

Paper Tackles Difficult Reporting Questions

# Professionalism Obligations and Precept 13

**A DISCUSSION PAPER** on Precept 13 released in December by the Academy's [Council on Professionalism](#) is designed to help actuaries better understand their obligations under Precept 13, as well as the importance of Precept 13 to the profession as a whole. The paper sums up this need for self-regulation:

“Currently, the U.S. actuarial profession generally regulates itself with the help of the Code, standards and qualifications supported by the American Academy of Actuaries. If, however, actuaries fail to report bad actuarial work—and companies, governments, employees, customers, and citizens end up bearing the eventual costs—the public may lose faith in the profession’s ability to self-regulate with integrity and effectiveness.”

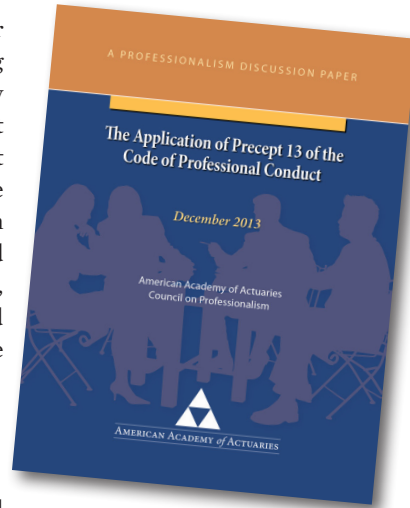
Under Precept 13 of the [Code of Professional Conduct](#), credentialed actuaries *must* report “an apparent, unresolved, material violation of the Code by another actuary” to the [Actuarial Board for Counseling and Discipline](#). Precept 13 states:

“An Actuary with knowledge of an apparent, unresolved, material

violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.”

In short, if a credentialed actuary is aware of an unresolved violation of the Code, that actuary must report the violation (unless doing so would be contrary to law or divulge confidential information). If that actuary does not report the violation, he or she is in violation of Precept 13.

“Precept 13 lies at the heart of the profession’s ability to self-regulate effectively and with credibility,” said Karen Terry, the Academy’s vice president of professionalism and chair of the Council on Professionalism. “Robust use of Precept 13 by the actuarial community will help to ensure high-quality actuarial work, serve the public interest, and preserve the rep-



utation and integrity of the actuarial profession.” To help actuaries better understand Precept 13, the paper explores questions such as:

- Why do we need a Precept 13 requirement?
- How does an actuary approach discussion of a possible violation with another actuary?
- What does “apparent” mean? When does the actuary determine that an apparent violation

SEE **PRECEPT 13**, PAGE 6

## Capitol Forum Webinar Explores Medicaid Study

**WHAT HAPPENS WHEN UNINSURED**, low-income adults finally get access to health insurance? Not necessarily what you’d expect.

“Winning the Oregon Medicaid Lottery: A Case Study on Medicaid’s Effect on Utilization, Finances, and Health Outcomes,” another in the Academy’s Capitol Forum webinar series, facilitated by Katherine Baicker, professor of health economics in the Department of Health Policy and Management at the Harvard School of Public Health, [explored](#) this question on Dec. 4.

Expanding Medicaid generates both costs and benefits, Baicker told webinar attendees, and weighing those elements depends on policy priorities in each state.

The study selected by lottery individuals who could apply for insurance. After applications were filed and eligibility was determined, 10,000 people participated in the study. Administrative data, mail surveys, and in-person surveys and measurements tracked participant use, financial strain, and health outcomes.

SEE **MEDICAID**, PAGE 10

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**Membership Director**

Darryl Walter joins Academy.

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**New ASB Chairperson**

Patricia Matson takes over key post.

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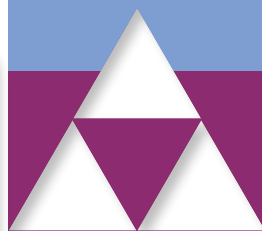
**ASOPs**

What they can and cannot do.

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**ASB Personnel**

Volunteers take on new roles.



## JANUARY

- 2 IFRS Update webinar
- 14 CUSP meeting
- 14-15 Academy Board of Directors meeting, Washington
- 16 Academy Capitol Forum: Meet the Experts webinar

## MARCH

- 6-9 NCOIL spring meeting, Savannah, Ga.
- 11 Executive Committee meeting, Washington
- 23-26 Enrolled Actuaries Meeting, Washington
- 29-April 1 NAIC spring national meeting, Orlando, Fla.
- 30-April 1 Ratemaking and Product Management seminar, Washington
- 30-April 4 ICA 2014, Washington

## MAY

- 1 CUSP meeting, Washington
- 1-2 Academy Board of Directors meeting, Washington
- 15-17 NAAC meeting, Quebec, Canada
- 29-30 CAS Board of Directors meeting, Naples, Fla.

## JULY

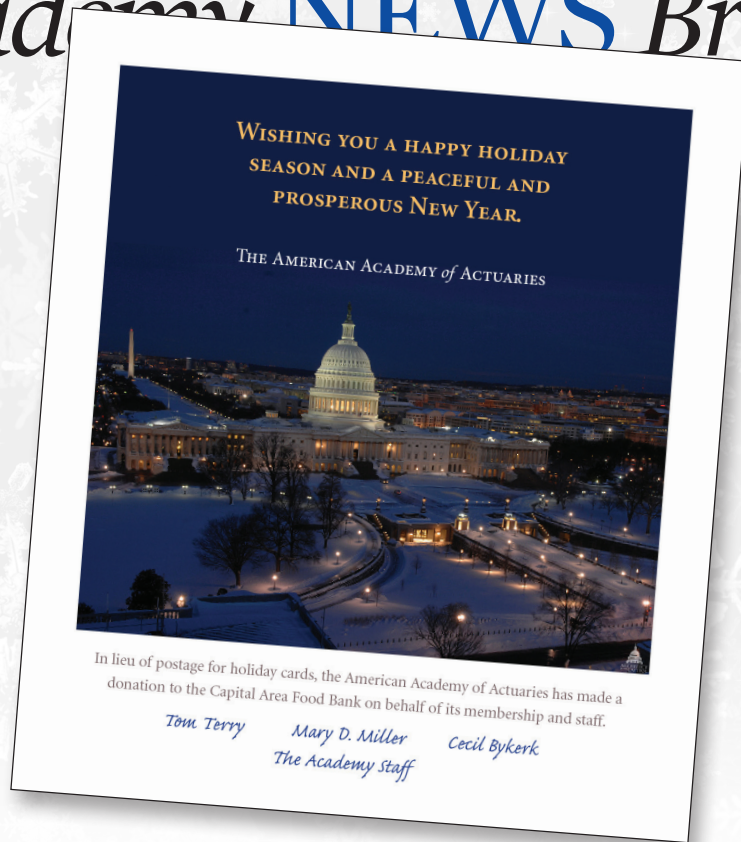
- 10-13 NCOIL summer meeting
- 14 Summer Summit

### IFRS Update: Where in the World Are We Going with Insurance Contracts?

Jan. 2, 2014/ Noon – 1:30 p.m. Eastern  
Registration is open to everyone.  
Register [online now](#).

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

# Academy NEWS Briefs



## Membership Director Joins Team Actuary

**L**IKE MANY ACADEMY MEMBERS, the Academy's new membership director, Darryl Walter, is a self-described numbers geek. Drawn to the ways that associations can better serve members and strengthen their brands, Walter sees the Academy as a great place to create state-of-the-art member services.

"The more involved members are in the association through social networks, through meetings, through different practice groups, the more the retention will increase and their activity will increase," Walter said. "And it makes for a stronger organization."

With a background in association membership development and direct marketing, Walter finds many opportunities at the Academy to build on an already well-respected and strong brand.

"The Academy is an established association that has a strong membership base, high retention, and the potential to increase membership engagement through meetings and social media," he said. "Our YouTube channel has great potential. We have so much valuable content and videos and webinars that we can repackage."

Academy membership poses an interesting challenge for Walter because of its nature as a membership based on specific qualifications, not just an interest in a field or a desire to help a cause. He notes that 82 percent of those who can be members already are.

"We need to give the 18 percent a reason to join," he said. "And, again, in some cases, they probably have never been asked and may not be aware of specific programs. We need to show the value of membership and the



### Outside the Office

Walter enjoys travel with his family and all kinds of sports, including softball, tennis, and biking.

benefits of membership."

The timing of Walter's new job at the Academy fits well.

"With our 50th anniversary approaching, it's a time to reflect on the past but look toward the future," he said. "It's all about getting members involved. And then, on the other side, it is again about being responsive to our members' needs." ▲

## IN THE NEWS

The Academy's widely cited Nov. 14 [letter](#) to Congress on the implications of changing Affordable Care Act (ACA) rules regarding insurance cancellations in the individual and small-group health insurance markets continues to make headlines and inspire debate:

- ➔ [Chicago Tribune](#)
- ➔ [Bloomberg Businessweek](#)
- ➔ [Bloomberg BNA](#)
- ➔ [Detroit Free Press](#)
- ➔ [The Hill](#)

## VIDEO

- ➔ [Senate Floor Speech](#) (Sen. Mike Johanns [R-Neb.])
- ➔ [WAFF 48 News at 10PM](#) (NBC affiliate, Huntsville, Ala.)

Darryl Walter's appointment as the Academy's new director of membership was announced by the [Washington Post](#), [Washington Business Journal](#), [Association Trends](#), and [CityBizList](#).

Academy members Kurt Giesa and Chris Carlson's [January/](#)

[February 2013 Contingencies](#) article on ACA was cited by [Newsmax](#) and [Examiner.com](#).

The Academy's Fact Sheet "ACA Risk-Sharing Mechanisms" was published in the December BenefitsLink Health & Welfare Plans [newsletter](#).

[Physicians News](#) cited the Academy's standard for what constitutes an actuarially sound capitation rate for medical services in a Dec. 5 article.

Academy Senior Health Fellow Cori Uccello was quoted in [testimony](#) given before the House Ways and Means Subcommittee on Health, as well as in news articles in [Reuters](#) and the [New York Times](#).

The Academy's Issue Brief "Measuring Pension Obligations" was reported by [ProducersWeb.com](#), [Benefits and Pensions Monitor](#), and [BenefitsPro](#).

The Academy's Individual

Disability Table Work Group's effort to update the individual disability insurance valuation table was reported in a Dec. 6 [LifeHealthPro](#) article.

The Academy's participation in the Caribbean Actuarial Association's 23rd annual conference in Montego Bay, Jamaica, was reported by [Guardian Media](#). ▲

## Eighteen Months After Biggert-Waters: Is the NFIP Staying Afloat?

Jan. 16, 2014/ Noon – 1:30 p.m. Eastern  
Registration is open to everyone.  
Register [online now](#).

## HEALTH BRIEFS

- ➔ **Andrew Gaffner**, consultant for Milliman in Brookfield, Wis., has joined the Medicaid Work Group.
- ➔ **Kyle Puffer**, senior actuary and head of retirement valuation for ING US in Windsor, Conn., has joined the Deposit Fund Subgroup.

## PENSION BRIEFS

- ➔ ASB General Committee member **Paul Braithwaite** presented an overview of ASOP No. 1, and proposed credibility procedure changes to ASOP No. 25, at the fall 2013 meeting of the Casualty Actuaries of Greater New York on Dec. 5.

# ▲ PROFESSIONALISM COUNTS

## *ASB Adopts Three Standards at December Meeting*

**T**he Actuarial Standards Board met Dec. 9-10 in Washington to review final versions of three Actuarial Standards of Practice (ASOPs): a revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*; a revision of ASOP No. 25, *Credibility Procedures*; and a new standard, ASOP No. 48, *Life Settlements Mortality*. All three ASOPs were approved pending final revisions by their respective review committees and will take effect later in 2014.

The revised ASOP No. 4 provides guidance to actuaries when performing actuarial services with respect to measuring obligations under a pension plan and setting periodic costs or actuarially determined contributions for such plans. The standard addresses measurement issues, including cost allocation procedures and contribution allocation procedures, and provides guidance for coordinating and

integrating all of the elements of an actuarial valuation of a pension plan.

The revised ASOP No. 25 applies to actuaries performing actuarial services involving credibility procedures when the actuary is required by applicable law (statutes, regulations, and other legally binding authority) to evaluate credibility; chooses to evaluate the credibility of subject experience, or states in any related actuarial communication that credibility has been evaluated in accordance with this ASOP; is blending subject experience with other experience; or represents the data being used as statistically or mathematically credible.

ASOP No. 48, *Life Settlements Mortality*, will provide guidance to actuaries performing actuarial services when reporting on or evaluating mortality experience with respect to life settlements or when developing, analyzing, or using mortality assumptions with respect to life settlements. ▲

# The Benefits of Cross-Disciplinary Volunteerism

**A**S PATRICIA MATSON PREPARES to take over the helm of the Actuarial Standards Board (ASB), communication is very much on her mind. Although most members and regulators have a vague or general understanding of the ASB's work, they need to know more.

"I worry that our users in particular and other interested parties don't always know what is going on," Matson said. "Those of us at the ASB know so much that we take for granted a little bit how knowledgeable the broader community is. The onus is on us to facilitate understanding and communication."

Matson has been a member for the ASB for four years, serving first as a member of the Task Force to Revise ASOP 10. As her involvement with the ASB has increased over the years, Matson has worked directly with members around the country to create a better understanding of standards and professionalism. She speaks to member groups at Society of Actuaries and local club meetings as well as Academy-led regulator meetings at the National Association of Insurance Commissioners (NAIC), outreach efforts with people she describes as "fantastic and helpful."

"We are doing everything we can to get input from the regulatory community and the interested public to make sure that we set appropriate standards and so that users of actuarial work can have more confidence in the ultimate work product," Matson said. "And, in my conversations at meetings and presentations, I hear from and talk to the users of standards to help them understand and follow ASOPs in their daily work."

She notes that her own work and her outreach to actuaries and regulators suggest several evolving areas that likely will require more ASB attention in the future. Specifically, more actuaries are working in enterprise risk management (ERM), broader financial services work, and investment banking.

"The actuarial profession is doing more than traditional actuarial work, and we will see that trend continue," Matson said. "Hand in hand with that, we have the information age in which everybody has more information at their fingertips all the time. The bar for using that information, serving the public, and being accountable is going to rise."

In her own actuarial work as vice president at Massachusetts Mutual Life Insurance Co., Matson has been involved in the growing ERM field. But, her work with the Academy has helped her to retain an understanding of other practice areas that affect the profession as a whole.

"What I've loved about working with Academy committees in general, and even more so the ones that relate to ERM and standards, is the exposure I get to ideas across different practice areas," she said. "It's so interesting to see how when we start talking about ERM or standards that the similarities among us are huge, and there is so much we can do together."

Her own volunteering at the Academy began as a way to strengthen her professional network, but Matson has seen it become so much more. She says that her colleagues describe her as a passionate advocate for greater volunteer involvement. "The longer I have been volunteering at the Academy, the clearer it has become to me



## Outside the Office

*Patricia stays active with her family, including her three young children.*

*She loves to run and has completed two marathons. She also enjoys cross-fit, which she describes as a "playground for adults."*

how much we can learn from each other and work together toward a common goal," she said. "I learn so much from the wide range of expertise and experience of the people who are doing the work on the board and on the ASB committees." ▲

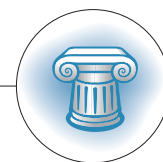
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## PENSION BRIEFS

- ➔ **Duke Gowen**, associate partner for Aon Hewitt in St. Louis; **Aldwin Frias**, senior vice president and actuary for Segal Consulting in New York; and **Peter Sturdivan**, principal and consulting actuary for Milliman in Portland, Ore., have joined the Multiemployer Plans Subcommittee.
- ➔ **Dick Bottelli**, principal for Milliman in New York, and **Alex Rivera**, senior consultant for Gabriel Roeder Smith & Co. in Chicago, have joined the Pension Accounting Committee.

## RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Leonard Reback**, vice president and actuary for MetLife in Bridgewater, N.J., is the new chairperson of the Financial Reporting Committee. Also joining the committee are **Rob Frasca**, executive director for Ernst & Young in Boston; **Mark Bergstrom**, director of operational risk for Nationwide in Columbus, Ohio; **Bill Horbatt**, consulting actuary for ACTMASOL in Short Hills, N.J.; **Bill Obert**, vice president for individual valuation for Unum in Chattanooga, Tenn.; and **Doug Van Dam**, manager for actuarial services for PolySystems in Chicago.
- ➔ **Chanho Lee**, assistant vice president for Enterprise Risk Management for The Hartford in Hartford, Conn.; **John Burkett**, consulting actuary for Axis Insurance in Alpharetta, Ga.; and **Lesley Bosniack**, senior vice president and director of capital management for Maiden Re in Mount Laurel, N.J., have joined the ERM Committee.



# What ASOPs Can and Cannot Do

BY BOB MEILANDER

**T**HE FEEDBACK the Actuarial Standards Board (ASB) gets on the level of guidance in a standard is often quite interesting. Sometimes we hear that a standard is not strong enough. Other times we hear it is too prescriptive. Sometimes we hear both comments about the same section of a standard, though usually not from the same person. Dealing with differing comments like that can be a big challenge.

And some won't like the outcome. Sometimes an individual or group would like to see standards that are more prescriptive and detailed than what the ASB feels is appropriate. And there are others who would like to see nothing mandated in a standard at all.

Most in the actuarial profession understand the need for standards of practice and the benefit of a profession's regulating itself. (Those who would like to explore the history more can check out the Structural Framework of U.S. Actuarial Professionalism discussion [paper](#).) Furthermore, both the profession and the users of our services put a high value on the ability of the professional to apply principles to specific specialized situations, within certain boundaries. Written standards of practice define those principles and boundaries and provide assurance that actuarial work is performed in a professional manner.

Actuarial standards of practice (ASOPs) "identify what the actuary should consider, document, and disclose when performing an actuarial assignment" (ASOP No. 1, [Introductory Actuarial Standard of Practice](#), Section 1, Paragraph 3.) "ASOPs are principle based and do not attempt to dictate every step and decision in an actuarial assignment. Generally, ASOPs are not narrowly prescriptive and neither dictate a single approach nor mandate a particular outcome" (ASOP No. 1, Section 3.1.4). Establishing a proper balance between principles and prescription is always top of mind for the ASB.

## Appropriate Level of Prescription

In deciding on the appropriate level of prescription for a standard, the ASB is guided by some general thoughts regarding what can and cannot be done in a standard:

- Standards have to be flexible enough to allow for different and changing conditions;
- Standards are principle and performance based and need to provide enough guidance for an actuary to use professional judgment while not being overly specific as to the way to achieve the required level of performance;
- Standards cannot run afoul of restraint of trade laws.

**Flexible**—Standards need to provide guidance, but they also need to allow an actuary to adapt to differing facts and circumstances. While I'd like to tell you that the ASB sees all and knows all, that simply isn't the case. The facts and circumstances of each application of a standard will differ. Furthermore, the state of the art and other conditions will change over time. It simply is not possible to know and consider each potential application of a standard.

To address this situation, the ASB endeavors to establish standards that provide guidance in all situations within our scope, including those we haven't thought of, and that will stand the test of time. We do this by creating standards that combine a description of the considerations that are appropriate for a particular kind of job, as opposed to providing specific instructions, with more specific requirements for disclosure of how the work was done.

For example, the recently released [ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations](#), provides a list of things for the actuary to consider when setting an investment return assumption. It does not say "use last year's average Treasury rate," nor does it say "use 7 percent," because neither of these options would be appropriate for all times or in all situations.

On the other hand, flexibility does not, and should not, imply that there are no constraints on what the profession recognizes as appropriate and not appropriate. Standards provide broad performance boundaries within which the actuary must work. Doing good work that serves the public interest means that the actuary should stay within those boundaries.

**Principle Based**—The goal of the ASB is to develop standards that are primarily principle or performance based. Principle-based standards allow, and usually require, the actuary to use professional judgment in performing duties covered by a standard. In this way, the actuary can decide how to apply and adapt the standard to fit the particular situation while providing the value-added service that is a hallmark of what actuaries do.

Standards need to provide guidance without being cookbooks. Attempting to provide prescription for all the situations that may arise would result in lengthy standards that would quickly become outdated, creating a need for some entity to specifically interpret every detail. The establishment of exhaustive codes for actuarial work, like electrical codes, is not our goal. Our goal is to serve the public and the U.S. actuarial profession by establishing standards that allow actuaries to use their skills, professional judgment, and expertise by doing something more flexible and sophisticated than simply following detailed instructions.

Principle-based standards also are more adaptable to the times and situations that may arise. While people still debate what the U.S. Constitution or the Bill of Rights mean in practice, the foundation for most U.S. laws is based on principles that the founders established as part of the fabric of our society.

**Restraint of Trade**—Like other standards, ASB standards must always be consistent with federal laws designed to promote competition. Those laws generally prevent private standard-setting bodies from imposing unreasonable restraints on competition. The key word here, of course, is "unreasonable." Fortunately, the law provides some guidance.

SEE **ASOPS**, PAGE 6

Standards that require or result in any of the following types of agreement among competitors raise the most serious potential risks and are often prohibited under the law:

- ➔ *Price fixing*: agreement on the prices charged or paid to third parties for goods or services.
- ➔ *Bid rigging*: agreement not to bid in competition with others, on who will bid, or on what to bid.
- ➔ *Market division*: agreement to divide the market for goods or services, either by geography or by class of potential customer.
- ➔ *Group boycott*: agreement to refuse to deal with a third party or on the terms on which to deal with that party.
- ➔ *Tying*: agreement to refuse to offer particular goods or services unless customers also agree to purchase other goods or services.

Beyond those situations, the reasonableness of a standard is usually evaluated by the courts under the “rule of reason.”

The “rule of reason” analysis weighs the circumstances of the case and determines whether the anticompetitive effects (if any) of a standard are outweighed by its benefits. Among the recognized benefits of setting standards (assuming that those standards restrain practitioners only to a reasonable degree) are maintaining a high level of quality in professional services, encouraging innovation, and increasing competition.

Although the ASB can and does make standards that provide guidance in performing a variety of actuarial tasks, we are limited in how far we can go. A standard that says that an actuary should consider certain essential and legitimate items in setting an assumption and specifies the level of performance to be achieved without significantly restricting competition among actuaries is likely acceptable. One that says that the assumption must be X or specifies all the items that may be considered and how they must be considered may not be.

### Other Alternatives

While the ASB is limited in what it can do, some other interested parties are not. Unlike private organizations, in some circumstances governmental bodies are not subject to federal laws that prohibit restraint of trade. For example, lawmakers, authorized administrative agencies, and courts can sometimes significantly restrain actuaries’ ability to practice without running afoul of the law, even though the ASB might conceivably be held liable if it attempted to impose the same restraints through its standards.

Laws and regulations frequently prescribe or prohibit particular practices that actuaries might otherwise use. For example, state law establishes a complex statutory and regulatory framework governing the annual valuation of life insurance company reserves.

### Precept, continued from Page 1

- has reached the point that it cannot be resolved? What standard does the actuary apply to determine whether something is material?
- ➔ To what extent is maintaining confidentiality a reason, rather than an excuse, not to disclose?
- ➔ How does or should law, as defined in the Code, be allowed to affect disclosure under Precept 13?
- ➔ Under what circumstances would a failure to report an appar-

ent, unresolved, material violation of the Code become a violation of Precept 13 itself?

When drafting standards, the ASB recognizes and accommodates such existing regulations but doesn’t specify or impose the regulatory constraint itself. ASOPs always defer to laws and governmental regulations.

“ASOPs provide the actuary with an analytical framework for exercising professional judgment, and identify factors that the actuary typically should consider when rendering a particular type of actuarial service,” (ASOP No. 1, Section 3.1.4). The guidance in the ASOPs helps to assure the public that the work of an actuary is done professionally, “with skill and care” (U.S. Actuarial Profession Code of Conduct, Annotation 1-1). They are not narrowly prescriptive.

When a higher level of prescription is necessary, regulators are in a position to enforce that higher level of prescription through regulation. Sometimes, it may be in the best interest of the public to restrict an actuary’s professional judgment in a way that could be viewed as an unreasonable constraint. When necessary, that can be done in a law or regulation.

This means that the ASB occasionally needs to work in concert with regulators to achieve a desirable result. This has been done several times before. Noteworthy examples include [ASOP No. 22, Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers](#), and [ASOP No. 24, Compliance With the NAIC Life Illustrations Model Regulation](#).

### Final Thoughts

The professional reputation of each of us establishes the overall reputation of our profession. Identifying and following common standards of practice, conduct, and qualification can set us apart from other professions in a positively competitive way that benefits each of us individually as well.

ASOPs provide guidance needed for an actuary to appropriately complete an assignment. The ASB strives to assure that the ASOPs address those situations that require professional judgment, as that is what our profession is trained to do and should be able to do with excellence. However, when practice needs to be restricted in ways that go beyond what the ASB can do, regulators must act. And the ASB is ready to work with regulators when that need arises. When considered together, the result of standards and regulation can provide a framework that will meet the needs of the public. ▲

**Bob Meilander has served as chair of the Actuarial Standards Board for the past two years. He has been a member of the ASB since 2007. Bob retired from his position as vice president and corporate actuary for Northwestern Mutual in Milwaukee in 2012.**

*This article is solely the opinion of the author and does not represent the opinions of the Actuarial Standards Board or any other organization.*

# Three New Members Appointed to ASB

**THREE NEW MEMBERS**—Mike Abroe, Christopher Carlson, and Maryellen Coggins—will begin to serve on the Actuarial Standards Board (ASB) in January 2014. Also in January, Patricia Matson will become the ASB's new chairperson, and the two new vice chairs will be Bob Meilander and Jim Murphy. The selection committee for the ASB is chaired by the Academy and comprises the presidents and presidents-elect of the participating organizations: the American Academy of Actuaries (Academy), ASPPA College of Pension Actuaries (ACOPA), Casualty Actuarial Society (CAS), Conference of Consulting Actuaries (CCA), and Society of Actuaries (SOA).

Mike Abroe, a former principal and consulting actuary with the Chicago office of Milliman, brings years of expertise in health insurance to the ASB. Having assisted a variety of clients with administration and management, strategic planning and acquisitions, and marketing and pricing, Abroe has advised organizations such as state insurance regulatory divisions, hospitals, insurance organizations, Blues Plans, HMOs, and PPOs. A member of the SOA's task force on long-term care valuation methods and a member of the American Academy of Actuaries' task force on Medicare reform, Abroe was given the American Academy of Actuaries' Jarvis Farley Award in 2011 for his volunteer activities. Currently, Abroe serves as the chair of the ASB's General Committee.

To bring expertise from the casualty insurance area, the ASB welcomes Christopher Carlson, who served as a member of the ASB's Casualty Committee from 1998 to 2006 and as its chair from 2005 to 2006. A CAS fellow and Academy member, Carlson also has served on the Academy's Board of Directors and as CAS president. In addition, Carlson served as a member of the Academy's Casualty Practice Council from 2005 through 2011 and is a member of the Workers, Compensation Committee and the Joint Committee on the Code of Professional Conduct. He is currently employed by the Ohio Bureau of Workers' Compensation. Before that, he worked for Pinnacle Actuarial Resources Inc. and Nationwide Insurance Co. His 35 years of experience span a variety of actuarial functions within both commercial and personal lines.

The ASB's third new member, Maryellen Coggins, brings more than 25 years of experience with actuarial, financial reporting, and risk and capital issues to the ASB. Coggins has extensive experience assessing, developing, and implementing best-practice enterprise risk management (ERM) programs, processes, and tools, having led many risk management process improvement and modeling projects. A CAS fellow, Academy member, and Chartered Enterprise Risk Analyst (CERA), Coggins served on the Academy Board as vice president, chairing the Risk Management and Financial Reporting Council, and also serves as a co-chair of the International Actuarial Association's ORSA Working Group. In addition, Coggins serves on the Actuarial Standards Board's ERM Committee. She is currently managing director in PwC's U.S. insurance practice.

"We are very happy to have these new members. All have a great deal of workplace experience to go with considerable standards experience," said Meilander, who has been a member of the ASB since 2007 and chair since 2012. "They will be able to contribute in a substantial way right from the start."

The ASB's three outgoing members—Al Ford, Pat Grannan, and Steve Kellison—all served on ASB committees before being appointed to the board in 2006 (Ford) and 2008 (Grannan and Kellison).

"Working these past years with our outgoing board members has been a delight," said Meilander, whose term as chair expires at the end of 2013. "This has been a good group of people to work with,

and they accomplished a lot in their time on the board."

Matson, who has served on the ASB as its life insurance liaison since 2012 and as vice chair for 2013, is currently employed with MassMutual and also shares her excitement in taking the helm as chair for the next two years and in working with its new members.

"I have learned a great deal from the current ASB members, both in terms of standards-setting as well as the significant issues facing actuaries outside my area of practice such as pensions and property/casualty insurance," said Matson. "I look forward to continuing that learning with our new members in 2014." ▲

## LIFE BRIEFS

- ➔ **Neil McKay**, senior vice president and chief actuary for Allianz Life Insurance Co. of North America in Minneapolis, has joined the Life Capital Adequacy Subcommittee.
- ➔ **Jim Reiskytl** of Mequon, Wis., has joined the C1 Work Group.

## CASUALTY BRIEFS

- ➔ **Lauren Cavanaugh**, senior director for FTI Consulting in New York, and **Dennis Franciskovich**, consulting actuary for Milliman in Wakefield, Mass., have joined the Property and Casualty Risk-Based Capital Committee.
- ➔ **Justin Brenden**, actuary for Third Point Reinsurance in Pembroke, Bermuda, has joined the Casualty Practice Council.
- ➔ **Robert Foskey**, senior vice president and chief actuary for the Oil Group of Companies in Hamilton, Bermuda, has joined the Natural Catastrophe Subcommittee.
- ➔ Joining the Workers' Compensation Committee are **Jon Evans**, actuary for the National Council on Compensation Insurance in Boca Raton, Fla.; **Thomas DeFalco**, vice president for New Jersey Manufacturers Insurance Group in West Trenton, N.J.; **Rial Simons**, chief actuary for Chesapeake Employers Insurance Co. in Towson, Md.; **Alan Pakula**, consulting actuary for Huggins Actuarial Services in Media, Pa.; **Patricia Smolen**, director for KPMG in Des Moines, Iowa; **Dennis Lange**, Sun Prairie, Wis.; **Martin Menard**, director for PricewaterhouseCoopers in Chicago; **Mary Kathryn Smith** from the Workers' Compensation Insurance Rating Bureau of California in San Francisco; **Tracie Pencak**, senior vice president and chief actuary for AUL Reinsurance Management Services LLC in Burlington, N.J.; **Nancy Treitel-Moore**, director of bureau relations and state strategy—WC product management for Liberty Mutual in Boston; **Dave Pugel**, director for Markel Corp. in Omaha, Neb.; **John Wade**, senior consulting actuary for Pinnacle Actuarial Resources in Greenwood, Ind.; **Marc Nerenberg**, senior pricing actuary for Gen Re in Stamford, Conn.; and **Martha Bronson Posey**, senior consultant and actuary for Aon Risk Consultants in Radnor, Pa.

# Order Your 2013 P/C Loss Reserve Law Manual

The Property/Casualty Loss Reserve Law Manual is designed to help appointed actuaries comply with the NAIC annual statement requirements for statements of actuarial opinion (SAO). It is updated annually.

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- ▶ SAO requirements and the laws and regulations establishing those requirements for every state in the United States (as well as the District of Columbia and Puerto Rico);
- ▶ Annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- ▶ Other pertinent annual statement instructions.

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The Life & Health Valuation Manual is designed to help appointed actuaries comply with the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. It is updated annually.

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- ▶ Current topics section outlining key valuation developments and specific state guidance;
- ▶ Copies of current NAIC model laws and regulations that have an effect on reserve calculations;
- ▶ A discussion of generally distributed interpretations; and
- ▶ Copies of the current actuarial guidelines from the NAIC Examiners Handbook.

## Available formats:

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- ▶ Multiple-User CD-ROM Subscription \$2,945

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- ▶ For additional information, please contact the Academy at [ruiz@actuary.org](mailto:ruiz@actuary.org) or 202-223-8196.

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# NAIC Roundup

Academy Presents at NAIC

**O**NCE AGAIN, Academy representatives in all practice areas participated in sessions and presented Academy efforts at the National Association of Insurance Commissioners (NAIC) fall national meeting Dec. 15-18 in Washington. On Dec. 13, several committees and work groups presented to the Life Actuarial Task Force (LATF):

- The Annuity Reserves Work Group gave an [update](#) on efforts toward development of a new statutory reserve calculation for non-variable annuities.
- The Life Financial Soundness/Risk Management Committee [responded to](#) questions from the New York Insurance Department on the Academy's proposal for treatment of due premiums.
- Life Financial Soundness/Risk Management Committee gave a [presentation](#) to LATF with a comparison of reserves in the deterministic reserve results versus the gross premium valuation approach currently required by VM-20.
- The Nonforfeiture Modernization Work Group [updated](#) LATF on the treatment of guaranteed lifetime withdrawal benefits in fixed deferred annuities under the proposed gross premium nonforfeiture method.
- The Life Reserves Work Group [presented](#) on VM-20 current and long-term spread tables.

Additionally, the C1 Work Group gave a [presentation](#) to the NAIC's Life Risk-Based Capital (E) Working Group regarding the asset valuation reserve in the life risk-based capital formula.

Several Academy work groups gave presentations at the Health Actuarial Task Force on Dec. 14, including the following:

- The Academy/SOA Individual Disability Table Work Group provided a [final report](#) and actuarial guideline on a new individual disability table.
- The Long-Term Care Principle-Based Work Group [updated](#) the NAIC's Long-Term Care Actuarial Working Group on work to complete the LTC principle-based approach model.
- The Individual Disability Table Work Group [presented](#) an updated table.
- The NAIC's Health Insurance and Managed Care (B) Committee adopted the Academy's revised Group Long-Term Disability Valuation [Table](#) and [Actuarial Guideline](#), as well as modifications

## The Breakfast of Professionalism Champions

The Academy's professionalism breakfast on Dec. 15 at the fall meeting of the National Association of Insurance Commissioners provided a forum for the Academy's ongoing dialogue with regulators on professionalism topics. The breakfast, hosted by the Council on Professionalism (COP), allowed professionalism representatives to directly address the most pressing regulator concerns on professionalism topics. The agenda focused on:

- Committee on Qualifications activities and the opportunity to develop specific Qualification Standards;
- Call for regulator feedback on specific Qualification Standards like PBR, ACA, etc.;
- Release of the Academy's Precept 13 discussion paper;
- Discussion of a series of regulator-only webinars on professionalism throughout 2014.

During the morning's discussion on the new Precept 13 discussion paper, John Purple, a member of Actuarial Board for Counseling and Discipline and a former regulator, listened to regulator concerns and addressed actuaries' responsibilities for maintaining the highest levels of professionalism.

Other professionalism speakers included Patricia Matson, vice chairperson of the Actuarial Standards Board; John Morris, chairperson of the Academy Committee on Qualifications; Cande Olsen, member of the COP Task Force on Discipline; and Sheila Kalkunte, Academy assistant general counsel.

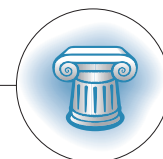
The breakfast provided both an open discussion forum for specific topics raised by regulators and a presentation led by Academy members and staff, followed by more informal meetings with regulators.



to the Health Insurance Reserves Model Regulation, which provide instructions for using the new table and pertain to Group Long-Term Disability claims consistent with the conditions defined in the model regulation. The revisions to the model regulation reflect the new methodology as described in the proposed actuarial guideline.

Mike Angelina, Academy vice president for casualty issues, made a brief [presentation](#) during the P/C Risk-Based Capital Working Group meeting concerning the research produced by the CAS Working Party on Dependency and Calibration. ▲

## PROFESSIONALISM NEWS

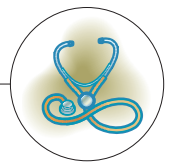


# Best of Up to Code Gets Enthusiastic Response

**O**N DEC. 3, more than 3,550 attendees took part in the last professionalism webinar of the year. Participation in this webinar was up by more than 1,000 attendees from the last broadcast of the Up to Code topics.

Panelists Nancy Behrens and Janet Fagan, vice chairpersons of the ABCD, covered various topics from recent Up to Code articles pub-

lished in *Contingencies* magazine, including examining particulars and case studies of Precept 2 of the Code; reviewing the benefits and limitations of peer review in connection with actuarial work; and understanding ABCD considerations in balancing transparency with confidentiality. Archived professionalism webinars are available for free to Academy members on the [Professionalism](#) webpage. ▲



## Actuarial Update

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## Fact Sheet Explains 3Rs

**O**N DEC. 4, the Health Practice Council released a new fact sheet on the ACA risk-sharing mechanisms. “[ACA Risk-Sharing Mechanisms: The 3Rs \(Risk Adjustment, Risk Corridors, and Reinsurance\) Explained](#)” briefly answers questions to help explain what the mechanisms do and the risks they are intended to mitigate.

- ➔ What is the permanent risk-adjustment provision?
- ➔ What is the transitional reinsurance provision?
- ➔ What is the temporary risk-corridor program?
- ➔ Are risk-sharing provisions used in other programs?

The fact sheet was distributed to congressional policymakers and other health policy experts. ▲

## More Academy Rate Review Comments

**T**HE ACADEMY'S Rate Review Practice Note Work Group provided technical [comments](#) to the Center for Consumer Information and Insurance Oversight on the current versions of the

Unified Rate Review Template and actuarial memorandum instructions. In addition to its comments, the work group included a copy of its May 7 letter that recommended previous technical adjustments. ▲

## Medicaid, continued from Page 1

Results showed an increase in utilization, a self-reported reduction in financial strain, no change in employment or disability program participation, and self-reported improvements in physical and mental health, although clinical assessments showed more mixed health outcomes.

“The health side was more nuanced,” Baicker said. “We see some areas of substantial improvement and areas of no discernible change; for instance, chronic conditions did not improve.”

Baicker noted that one interesting observation came when the study results were published—the study's headlines from a variety of outlets were often remarkably divergent.

“Evidence is often interpreted through the lens

you bring to the problem,” Baicker said. “It's like they are reading totally different studies—but the coverage is all about the same study.”

Attendees were very interested in learning more about the study, and Baicker let them know that papers and methodology information were on the study's [website](#). Additionally, participants asked very specific questions about clinical depression scales, year-to-year utilization differences and pent-up demand, effect of Medicaid access on pre-existing conditions, ability to generalize the study results to other states, fee-for-service versus Medicaid-managed care environments, differences in utilization between new and existing enrollees, earnings and outcomes, and methodology for determining costs. ▲





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## 30 March to 4 April 2014