstanding Volunteerism Award](#) honors Academy volun-



teers who have made a single, noteworthy volunteerism contribution in the last year that is above and beyond what is typically expected of an Academy volunteer.

The deadline for nominations is July 8, and awards will be presented at the Academy's Annual Meeting and Public Policy Forum in Washington, Nov. 3-4. ▲

## RISK MANAGEMENT & FINANCIAL REPORTING NEWS



## Committees Submit Comments on NAIC's 'Way Forward' Document

**THE SOLVENCY COMMITTEE**, Health Solvency Subcommittee, Property/Casualty Risked-Based Capital (RBC) Committee, and Life Capital Adequacy Committee [submitted comments](#) to the NAIC's Investment Risk-Based Capital (E) Working Group on its "Way Forward" exposure document.

The committees believe the RBC-only implementation is an efficient and practical means for updating the investment risk factors without the need to implement throughout the entire Annual Statement or modify any state investment laws.

The groups support expansion of the number of bond factors from six to 20, and support the implementation of updated factors for corporate bonds, common stock, and investment real estate for year-end 2017 RBC. They also support updating other factors based on the use of factors identical to those used for bonds, including certain assets reported in Schedule DB (derivatives), Schedule BA (other long-term invested assets), and AVR (asset valuation reserve).

The letter suggests deferring any action on modifying the RBC calculation for non-modeled structured securities via changes to the determination of filing exempt securities, until a more comprehensive review of the process for determining RBC for all structured securities is taken up by the IRBC. For year-end 2017 RBC implementation, it suggests reviewing the process for mapping the breakpoint prices and whether the breakpoints should be mapped to a set of "new six," or to the set of 20 RBC designations.

The groups also suggest further consideration of the proposed Way Forward document regarding the following items:

- ➔ Adjustments to common stock charges for P&C/health RBC;
- ➔ Beta methodology;
- ➔ Real estate;
- ➔ Other investment types; and
- ➔ Any necessary changes to AVR and interest maintenance reserve (IMR), which the groups believe should be made in conjunction with the associated bond factor changes. ▲

### RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Novian Junus** has joined the Risk Management and Financial Reporting Council.
- ➔ **Erik Anderson** has joined the Solvency Committee.
- ➔ **Jim Carson** and **Rick Von Fumetti** have joined the ERM/ORSA Committee.

### HEALTH BRIEFS

- ➔ **Warren Jones** is now chairperson of the LTC Valuation Work Group. The following actuaries are now members of the group: **Linda Chow**, **Noelle Destrampe**, **Jamala Murray**, **Bruce Stahl**, and **Michelle Weatherbee**.
- ➔ **Linda Chow** has also joined the LTC Combo Valuations Work Group.
- ➔ **Rebecca Gorodetsky** and **Shiraz Jetha** have joined the Individual and Small Group Markets Committee.

# Academy NEWS Briefs

## Recently Released

**I**N THE MAY/JUNE ISSUE OF [Contingencies](#), read the cover feature story “Help Them Get Home,” about how predictive modeling can improve outcomes in child welfare cases; “The Specter of Antiselection,” which explores how the increase in nondisclosure from applicants threatens the viability of life insurers; and “Mortality Experience of Hollywood Actors”—the media coverage of high-profile deaths of famous actors may suggest a “Live fast, die young” trend, but a deep study of the data offers some intriguing findings. Plus a provocative look at risk ranking as it pertains to kidney donation, the trillion-dollar marketplace of credit risk-sharing transactions, and the first puzzle in our new Crossword department.

### IN THE NEWS

In addition to the mentions in news stories in [Time](#) magazine, [MarketWatch](#), the [Huffington Post](#), and [Money Talks News](#) (see story, page 1), the Academy / Society of Actuaries joint Actuaries Longevity Illustrator was covered by [CBS Money Watch](#), the [Wall Street Journal](#), [CNN Money](#), the [Chicago Tribune](#), the [Philadelphia Tribune](#), and [MSN Money](#).

The Academy’s [issue brief Drivers of 2017 Health Insurance Premium Changes](#) became a major topic of discussion in health and financial news stories nationwide in May, following its release (see story, page 2). Reports and analysis can be read in [The Fiscal Times](#), [Morning Consult](#), [MSN Money](#), [Yahoo Finance](#), [Becker’s Hospital Review](#), [Fierce Health Payer](#), [Center for Health Journalism](#), and the [Kaiser Family Foundation](#). It was also cited in subscriber-only stories in [Bloomberg BNA](#) and [Politico Pro Healthcare](#), and [A.M. Best](#).

Senior Pension Fellow Ted Goldman is quoted in an [Indianapolis Business Journal](#) [story](#) about the value of defined

benefits and the ERISA exemption of a religious pension fund that reports a high funding ratio.

[Military Times](#) quotes Bill Hallmark, chairperson of the Academy Pension Practice Council (PPC), in a feature story questioning how personal discount rates will be used to calculate lump-sum payments from military pensions. The story was widely published by U.S. military-focused outlets and in [BenefitsPro](#). Read the PPC’s comments to the Department of Defense regarding the discount rates [here](#).

A subscriber-only [Bloomberg BNA](#) story quotes the Casualty Practice Council’s [letter](#) to the U.S. House of Representatives commenting on H.R. 2901, The Flood Insurance Market Parity and Modernization Act, concerning expansion of the role of private insurers in the flood insurance marketplace.

An [Inside Health Insurance Exchanges](#) [story](#) cited analysis from the Academy’s issue paper on the ACA risk adjustment program. The [issue paper](#) is also highlighted

The Spring 2016 edition of the [Enrolled Actuaries Report](#) covers the recent Enrolled Actuaries (EA) Meeting in Washington; Academy Senior Pension Fellow Ted Goldman highlights longevity risk at a National Retirement Planning Week forum; Actuarial Standards Board (ASB) representatives outline the ASB Pension Task Force’s work on public pension plans; and Social Security and retirement issues top the Academy’s EA Meeting poll of election-year issues.

The May issue of [HealthCheck](#) covers the issue brief on 2017 premium drivers, the Risk Sharing Subcommittee’s issue paper on the ACA risk adjustment program, and legislative and regulatory updates, and highlights this fall’s LHQ Seminar. ▲

in the [Talix](#) blog post, “Risk Adjustment for Insurers: New Report Highlights Importance of Accurate Coding.”

The Academy Risk Sharing Subcommittee’s [presentation](#) on risk adjustment at the NAIC Spring 2016 National Meeting is discussed in a [CHIR-blog](#) post of the Georgetown University Health Policy Institute’s Center on Health Insurance Reforms.

A [PlanSponsor](#) [feature story](#) on ethical considerations for pension professionals and actuaries illustrates how the Academy’s Code of Professional Conduct serves as a guide for plan actuaries facing an ethical dilemma. Academy members may request a [complimentary pocket-sized copy](#) of the Code.

An [editorial](#) by the [Press-Enterprise](#) (Riverside, Calif.) cites the Academy [issue brief](#), [The 80% Pension Funding Standard Myth](#). The editorial board points to the Academy’s analysis in urging a discussion of how to further rein in pension costs.

Deloitte’s [highlights](#) of the NAIC Spring 2016 National

Meeting feature the Joint Academy Life Experience Committee and SOA Preferred Mortality Oversight Group [comments](#) on the removal of the provisions for unisex rates as applied to reserves.

Discussion of an Academy proposal related to capital requirement models for life and annuity products using longevity risk factors at the NAIC 2016 Spring National Meeting was [reported](#) in a law firm’s newsletter.

Benefitslink.com posted several newly released public policy items from the Academy, including the Pension Accounting Committee’s [comments](#) to the Financial Accounting Standards Board on its exposure draft on changes to the disclosure requirements for defined benefit plans; the Pension Committee’s [exposure draft](#), [Selecting Investment Return Assumptions Based on Anticipated Future Experience](#); and the Risk Sharing Subcommittee’s [letter](#) to the Centers for Medicare and Medicaid Services with comments on its recent discussion paper, [HHS-Operated Risk Adjustment Methodology](#). ▲

## *There Is an 'I' in Integrity*

BY TOM WILDSMITH, PRESIDENT, AMERICAN ACADEMY OF ACTUARIES

Most business in the modern world is conducted by corporations. They make the cars we drive, the computers we use, and the clothes we wear. They run banks, amusement parks, and hospitals. Corporations touch every part of our lives. Why is this? One reason is that corporations can raise money in the stock and bond markets. Another is that they can limit the legal liability of their investors—if I invest in a corporation, I may lose money, but I won't lose any more than I put in. The development of the corporation may have been as influential in the creation of the modern world as any scientific advance or technical innovation.

But while I may be able to limit my legal liabilities, I can't outsource my personal ethics. Regardless of whether my employer treats customers well or poorly, I have a personal responsibility to treat each individual I meet with dignity and respect. I can represent a client's point of view, but I can't lie for them.

The same is true of my responsibilities as an actuary. Being a professional means more than simply complying with the law. Everyone—professional or not—has to obey the law. We are professionals because we recognize that the work we do affects people's lives. We understand that we have a responsibility to the public. Because this is an ethical responsibility, and not merely a legal one, it cannot be outsourced. It's a matter of personal integrity.

Personal integrity lies at the heart of our Code of Professional Conduct, which "sets forth what it means for an actuary to act as a professional. It identifies the responsibilities that actuaries have to the public, to their clients and employers, and to the actuarial profession." These responsibilities are not abstract or academic; nor does the Code allow us to outsource our professional responsibilities to an employer, or to any other organization. Instead, the Code applies to individuals: "An Actuary shall comply with the Code."

The Code expressly links individual ethical behavior to our responsibilities as professionals: "The Precepts of the Code identify the professional and ethical standards with which an Actuary must comply in order to fulfill the Actuary's responsibility to the public and to the actuarial profession." Precept 1 of the Code requires the personal commitment of each actuary to "act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession." This precept applies not only to actu-



It is the individual actuary who may be counseled or disciplined for not maintaining a high level of integrity, not his or her employer or client.

arial services, which we must perform "with skill and care," but also to our conduct beyond the performance of actuarial services. For example, under Annotation I-4, actuaries "shall not ... commit any act that reflects adversely on the actuarial profession."

The reason for this linkage is simple: The public trusts individual actuaries because they trust the profession. But the reverse is also true. The misconduct of a single actuary can undermine the public's trust in the entire profession.

The ethical stature of the individual actuary provides the foundation for our standards of conduct, qualification, and practice, as well as our disciplinary process. Each of these elements of professionalism is rooted in the Code. It sets out the standards that each of us must follow when providing actuarial services to the public, as well as our conduct toward fellow actuaries and the responsibility of each of us to participate in the profession's discipline process. The personal nature of integrity is reflected in the discipline process: It is the individual actuary who may be counseled

or disciplined for not maintaining a high level of integrity, not his or her employer or client.

Because these standards are rooted in our individual ethical obligations, they "serve to assure the public that the profession imposes its canons of behavior not only with respect to knowledge and skills but also with respect to integrity, independence, and a commitment to quality service," as

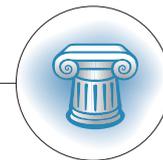
the highly respected actuary Edward A. Lew once wrote.

The binding nature of the Code of Professional Conduct and the standards of qualification and practice may cause tension at times between individual actuaries and other stakeholders. For example, an ethics survey conducted by the Academy in 2012 found that the top ethical concern of actuaries in the United States is "responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving." Such pressures are not surprising; members of other professions face similar pressures. But our professionalism can help us respond appropriately to them. Lew explained:

"Actuaries who are ... influenced in their judgment by their partners or employers may find themselves in awkward situations. They can resolve such conflicts in the light of the principle that their primary responsibility is to their profession and the public. ... Conflicts between business interests of a client and the public interest require all professionals to stand by the latter."

Integrity is essential to the U.S. actuarial profession. Without it, we will lose the public's trust. Because of this, the reputation of the actuarial profession depends on each and every one of us. We cannot outsource integrity—it is an individual responsibility.

Remember, there is an "I" in integrity. ▲

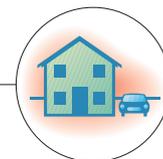


## Professionalism Outreach

**A**CADEMY PRESIDENT TOM WILDSMITH presented a professionalism session and delivered after-dinner remarks at the May 10 meeting of the Actuaries Club of Philadelphia. The session, “Ethical Challenges to the U.S. Actuarial Profession: Insights from the Academy” delved into the question of what it means to be a professional, the specific meaning of actuary as professional in the United States, and how the professionalism structure housed in the Academy serves to both qualify actuaries and guide them when facing ethical challenges. Wildsmith discussed the origins of the professionalism structure at the Academy, focusing on how it developed in response to the needs for standards and institutions necessary to gain and sustain the public’s trust in the profession.

“This professionalism structure is essential to maintaining the public’s trust, but it’s not what makes you and me professionals,” Wildsmith said. “Professionalism is not just mechanical compliance with a checklist of technical rules; the essence of professionalism is our personal commitment to doing the right thing. The standards and institutions are tools that help us, both individually and collectively, to live up to that commitment.”

A column by Wildsmith was also featured in the International Actuarial Association newsletter. In “[Meet the American Academy of Actuaries](#),” he laid out the framework of actuarial professionalism that is central to the Academy’s charge as the national association for actuaries in the United States. ▲



## CPC, Extreme Events Committee Send Letter to House on Flood Insurance, NFIP

**T**HE CASUALTY PRACTICE COUNCIL (CPC) and its Extreme Events Committee sent a letters to the U.S. [Senate](#) and [House of Representatives](#) on private flood insurance coverage, specifically H.R. 2901, The Flood Insurance Market Parity and Modernization Act. The House passed the legislation on April 28.

Shawna Ackerman, vice president of the CPC, and Jeff McCarty, chairperson of the committee, stated they support the purpose of the legislation, which would make it easier for private insurers to provide coverage to customers who are seeking alternatives to the National Flood Insurance Program (NFIP).

The stated purpose of the bill—to make clear to lenders and regulators that requirements for flood insurance can be satisfied with coverage provided by qualified insurance companies—will help expand the private marketplace and thereby offer greater protection to consumers. This is clearly in the public interest, the letter states.

It notes that while the vast majority of flood insurance coverage in the United States is provided through the

NFIP, there is also a small but growing private market. Privately issued insurance policies can provide higher coverage limits than what is available through the NFIP, and can also enable consumers

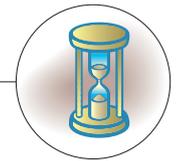
to purchase fully integrated policies for multiple risks.

The CPC and the committee do not expect private flood insurance policies to compete directly with the NFIP in most cases, as the program is currently constructed. The NFIP does not build up reserves in a traditional sense, and it has a line of credit to the Treasury rather than needing to purchase reinsurance.

But the letter notes that the NFIP offers coverage at affordable rates to certain consumers who could not afford coverage in the private market, even if it were available. Changes to the NFIP—such as H.R. 2901’s clarification that private coverage from recognized insurers meets federal requirements for flood insurance—encourage more private participation in the flood insurance marketplace, although private and public programs have different drivers and economic structures. ▲

While the vast majority of flood insurance coverage in the United States is provided through the NFIP, there is also a small but growing private market.





## Work Groups Submit Comments to LATF

**T**HE STANDARD VALUATION LAW (SVL) Interest Rate Modernization Work Group [submitted comments](#) to the NAIC's VM-22 Subgroup of the Life Actuarial (A) Task Force (LATF) responding to questions related to statutory regulations regarding the determination of statutory valuation interest rates.

The work group states that its letter—addressing questions raised by the task force in its March call—is in conjunction with the [report](#) it submitted to LATF in February. The questions ranged from the source of Treasury rates, and credit spreads and yields, the timing of quarterly interest rate releases, and dates used for “jumbo” Single Premium Group Annuity business to determine the valuation rates.

The comment letter includes a table of the comparison of current and proposed method and average of AA- and A-rated corporate bond yields.

Also, the Life Reserves Work Group (LRWG) submitted comments to LATF on currently exposed amendment proposal forms on [net premium reserves](#) (NPR) and [term and universal life insurance](#) with secondary guarantees.

The NPR was adopted by the NAIC to serve primarily as the tax reserve for VM-20, and also to serve as a formulaic floor reserve for regulators, the letters states, and as such, the work group does not consider the NPR to be a true risk-based calculation. The letter offers three specific current proposed modifications to the NPR.

In its term and universal life comments, the LRWG says it presumes that what is meant by the “PBR excess” is the excess of the modeled reserve. Its summary of the technical points states that the LRWG recognizes that the current process to allocate the minimum reserve to products is flawed and needs to be modified, and that it believes that any such modification should not increase the total VM-20 minimum reserve as currently defined in the Valuation Manual.

It submitted an alternative proposal that:

- Uses a standalone approach by product to allocate the total minimum reserve to each product.
- Results in an allocation to each product that never falls below the NPR for the product.
- Does not increase the total minimum reserve currently defined in VM-20.

### LIFE BRIEFS

- **Gayle Donato** has joined the Life Practice Council as vice chairperson of the Life Illustrations Work Group.
- **Larry Gulleen** has joined the Life Financial Reporting Committee.
- **Charles Ritzke** has joined the Life Products Committee.
- **John Adduci** and **Joseph Hellman** have joined the Annuity Reserves Work Group.
- The following actuaries are now members of the Operational Risk Work Group: **Nancy Bennett, Rich Dailak, Jeff Johnson, Dave Neve, Brian O'Neill, Joanna O'Neill, Amit Palicha, Jim Reiskytl, Link Richardson, David Sherwood, Wayne Stuenkel, Bin Sun,** and **Chris Trost.**
- **Hannah Suh** has joined the PBR 101 Work Group.
- **Kerry Krantz** has joined the PBR Review Procedures Work Group.
- **Bronwen Price-Dierksen** has joined the Tax Work Group.
- **Rich Dailak** has joined the PBR Intensive Seminar Subgroup.
- **Ali Zaker-Shahrak** has joined the PBR Checklist Subgroup.
- **Vince Granieri** and **Daniel Theodore** have joined the Longevity Risk Task Force.

- Does not allocate any excess of the modeled reserve over the NPR to a product that did not generate the excess.

The LRWG also submitted comments to LATF on the Minnesota Department of Commerce Amendment Proposal Form (APF) on post-level term profit assumptions.

It notes language that takes into account “relevance and credibility of the experience” and further emphasizes that “low or no credibility” needs to be considered in setting the post-level term profit assumptions.

The LRWG suggests the current wording in VM-20 adequately addresses the current state of level term plans that have premium increases where there may be little credibility to justify significant tail profits, and notes the current wording is flexible enough for cases in which there is credible experience to properly reflect tail gains or losses in the deterministic reserve. The work group also cites several concerns with the rationale used to support the APF. ▲

## Lowest Rates Available Now for Life and Health Qualifications Seminar

**R**EGISTER TODAY for the lowest rates to attend this year's [Life and Health Qualifications Seminar](#), to be held Nov. 13-17 in Arlington, Va. (Washington, D.C., metro region).

Seminar topics will include health insurance valuation; premium, loss, expense, and contingency reserves; risk-based capital; and professionalism. See why so many of your peers find this seminar the most succinct and effective way to acquire the required basic education and continuing education to sign the NAIC life and health

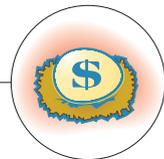
annual statement actuarial opinions. It also serves as a basic education refresher or as a source of required continuing education for more experienced actuaries.

*“I signed up for the seminar for a good foundational knowledge of valuation requirements, which I feel I achieved. I would highly recommend the seminar to other actuaries.”*

—2015 seminar attendee

[Register today](#) to reserve your space. ▲





## Central States Decision Highlights ASOPs, Pension Issues

**SPECIAL MASTER KENNETH FEINBERG** communicated the U.S. Department of the Treasury's decision on May 6 to reject the application from the Central States Pension Fund, one of the nation's largest multiemployer pension plans, to reduce benefits to some retirees beginning as soon as July, as plan sponsors had requested.

Central States submitted an application to Treasury under the Multiemployer Pension Reform Act of 2014 (MPRA) to allow the fund to reduce benefits for certain participants. Without some form of relief, the Central States Pension Fund is projected to become insolvent in about 10 years. The reductions would have affected almost 300,000 primarily Teamsters union members and retirees; a key reason the plan has been paying out more than it has taken in is because of declining union participation in the trucking business since the 1980s.

The Academy's Pension Practice Council is monitoring the ongoing case, and the Academy [released an alert](#) about the May 6 decision. The Academy also is developing a series of pieces, including an *Essential Elements* report, on multiemployer pension plans.

Feinberg noted in a 10-page letter outlining the decision that, in applying the regulations, Treasury referred to guidance provided by the standards of the actuarial profession—primarily actuarial standards

of practice (ASOPs) Nos. 4, 27, and 35. These ASOPs relate to measuring pension obligations and selection of the underlying assumptions.

The decision was based on the conclusion that the proposed benefit suspensions are not reasonably estimated to allow the plan to avoid insolvency—which is the objective of MPRA. The proposed reductions were rejected for three basic reasons:

- ➔ The investment return and entry age assumptions used for this purpose were not deemed reasonable.
- ➔ The proposed benefit suspensions were not equitably distributed across the participant and beneficiary population.
- ➔ The notices of the proposed benefit suspensions were not written so that they could be reasonably understood by the typical plan participant.

Treasury also commented that the Central States results are specific to the Central States application and each succeeding application will be reviewed on its own merits.

The decision may also have implications for the Pension Benefits Guaranty Corp.'s (PBGC) multiemployer program. The PBGC reported in its five-year report released March 31 that the multiemployer program has a 43 percent risk of insolvency by 2024 and 91 percent risk of insolvency by 2032. ▲

## Pension Committee Submits Comments to IRS on Closed DB Plans

**THE PENSION COMMITTEE** [submitted comments](#) to the IRS regarding the proposed regulations for nondiscrimination relief for closed defined benefit (DB) plans.

The proposed regulations provide that plans that were in compliance with the applicable nondiscrimination rules at the time they were closed should be allowed to continue to provide benefit accruals to the participants in those plans for as long as possible, the letter states. It adds that the proposed regulations will provide relief for some employers and help stem the trend toward fully freezing pension plans.

But the letter notes that many plan sponsors will not be able to use the closed plan rules for a variety of reasons, and the committee

suggests that the regulations need to go further in order to be effective. In addition, it says, certain aspects of the regulations, if implemented as proposed, could have unintended consequences that will likely lead to more plan freezes and terminations, further eroding the retirement security of the workforce. ▲

### PENSION BRIEFS

- ➔ **Paul Withington** has joined the Social Security Committee.
- ➔ **Chris Kinnison** and **Scott Sherman** have joined the Lifetime Income Risk Joint Task Force.

## Subgroup Submits Comments to LATF on Valuation Manual



**THE ROLE OF THE ACTUARY SUBGROUP** [submitted comments](#) to LATF on recommendations regarding VM-G of the Valuation Manual. The subgroup's comments were on recommendations that were recently submitted to LATF by both the subgroup and the American Council of Life Insurers (ACLI).

The ACLI recommends changes affecting board and senior management responsibilities, as well as qualified actuary and appointed actuary responsibilities. The Academy subgroup recommends changes only to qualified actuary responsibilities and took no position on the ACLI's recommendations regarding board and senior management responsibilities. ▲

tions to tailor their educational systems to meet local needs. If fully implemented, these proposed revisions would affect not only newly applying candidates, but require changes to the curricula of all existing IAA members. They would also fundamentally change the relationship between the IAA and its member associations, effectively turning the IAA into a global regulator of the actuarial profession.

The Academy has for many months raised significant concerns about these proposals. Neither the Academy, nor any other IAA member association, has given the IAA authority to prescribe any educational standards beyond the minimum necessary for mutual recognition and cooperation through the IAA—in other words, the minimum necessary to ensure that organizations applying for IAA membership are truly professional associations of actuaries.

The letters Academy President Tom Wildsmith has sent on this topic can be viewed [here](#). The Academy has raised concerns that if the proposals were implemented, the syllabus would become both much more prescriptive (through a significant expansion of the specific learning objectives that must be covered) and much less flexible (by significantly reducing the flexibility of local associations to make adjustments that reflect jurisdiction-specific considerations). “When an IAA member association adjusts the syllabus to reflect local needs, this is not a weakening of standards,” Wildsmith stated in several IAA committee meetings. “It is a necessary step to ensure that actuaries are competent to do the work they actually perform.”

The Academy has raised concerns that if the proposals were implemented, the syllabus would become both much more prescriptive and much less flexible.

The Academy sent a number of letters to IAA leadership addressing the general role and scope of the syllabus, the difference between professionalism and business skills, the potential implications for U.S. Enrolled Actuaries (EA), and the role of the IAA as a forum for cooperation among Full Member Associations (FMAs), not as a regulator of their internal policies and governance. The Academy specifically highlighted the high standards

required by the U.S. government to become an EA in the United States and explained the importance of having a national actuarial association make the decision to professionalize these practitioners to the benefit of the profession and public interest.

Delegates discussed concerns with the proposed syllabus revisions during the IAA Council meeting, as well as several other relevant forums during the course of the conference. “It’s

important to recognize the diversity of the global actuarial profession and to recognize the fundamental purpose of actuarial education,” Wildsmith said. “The goal is to ensure that actuaries are competent to practice, recognizing both the specialty area and local jurisdiction in which they work.” As a result of the Academy’s exploration of these issues, other IAA member organizations have agreed that the proposed syllabus raises significant questions about the authority and governance of the IAA, and the relationship between the IAA and its member associations. IAA leadership has established a task force to review the governance issues we and others have raised. ▲

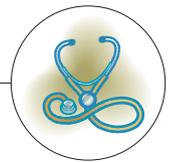
## LIFE & HEALTH QUALIFICATIONS SEMINAR



NOVEMBER 13-17, 2016

KEY BRIDGE MARRIOTT, ARLINGTON, VA

Limited seating—register today.  
[www.actuary.org](http://www.actuary.org)



## Actuarial Update

### COMMUNICATIONS REVIEW COMMITTEE

John Moore, Chairperson  
Shawna Ackerman  
Bob Beuerlein  
Bill Hallmark  
Jeff Johnson  
Ken Kent  
Mary D. Miller  
Cathy Murphy-Barron  
Jeffrey Schlinsog  
Tom Wildsmith

### EDITOR

Michael G. Malloy

### ASSISTANT DIRECTOR OF COMMUNICATIONS | PUBLICATIONS

Eric P. Harding

### DESIGN AND PRODUCTION

BonoTom Studio Inc.

### DESIGNER

Paul Philpott

### PUBLICATIONS AND MARKETING PRODUCTION MANAGER

Laurie Young

## American Academy of Actuaries

### PRESIDENT

Tom Wildsmith

### PRESIDENT-ELECT

Bob Beuerlein

### SECRETARY-TREASURER

John Moore

### VICE PRESIDENTS

Shawna Ackerman  
Bill Hallmark  
Jeff Johnson  
Ken Kent  
Cathy Murphy-Barron  
Jeffrey Schlinsog

### EXECUTIVE DIRECTOR

Mary Downs

### DIRECTOR OF COMMUNICATIONS

David J. Nolan

### EXECUTIVE OFFICE

The American Academy of Actuaries  
1850 M Street NW  
Suite 300  
Washington, DC 20036  
Phone 202-223-8196  
Fax 202-872-1948  
www.actuary.org

Statements of fact and opinion in this publication, including editorials and letters to the editor, are made on the responsibility of the authors alone and do not necessarily imply or represent the position of the American Academy of Actuaries, the editors, or the members of the Academy.

©2016 The American Academy of Actuaries. All rights reserved.

# LTC Subcommittee Comments to Maryland Insurance Administration

**T**HE LTC REFORM SUBCOMMITTEE submitted a letter to the Maryland Insurance Administration's Public Hearing on Long-Term Care Insurance, commenting on the state of long-term care insurance and appropriate regulatory guidelines in Maryland.

The letter says that Maryland, and the rest of the country, faces a great public need in addressing long-term care (LTC) financing and that need is growing even more critical because of an aging population. While noting that ways to pay for those services and supports can be challenging, the subcommittee commends the agency for convening a public hearing on this matter.

The subcommittee is developing an issue brief

to enhance the public's understanding of LTC insurance (LTCI) premium rate increases that will highlight several important underlying factors affecting such increases.

LTCI requires a long projection period with assumptions extending out more than 50 years, and there have been and continue to be high levels of uncertainty and changes in circumstances that affect the levels of premium rates needed to ultimately be sufficient.

In determining whether policies require a premium rate increase, two authorized methods are applied—one for policies subject to minimum loss ratio (MLR) certifications and one for rate stability certifications, the letter states. ▲

## Longevity, continued from page 1

their retirement, did not have access to information that objectively breaks down the nature of longevity risk that can be readily understood both from a conceptual standpoint and operationally for those who are considering retirement income options," said Ted Goldman, the Academy's senior pension fellow.

To use the Actuaries Longevity Illustrator, an individual or a couple enters basic information about themselves, such as their age, gender, and

general health status. The tool generates easy-to-read charts showing the likelihood of living to certain ages. For instance, a couple can determine the chance of living a given number of years together as well as the likelihood that one or the other will survive additional years. While the illustrator helps analyze longevity risk, it does not take into account financial aspects of retirement planning. Access the tool at [www.longevityillustrator.org](http://www.longevityillustrator.org). ▲

## Health, continued from page 2

expected to increase more rapidly than other medical spending.

➔ The end of the ACA's transitional reinsurance program. Each year the gradual reduction in the reinsurance program has resulted in a corresponding increase in premiums. The final impact will occur in 2017, when projected claims are expected to increase by 4 to 7 percent due to the program ending in 2016.

➔ The composition of the risk pool and any changes in the assumptions used in premium calculations. If emerging experience regarding enrollment levels, risk profiles, or claims differs from what insurers expected when developing 2016 premiums, assumptions underlying 2017 premiums will be revised accordingly.

➔ The one-year moratorium of the ACA health insurance provider fee. This will lower premiums by about 1 to 3 percent.

"There are both upward and downward pressures on premiums for 2017, but for the individual

and small group markets as a whole, the factors driving premium increases dominate," said Academy Senior Health Fellow Cori Uccello. "Increased health care costs and the end of the ACA's transitional reinsurance program are two of the biggest factors pressuring rates higher. The one-year moratorium of the health insurance provider fee will partially offset these increases."

Other factors potentially contributing to rate changes include the repeal of the ACA's original expansion of the small group definition, and any modifications to provider networks. Premium changes faced by individual consumers will also reflect increases in age, and any changes in geographic location, family status, or benefit design.

In addition, if a consumer's particular plan was discontinued, the premium change will reflect the increase or decrease resulting from being moved into a different plan. Average premium change information released by insurers or states could reflect this movement of consumers to different plans due to their prior plan being discontinued. ▲