

Mary D. Miller Takes Office as Academy President at Well-Received Annual Meeting and Public Policy Forum

MARY D. MILLER began her term as Academy president at the Annual Meeting and Public Policy Forum in Washington last month. The gathering, adopting a new format this year, combined the traditional business motions of the Academy's annual meeting with a robust public policy forum including guest speakers and education sessions devoted to each practice area and to actuarial professionalism.

Miller, a consulting actuary with Farmington, Conn.-based Risk & Regulatory Consulting LLC, will serve as president for one year. The 2011 recipient of the Academy's Robert J. Myers Award for Public Service, Miller has been both a regulator, as assistant director of the Ohio Department of Insurance, and an actuary in private practice. She previously served as a regular director on the Academy's Board, as vice president of the Casualty Practice Council, and as co-chairperson of the Financial Soundness and Risk Management Committee.

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New Academy President Mary D. Miller accepts the gavel and presidential medal from Immediate Past President Tom Terry.

Former HHS Chief Sebelius Addresses Annual Meeting

FORMER SECRETARY OF HEALTH AND HUMAN SERVICES (HHS) Kathleen Sebelius helped to open the Academy's Annual Meeting and Public Policy Forum in Washington last month by thanking actuaries "for the important work you do." She started by telling the audience a little of her personal experience with actuaries, saying that "in many ways, an essential connection to a lot of my public policy decisions has been based on advice and recommendations from actuaries."

Before taking office at HHS, Sebelius served as governor of Kansas, and before that, as Kansas state insurance commissioner. In all three roles, she said, she learned that "the expertise that your members bring to the table is essential."

Sebelius led the audience through the early days of her time as secretary, noting that she was brought on to lead implementation of the Affordable Care Act (ACA) on such short notice that she boarded a plane for Washington while her confirmation hearing was beginning, and, not wanting to presume the outcome, "left a note in my office that read,

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Former Secretary of Health and Human Services Kathleen Sebelius speaks at the Annual Meeting and Public Policy Forum.

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The ASB asks for feedback on two issues



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Academy NEWS Briefs

Reminder: Renew Your Membership

ACADEMY PRESIDENT MARY D. MILLER announced this month that membership dues will remain the same for a fourth year in a row. Please [click here](#) to con-

veniently renew your membership now. Coinciding with the dues renewal, the Academy released *The Record*, which highlights the Academy's 2014 publications and achievements. ▲



Volunteers Needed to Help Workers, Retirees With Pension Questions

ACADEMY MEMBERSHIP gives actuaries the opportunity to serve the public. Like lawyers performing pro bono work or doctors volunteering their services to free health clinics, actuaries have a unique skill set that can be used to meet a community need.

One of the best opportunities to serve the public comes through the Academy's [Pension Assistance List](#) (PAL). The PAL is a team of volunteer actuaries who provide professional services

to consumers who have questions about their pension plans. PAL volunteers are put in touch with a retiree or worker who has a specific issue with their pension, and asked to offer up to four hours of free help to resolve it.

The PAL is always recruiting new volunteers. Getting started is as simple as filling out a quick [questionnaire](#) on our website, or reaching out to volunteer coordinator Kyla Ruiz at (202) 223-8196, or ruiz@actuary.org. ▲

IN THE NEWS

Politico's [coverage](#) of the 2014 Annual Meeting and Public Policy Forum's opening keynote speech focused on former Health and Human Services Secretary Kathleen Sebelius' remarks on the future of state Medicaid expansion. "There are a bunch of brand-new governors, and there are also people who I think wanted to get through their election cycle and now will take a new look at this," Sebelius said. Academy President Tom Terry and Secretary Sebelius were shown together in this [video clip](#) of the event taken by Fox News. A subscriber-only [article](#) in *Inside Health Policy* scrutinized the

role of the individual mandate in the Affordable Care Act (ACA), and the consequences of repeal of the mandate. Other media outlets that reported on Secretary Sebelius' speech include:

- ➔ [Bloomberg BNA](#) (subscriber only)
- ➔ [Washington Times](#)
- ➔ [Real Clear Politics](#)
- ➔ [The Blaze](#)

The presidential transition and award ceremonies held at the Annual Meeting and Public Policy Forum were [reported](#) in Insurance Networking News.

USA Today [reached out](#) to Senior Health Fellow Cori Uccello for an actuarial per-

spective on news that federal health officials plan to change the minimum value test to no longer allow large employers to offer health insurance plans that lack hospitalization coverage. The story was published on Nov. 3 in *USA Today* and republished by several outlets and network affiliates:

- ➔ [Tribune-Review](#) (Pittsburgh)
- ➔ [News Herald](#) (Port Clinton, Ohio)
- ➔ [CBS 10](#) (Tampa, Fla.)
- ➔ [NBC 2](#) (Buffalo, N.Y.)

Uccello was also [mentioned](#) in a McKnight's Long Term Care

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](#).

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News story examining the use of hospital observation status as a method of qualifying Medicare patients for skilled nursing service coverage. Current rules require a Medicare beneficiary to spend three days as a hospital inpatient, not counting time spent in observation, to qualify for skilled nursing service coverage.

A Brookings Institution [column](#) on its recent event, “Better Financial Security in Retirement? Realizing the Promise of Longevity Annuities,” mentions Senior Pension Fellow Don Fuerst, who served as a panelist. Video and a downloadable podcast of the event are [available](#) in the Academy’s [Newsroom](#). Fuerst’s participation in the panel was also noted in the *Forbes* column, “[Will Retirees Come to Love Longevity Annuities?](#)” The column discusses longevity annuities and their use in individual financial planning strategies.

A CBS News report [presented analysis](#) from the Academy

issue brief, “[Drivers of 2015 Health Insurance Premium Changes](#),” to help readers make sense of possible increases to their 2015 health insurance premiums. The story focused on three drivers of health care costs: new ACA risk pool composition changes, reinsurance fund reductions, and the rising cost of medical services due to inflation and an aging U.S. population.

Insurance News Net’s coverage of the NAIC fall meeting [mentions](#) that the Academy will be involved in drafting a revision to the basic life insurance illustration model law. The story reports that regulators plan to have revision guidelines available by late December.

Modern Healthcare [reached out](#) to Audrey Halvorson, chairperson of the Rate Review Practice Note Work Group, for an actuarial perspective on changes in 2015 premiums for plans offered in ACA exchanges. “There is still a lot of uncertainty of what the costs are going to be,” Halvorson

said, noting insurers had little hard data on which to base their 2015 rates.

AHIP Coverage [reported on](#) the Medicare Supplement Work Group’s Nov. 11 [comment letter](#) to the Centers for Medicare & Medicaid Services on the introduction of Sovaldi and other new Breakthrough Therapy Designation medications and their potential impact on Medicaid costs.

A Health Affairs Blog [post](#) that provides a technical review of the MV calculator mentioned the Academy, noting, “MV may be established for nonstandard plans through an actuarial certification provided by a member of the American Academy of Actuaries.”

A Becker’s Hospital Review [story](#) announcing the CMS 2015 Medicaid managed care rate setting [consultation guide for states](#) noted that rate certification submissions must include a letter from a certifying actuary “who meets the qualification standards

established by the American Academy of Actuaries and follows the practice standards established by the Actuarial Standards Board.”

A story in the (subscriber-only) Bloomberg BNA [Daily Report for Executives](#) cites the Academy as one of several organizations that have raised data quality concerns with the RP-2014 Mortality Tables and Mortality Improvement Scale MP-2014. The article reported that several organizations representing defined benefit plan sponsors have recently requested that “the Society of Actuaries should take more time to review its exposure draft mortality tables that may be released in final form by October’s end, citing data quality concerns.”

The Solvency Committee’s June 5 [letter](#) to Congress supporting passage of the Insurance Capital Standards Clarification Act of 2014 was [cited](#) in a *National Review* opinion piece and *Moneynews.com* [opinion piece](#). ▲

▲ PROFESSIONALISM COUNTS

USQS Allow for Some End-of-Year Flexibility on Annual CE

Despite good intentions, some actuaries may find that they fall short of the required minimum 30 hours of continuing education (CE) credits needed each calendar year to remain qualified. Fortunately, the [Qualification Standards for Actuaries Issuing Statements of Opinion in the United States](#) (USQS) allow for some flexibility (Section 2.2.2) if necessary. Although most actuaries are encouraged to meet, and generally do meet the minimum 30-hour CE requirement in the calendar year before the year in which they provide

Statements of Actuarial Opinion (SAO), it is possible to make up the shortfall in the calendar year in which the actuary seeks to be qualified.

The USQS gives the following example:

An actuary earns 30 hours of continuing education in 2010 and, assuming the other qualification requirements are met, can issue SAOs in 2011. However, in 2011, the actuary earns only 27 hours of continuing education. The actuary cannot issue SAOs in 2012 until 3 hours of continuing education are earned. The actuary must then earn an additional 30

hours of continuing education in 2012 to issue SAOs in 2013.

Those fortunate enough to have the opposite problem—extra CE hours at the end of the year—may be pleased to discover that they may carry those credits forward into the next calendar year, pursuant to Section 2.2.9 (the carry over includes carry forwards for “types” of CE such as excess professionalism or excess organized activities). CE credits may not be carried over beyond the year following the one in which you earned the credit. ▲

Kellison, Gresch Among Academy Award Winners

SIX DISTINGUISHED ACTUARIES were honored with awards at the Academy's Annual Meeting and Public Policy Forum in Washington last month, including one of the Academy's earliest members.

One objective of the forum, outgoing Academy President Tom Terry explained, was "to highlight the role and voice of actuaries in public policy decision-making and implementation," a role that "included hundreds of Academy volunteers who contribute their time and talent to providing independent and objective actuarial information, analysis, and education for the formation of sound public policy."

The first volunteer recognized was one of the Academy's first staff members and longest-serving volunteers. Steve Kellison took his actuarial exams the same year the Academy was founded, in 1965. He served as the Academy's first executive director, opened its Washington office, and has held many leadership roles, including chairing of the Actuarial Standards Board from 2008 to 2010. At the forum, Kellison was presented with the Academy's Jarvis Farley Service Award, which honors actuaries whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession.

Kellison took the time to address the audience, emphasizing the value and continued importance of the Academy's purpose of providing uniformity in professional standards that have been created and nurtured for the past 40 years.

During the dinner events, Terry presented the Robert J. Myers Public Service Award to Ronald Gresch. "A senior health actuary with the Office of Personnel Management [OPM], Gresch was recognized for his excellent management, negotiation, and analytical skills," Terry explained. "He was commended for effective communication to the executive and legislative branches regarding benefit and insurance programs upon which millions of public employees rely. And he was recognized as an outstanding mentor to junior actuaries within OPM."



Ronald Gresch accepts the Robert J. Myers Public Service Award from Immediate Past President Tom Terry.

Gresch told the crowd, "Working for OPM has given me a sense of purpose, because I know that the work I am enjoying is helping those 8 million-plus people who depend on [the Federal Employees Health Benefits Program] for their health insurance."

Terry also presented Outstanding Volunteerism Awards to four Academy volunteers:

- David Neve, chief actuary for Des Moines, Iowa-based Accordia Life and Annuity, was given his award in recognition of his leadership of the principle-based reserves (PBR) initiative of the Academy's Life Practice Council, which has led to PBR being adopted in 18 states and considered in many more.
- Donna Novak, president and CEO of Sahuarita, Ariz. -based NovaRest Inc., was honored for her work as a leader of the Academy's Health Practice Council. She has led the effort to produce valuable work on solvency and health risk-based capital, medical loss ratio requirements and risk-sharing mechanisms related to provisions in the Affordable Care Act, and contributed to the development of the new actuarial standard of practice (ASOP) No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*.
- Robert Rietz was recognized for his contributions to Academy publications on professionalism and discipline issues, including the newly expanded annual report of the Actuarial Board for Counseling and Discipline, of which he serves as chairperson.
- Stephen Strommen, who founded Glendale, Wis.-based software solutions provider Blufftop LLC after a 28-year actuarial career at Northwest Mutual, was honored for his work on the application of discount rates in insurance accounting, and his current leadership of the Insurance Accounting Standards Task Force.



Terry greets Jarvis Farley Service Award Winner Steve Kellison.

Sen. Ben Nelson, NAIC CEO, Speaks to Academy Members

BEN NELSON, former U.S. senator from Nebraska and current CEO of the NAIC, addressed a wide range of insurance industry topics in a speech to Academy members at the Annual Meeting and Public Policy Forum in Washington in November.

Nelson began by thanking Academy members and inviting them to attend the NAIC's meetings in Washington that same week, but quickly moved on to make a series of strong statements about issues currently facing the insurance industry.

"There are deep ties and important work that binds the actuarial profession and the NAIC, so I truly thank you for your involvement and contributions over the nearly 50-year history of the Academy," he said. "As many of you know, we have a number of important regulatory issues we're working on domestically. The Academy and the actuarial profession have been instrumental to this work."

Nelson discussed international trends in insurance regulation, noting that "as financial entities become more interconnected and insurance markets expand globally, the work just gets harder and the need for collaboration greater."

But he worried that the American insurance system "is different from the model being pursued in other countries, where frankly, insurance is viewed almost as an extension of the banking industry. That difference leads to fundamental disagreements on how to approach issues like capital."

"We are striving to craft international standards that recognize our strong system. However, if we are unsuccessful, we will continue to fight to ensure that those standards inappropriate to our market do not move forward for U.S. firms," Nelson said.

He discussed at length the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Financial Stability Oversight Council (FSOC) it created. The FSOC, Nelson cautioned, must be careful to recognize the unique position of the U.S. insurance industry. "Those regulators with banking expertise and experience are treating large insurers like banks."

The FSOC, Nelson said, "would be bet-

ter served to focus on the products and activities that actually caused the financial crisis, and not use the crisis as an excuse to expand member agencies' empires and simply try to overlay another regulator ... buckling another seat belt over our laps as passengers won't help if you're still letting other parts of the financial system drive at 100 miles per hour."

He highlighted the "lack of an exit ramp" for companies designated as Systemically Important Financial Institutions under Dodd-Frank as a particular concern. "Without a clear understanding of what specific factors caused the systemic designation, there isn't a clear roadmap for companies to follow to remove the designation, which is the ultimate goal—remove or at least reduce systemic risk."

Nelson also identified the future of the Terrorism Risk Insurance Act (TRIA) as a priority for the NAIC. "There is a serious question whether Congress will extend TRIA before the end of the year, but many predict it will get done during the current lame-duck session," Nelson warned, "Don't be too sure or overconfident about this."

"Some in Congress don't share our enthusiasm for TRIA, so I'm afraid we'll continue to have to confront this issue from time to time with similarly unnecessary drama and uncertainty."

Nelson concluded by highlighting the cooperation between the NAIC and the

Academy. "I want to commend the Academy members and its exceptional staff for working directly with NAIC—your efforts have made a huge difference."

"Insurance and insurance regulation is complex and at times seems arcane, but as we speak, we are seeing the consequences if the public and policymakers don't understand how our sector works and how it serves other parts of the economy. We've got a lot more work to do, but I'm confident our collective efforts will be successful." ▲



Former Senator Ben Nelson, CEO of the NAIC, addresses the Annual Meeting and Public Policy Forum.



Immediate Past President Tom Terry presents a gift from the Academy to Wayne Fisher, immediate past president of the Casualty Actuarial Society, to mark the CAS' 100th anniversary.

Look for Your Annual Meeting Supplement Soon

ATTENDEES OF THE ACADEMY'S ANNUAL MEETING and Public Policy Forum had many opportunities to educate and inform themselves about the most critical issues currently facing the U.S. actuarial profession. All Academy members can expect to receive a special Annual Meeting supplement in the coming weeks, offering more detail on sessions that included:

- A pension session devoted to assessments of retirement system plans and proposals according to the principles of the Academy's Retirement for the AGES framework;
- Updates from congressional staff on the operation of, and congressional efforts to extend, the Terrorism Risk Insurance Act;
- A preview from congressional staffers on the future of health-related legislation, including the ACA, long-term care proposals, and Medicare, in the wake of the recent midterm elections;
- Academy, consumer, and industry representatives speaking on the feasibility of a new nonforfeiture law for life insurance and annuities;
- An examination of the issues that price optimization and disparate impact portend for actuarial rate setting in the casualty field;
- An update on international insurance regulations, including speakers from the NAIC, Federal Reserve Board of Governors, and the Financial Stability Oversight Council;
- A cross-practice session examining lifetime income options with representatives of the Treasury Department's Office of Tax Policy, think-tank experts,



- and a state insurance regulator; and,
- A discussion of how to identify and protect yourself from the risk of insider trading in your dealing with public officials, based on recent news media stories involving actuaries, hosted by two attorneys who have been on opposing sides over the issue.

Academy Offers Actuarial Perspective to NAIC

THE NAIC held its Fall National Meeting in Washington last month, beginning just as the Academy's own Annual Meeting and Public Policy Forum wound down. A number of Academy committees and work groups made presentations to the NAIC's task forces and committees.

Mary D. Miller, Academy president, engaged in a dialogue with the casualty, health, and life actuarial task forces regarding professionalism issues, with a special emphasis on the U.S. Qualification Standards (USQS) attestation form that was recently unveiled (read more in our story on the Academy's professionalism breakfast for regulators, Page 8).

Other presentations included:

Casualty

- Mike Angelina, the Academy's immediate past vice president for casualty, provided the Casualty Actuarial and Statistical (C) Task Force with a [presentation](#) on the public policy implications raised by the practice of price optimization in ratemaking. Noting the controversy the practice has generated among some regulators and consumer advocates, he stated that rates should be based on the cost of transferring risk, not on ability or willingness to pay.
- Lisa Slotznick, the new chairperson of the Committee on Property and Liability Financial Reporting, provided an update on its annual year-end projects—the publication of its *Statements of Actuarial Opinion on Property and Casualty Loss Reserves* practice note and *Property/Casualty Loss Reserves Law Manual*, and the Dec. 2-3 Seminar on P/C Effective Loss Reserve Opinions.

Health

- The Individual Disability Tables Work Group [presented](#) the newly revised individual disability table and actuarial guideline to the NAIC's Health Actuarial Task Force (HATF). The HATF created a subgroup to look at the work group's recommendations, and will be consulting with the work group



throughout the process of finalizing and approving the table.

- The Medicare Supplement Work Group [presented](#) recommendations for potential modifications to the Medicare Supplement refund formula to the HATF.

Life

- The Annuity Reserves Work Group's Deposit Fund Subgroup [presented](#) to the Life Actuarial Task Force on the subgroup's proposal to modify regulations of synthetic guaranteed investment contracts (GICs). The subgroup also submitted a supplemental [proposal](#) on reserving for synthetic GICs and proposed [changes](#) to the existing model regulation.

Risk Management and Financial Reporting

- The Reinsurance Committee provided [comments](#) on the Reinsurance (E) Task Force's revisions to the [Uniform Application Checklist for Certified Reinsurers](#).

Among other business at the meeting, the NAIC voted to adopt the Corporate Governance Annual Disclosure Model Act and Regulation, a new Guideline for Payment of Interest to Receiver on Overdue Regulation, and 2011 Revisions to the Risk-Based Capital (RBC) for Insurers Model Act Regarding the Life Trend Test for Accreditation Purposes.

Read more in the Academy's post-NAIC member alert by logging in to the [members-only page](#) and visiting "Cross-Practice Alerts." ▲

Webinar Recap: What Does NCOIL Do?

“THE NATIONAL CONFERENCE OF INSURANCE LEGISLATORS [NCOIL] is simply legislators from the states working together in an attempt to develop sound insurance policy. That’s easier said than done.”

That’s how Rep. George Keiser of the North Dakota House of Representatives introduced NCOIL to Academy members in a Nov. 3 Academy Capitol Forum: Meet the Experts webinar, [NCOIL: Impacting State Insurance Policy](#).

“All states are NCOIL members,” he explained. “Primarily, we are an organization of legislators who are, hopefully, educating legislators so that we can establish sound insurance policy.”

NCOIL works to keep insurance regulation at the state level, Keiser said. “NCOIL opposes federal encroachment, because there is certainly significant movement at the national and international level, into the area of insurance.”

The group shares successes and failures of insurance regulation at the state level, drafts model legislation for its members to consider bringing to their own states, and advises the federal government on insurance regulation.

The conference asks the Academy, primarily, to be an educational resource. “We attempt to engage industry, experts like members of the Academy, scientists, and others, and we have a strong consumer representation as we try to present a balanced perspective.”

The group sometimes asks Academy representatives to attend its meetings and speak on particular subjects. “For the last two and a half years at every one of our national meetings, we have had some presentation on principle-based reserving (PBR),” Keiser said. “I want to take this opportunity to thank [Academy Senior Life Fellow] Nancy Bennett and her group, who have done a great job in helping us understand this complex issue.”

Keiser added that PBR has been a controversial topic at NCOIL. “It is, in the mind of many legislators, somewhat difficult to understand why this formulaic approach that we have used for so long, why is this something we want to change.”

He also addressed the conference’s support for an extension of the Terrorism Risk Insurance Act, noting that NCOIL “believes that

flood risk is too much for the private market so a limited federal role is appropriate” in the flood insurance market, and said that the group has “been a strong voice for the exclusion from the Consumer Financial Protection Bureau of any insurance regulation.”

Keiser took questions from attendees, and noted in closing that NCOIL’s goal is for the federal government and the insurance industry to recognize “that what we have in the United States is 50 states that are basically incubators for developing great policy related to insurance.” ▲

WE’D LIKE TO HEAR FROM YOU

Actuarial Update, like all Academy publications, is designed to serve you. With that in mind, we’re gauging interest in making available printed copies of *Actuarial Update*. If you would find such an offering valuable, please email editor@actuary.org with your thoughts. And thank you for reading.

REVISED FAQs ON USQS: SPELLING OUT THE DETAILS

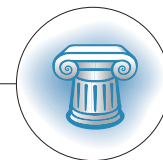
The Committee on Qualifications has updated its frequently asked questions (FAQs) for the first time since 2008. The greatly expanded FAQs—now with nearly 50 questions—groups questions by topic to help you quickly find what you are looking for. Join us for an important [Dec. 11 webinar](#), when panelists, including the chairperson of the Committee on Qualifications, discuss some of the more complicated qualifications issues raised by actuaries over the years and unveil its new FAQs.

PROFESSIONALISM BRIEFS

- ➔ A week before turning over the gavel as Academy president, **Tom Terry** helped kick off the Actuarial Society of New York’s Nov. 5 fall meeting in New York as the speaker at its opening general session, “Professionalism: Meeting High Expectations in a Fast-Changing World.” The session provided several hundred actuaries in attendance with an update on recent Academy activities, including highlights of professionalism activities, and perspectives on the long-term growth of the actuarial profession in the United States.
- ➔ Council on Professionalism member **Mike Ward** delivered a presentation on professionalism at the Actuaries Club of the Southwest’s meeting in Plano, Texas, on Nov. 6.
- ➔ On Nov. 10, ASB Chairperson **Patricia Matson** and Academy Assistant General Counsel **Sheila Kalkunte**

spoke to approximately 400 actuaries from all practice areas attending the MetLife 2014 Actuarial Conference in New York City. Their session provided an update on the Academy’s work with regulators on actuarial professionalism issues, and efforts to raise awareness of actuarial qualifications and standards of practice.

- ➔ On Nov. 19, Academy General Counsel and Director of Professionalism **Keith Jones** addressed over 100 actuaries and actuarial students at a meeting of the St. Louis Actuaries Club. The program focused on the basics of actuarial professionalism, including the discipline process.
- ➔ **Ken Kent**, principal consulting actuary at Cheiron in McLean, Va., became the new vice president on professionalism and chair of the Academy Council on Professionalism at the closing of this year’s annual member meeting.



Academy Briefs Regulators on Professionalism

AS THE ACADEMY HOSTED its Annual Meeting and Public Policy Forum in Washington last month, state insurance regulators were beginning to gather for their own meeting at a hotel across town. Academy leaders again got together with regulators from the NAIC for a well-attended breakfast and opportunity to have a candid discussion about actuarial professionalism.

New Academy President Mary D. Miller updated regulators on the Academy's ongoing efforts to help actuaries illustrate their qualifications to sign NAIC annual statement actuarial opinions by creation of a proposed voluntary [attestation form](#) for members to use.

Actuaries who sign the NAIC annual statement reserve opinion for life, health, and property and casualty must meet the qualifications set forth in the [Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States \(USQS\)](#), issued by the Academy. The USQS describes the general qualifications and specific qualifications (including basic and continuing education and experience) that actuaries must meet to be qualified to issue any of the three NAIC annual statement opinions specified above. The proposed attestation form will allow actuaries to demonstrate to regulators or others how they meet these requirements in a convenient online vehicle.

Miller explained that the Academy had sought comments from all interested parties, including regulators and Academy members, since the form was first unveiled at a prior NAIC meeting over the summer. "Most of the comments were quite thoughtful, and I

am very appreciative of the care and attention that people took in responding to this," she said.

The comments were mostly positive, and will result in a few changes to the form. They included ideas for simplification of the form, ease of adding necessary supplemental documentation, and changing language in one section of the form to align precisely with language in the USQS.

Miller noted that the NAIC's Casualty Actuarial and Statistical Task Force had asked the Academy to consider rolling out the form to a small group of users in a pilot program before making it available to all members, and that the Academy is considering that approach. "We'd like to include regulators in that group," she added.

Actuarial Standards Board (ASB) Chairperson Patricia Matson updated regulators on the ASB's activities since the last NAIC meeting, explaining that "there has been, as you have probably seen, a lot of activity in the pension area. There has been a plan, gradually over the last several years, to update all of our pension standards."

Regulators expressed particular interest in seeing ASB guidance on the role of the illustration actuary in the life and health fields. Life Practice Council and new Committee on Qualifications member Thomas Campbell told attendees, "We do commit, with [the NAIC's Life Actuarial Task Force], to help develop the principles" for illustration.

Actuarial Board for Counseling and Discipline (ABCD) member John Purple gave an update on the board's disciplinary actions, and led a discussion of how and when regulators should consider contacting the ABCD. ▲

The ASB Needs Your Feedback

THE ACTUARIAL STANDARDS BOARD (ASB) is seeking comments on two items.

Feedback is needed on the second [exposure draft](#) of its proposed actuarial standard of practice (ASOP), *Principle-Based Reserves for Life Products*.

The ASB seeks feedback on issues such as whether the distinction between the company's responsibility and the actuary's responsibility is clear; whether the language of the standard quotes or summarizes VM-20 text appropriately and usefully; and whether it is sufficiently clear how the standard applies to actuaries who do not sign the PBR actuarial report but are involved in the preparation of principle-based reserves.

The ASB has also issued a [request for comments](#) concerning the development

of an ASOP that would apply to actuaries when pricing new and in-force life insurance and annuity products.

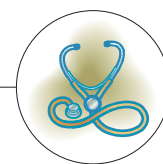
While there are standards on several functions related to pricing life and annuity products, there is no standard that provides guidance on pricing itself. The proposed ASOP would address the pricing of life insurance and annuity products, both individual and group product types. The proposed standard also would focus on the actuary performing profitability analysis when pricing new and in-force products, but not the actuary's role in developing the product's design, marketing plan, or investment strategy implementation. The term "pricing" would include establishing premiums, charges, fees, and other revenue elements, some guaranteed and others



non-guaranteed, to cover benefits, services, and expenses arising from the insurance contract.

Management adjustments to pricing would not be included in the scope of the proposed ASOP.

The deadline for comments on both items is Dec. 15, 2014. ▲



Essential Elements: Medicaid Overview

THE ACADEMY has released a new [paper](#) providing an overview of the Medicaid program. The paper is the latest installment in the Academy's [Essential Elements](#) series, which is designed to provide a quick and easy-to-understand overview of key public policy issues of interest to Academy members, policy-makers and the general public.

Medicaid, the paper explains, is "a joint federal-state program that funds health care services on a means-tested basis for eligible low-income Americans. Although states must operate within certain federal requirements, each state sets its own Medicaid regulations and provider reimbursement rates, and decides who qualifies for benefits and what benefits to provide."

The paper details the current status of each state's decision to expand the program under the Affordable Care Act, and explains the program's financing.

It concludes that the program, while "vital to the health of millions of low-income Americans,"

is "an ongoing fiscal challenge for both state and federal governments, even with the federal government funding most of Medicaid expansion populations going forward." ▲



Sovaldi and Medicaid

THE ACADEMY'S MEDICAID WORK GROUP [sent a comment letter](#) this month to the Centers for Medicare and Medicaid Services (CMS) on the introduction of Sovaldi and other new Breakthrough Therapy Designation (BTD) medications and their potential impact on Medicaid costs.

Sovaldi, a treatment for hepatitis C, was approved for the market under the Food and Drug Administration's new BTD process, designed to speed the approval process for certain drugs that demonstrate substantial

improvement over existing therapies. However, Sovaldi's extraordinary cost poses challenges to state Medicaid budgets.

The letter "outlines various options for mitigating the uncertainty regarding future expenses, within the requirement of developing actuarially sound Medicaid capitation rates."

"Given the cost uncertainties associated with BTD medications ... a key factor in ensuring that capitation rates are actuarially sound will be to give states and their actuaries flexibility in the fund-

ing approaches they may use," the work group wrote.

The letter uses Sovaldi as a case study, and concludes that "new BTD medications and other emerging medical technologies pose challenges to state Medicaid managed care programs. Because of the uniqueness of each state's Medicaid program, its philosophy, and available resources, it would be helpful for CMS to give states flexibility when exploring and incorporating new pricing approaches and risk-mitigation strategies to address these challenges." ▲

Medicare Supplement Work Group Comments on Refund Formulas

THE ACADEMY'S MEDICARE SUPPLEMENT WORK GROUP [submitted a report](#) in November on the Medicare Supplement Rate Refund Formula to the NAIC's Medicare Supplement Refund Formula Subgroup.

The report makes recommendations for potential modifications to the refund formula. ▲

HEALTH BRIEFS

- ➔ **Catherine Murphy-Barron**, consulting actuary at Milliman Inc. in New York, is now vice president of the Health Practice Council.
- ➔ **Shari Westerfield**, senior actuary at Blue Cross Blue Shield Association in Chicago, is now vice chairperson of the Health Practice Council.
- ➔ **Rina Vertes**, actuarial consultant at Marjos Business Consulting LLC in Newton, Mass., has joined the Health Practice Council.
- ➔ **Leslie Lucas**, actuary at Blue Cross Blue Shield Association in Chicago, has joined the Health Solvency Work Group.
- ➔ **Jason Karcher**, actuary at Milliman Inc. in Brookfield, Wis., has joined the Rate Review Practice Note Work Group.



Academy Releases Retirement Plan Assessments

THE LATEST STEP in the Academy's ongoing [Retirement for the AGES](#) initiative took the stage at the Annual Meeting and Public Policy Forum in Washington last month, as the Pension Practice Council's Forward Thinking Task Force unveiled its first set of assessments of retirement income systems and public policy proposals during a breakout session.

Retirement for the AGES provides a framework based on fundamental principles by which the Academy is illustrating the strengths and shortcomings of retirement systems and proposals to reform them. It addresses the needs of retirement plan stakeholders in both the private and public sectors. The framework is based upon four key principles with specific elements that can be graded or scored:

- Alignment—between stakeholders' roles and their competencies.
- Governance—that defines roles, reduces conflicts of interest, manages competing needs, and properly staffs boards.
- Efficiency—in maximizing returns and minimizing risks.
- Sustainability—of the system; achieved through appropriate cost allocation and protection from extraordinary market gyrations and inflation.

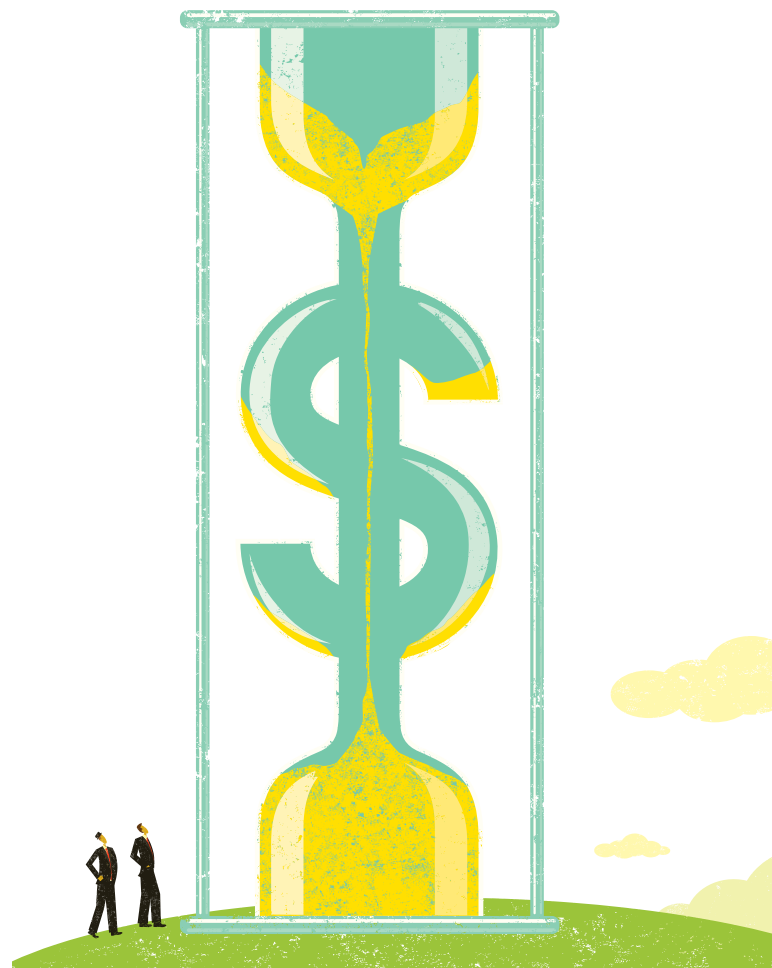
Having revealed its principles in a January [monograph](#), and discussed them in detail at an April Capitol Hill [forum](#), the group has now released assessments of five proposals to reform the American retirement system.

They include:

- The [South Dakota Retirement System](#), which earned a "B+" grade in the task force's assessment;
- The [USA Retirement Funds proposal](#), which earned an "A-" grade in the task force's assessment;
- The [New Brunswick Shared Risk Model](#), which earned an "A-" grade in the task force's [assessment](#);
- The [traditional defined benefit plan](#) under the current system, which earned a "C+" grade in the task force's assessment; and,
- The [safe harbor defined contribution plan](#) under the current system, which earned a "C" grade in the task force's assessment.

In a panel discussion after releasing the assessments, task force Chairperson Eric Keener explained, "We issued a letter grade for each of the proposals, and we do not have a numerical rubric for these scores, but we do use peer review to ensure that all of the systems we look at are being evaluated in a similar way."

The task force plans to evaluate further retirement reform proposals in 2015. ▲



PENSION BRIEFS

The following people have joined the Pension Assistant List (PAL):

- **Leonard Brown**, actuary, Pension Benefit Consultants Inc., North Haven, Conn.
- **Zhihua Liu**, associate actuary, PenServ Inc., Mt. Kisco, N.Y.
- **Greg Schlappich**, principal, Pacific Pension Actuarial, San Francisco
- **Eric Waldschmidt**, vice president, Nicolay Consulting Group, San Francisco
- **Charles McLaughlin**, area vice president, Gallagher Benefit Services, Rochester, N.Y.
- **J. Christian Conradi**, Duncanville, Texas

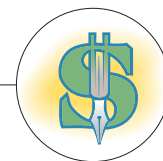
The PAL is always in need of volunteers, who pledge to help retirees and workers with specific pension problems (see story, Page 2).

Regulatory Guidance for Issuers of CDAs

THE CONTINGENT ANNUITY ISSUES WORK GROUP sent a [comment letter](#) to the NAIC Contingent Deferred Annuity (A) Working Group on its recent exposure draft, *Guidance for the Financial Solvency and Market Con-*

duct Regulation of Insurers Who Offer Contingent Deferred Annuities (CDAs).

The comments included clarifications as to who has the authority to sell CDAs and the parties to a CDA contract. ▲



Comments on the Role of Actuaries in Sound Financial and Insurance Systems

THE FINANCIAL REGULATORY REFORM TASK FORCE submitted a comment [letter](#) to the Financial Stability and Oversight Council (FSOC) on the prominent role of actuaries in supporting sound financial and insurance systems, and the task force's perspective on updates to actuarial standards and guidance.

The FSOC, created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, is a cross-functional board within the federal government with broad authority to identify and monitor risks to the U.S. financial system that might arise from the stress or failure of large financial institutions, including both banks and non-bank financial companies.

The task force wrote to encourage the FSOC to remember that "the U.S. actuarial profession plays a prominent role in ensuring the solvency and stability of domestic financial systems, contributing to international insurance and retirement system public policy, and supporting sound financial and insurance systems through its professionalism and strong focus on the measurement and management of risk."

The letter explained the Academy's role in ensuring the professionalism of American actuaries, and briefed the council on recent changes to actuarial standards of practice. ▲

Reinsurance Committee Comments on Application Checklist

THE REINSURANCE COMMITTEE [sent comments](#) to the NAIC on its *Uniform Application Checklist for Certified Reinsurers* exposure draft last month.

The comments focus, in particular, "on the requirement to disclose the method of posting collateral by a certified reinsurer."

The committee suggested "a technical correction to the exposure draft so that the language conforms to the Model Credit for Reinsurance Act." ▲



CASUALTY BRIEFS

- ➔ **Shawna Ackerman**, chief actuary with the California Earthquake Authority in Sacramento, Calif., is now vice president of the Casualty Practice Council.
- ➔ **Jon Evans**, president at Convergent Actuarial Services Inc. in Delray Beach, Fla., is now chairperson of the Property Lines Committee.
- ➔ **Lisa Slotznick**, managing director at PricewaterhouseCoopers LLP in Atlanta, is now chairperson of the Committee on Property and Liability Financial Reporting (COPLFR).
- ➔ **John Pierce**, president at John Pierce Consulting Actuary in Park Ridge, Ill., and **Kathleen Odomirop**, senior consulting actuary at Ernst & Young LLP in Boston, are now the vice chairpersons of COPLFR.
- ➔ **A. David Cummings**, vice president and chief actuary at ISO Innovative Analytics in Bloomington, Ill., has joined the Casualty Practice Council.

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Lisa Slotznick**, managing director at PricewaterhouseCoopers LLP in Atlanta, has joined the Financial Reporting Committee.

LIFE BRIEFS

- ➔ **G. Michael Antrobus**, assistant vice president at Lincoln National Life Insurance Co. in Fort Wayne, Ind., and **Daron Yates**, senior director actuary at Allianz Life Insurance Co. of North America in Minneapolis, have joined the C1NM Subgroup.
- ➔ **Robert Leach**, vice president and chief financial officer for fixed products at John Hancock USA in Boston, has joined the Stress Testing Work Group.

Actuarial Update

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Miller, continued from Page 1

“By training,” Miller said, “I am a casualty actuary. In many ways, I am both the public and the profession that our mission addresses.” She pledged to focus on a number of cross-practice issues that will have a significant impact on public policy in 2015. “Our first strategic focus this year will be working with the White House Conference on Aging,” she explained, which will be an opportunity for members to provide policymakers with diverse expert advice from multiple practice areas.

“As we embark on our 50th year,” Miller said, “I encourage you to keep up the great work you’re doing, and I am looking forward to our celebration.”

Miller accepted the symbols of office, including a gavel and a medal, from outgoing President Tom Terry. Past presidents play a significant role on the Board of Directors after their presidential year, and Terry will continue on the board and the Presiden-

tial Advisory Committee.

In his concluding remarks, Terry thanked all for the opportunity to serve and noted, “At its core, our profession has a profound responsibility to serve the public interest. The currency of that system is trust.” Terry concluded, “I don’t think trust is a status to be achieved. It is an orientation toward which we must always look.”

Keynote plenary speakers at the forum included former Secretary of Health and Human Services Kathleen Sebelius, former Senator and current National Association of Insurance Commissioners CEO Ben Nelson, and Nora Super, executive director of the 2015 White House Conference on Aging.

Political comedian Mark Russell performed a hilarious set at the dinner between the two days of meetings, satirizing the headlines of the day in spoken word and song. ▲

Sebelius, continued from Page 1

“In the event that I am confirmed, I resign my office as governor.”

She acknowledged mistakes in the implementation of the ACA, explaining that HHS “spent a lot of time and energy making sure that insurance companies would participate, and, clearly, not enough time on the website.” While the first eight weeks were very difficult, she did what she thought needed to be done when there is a big mistake: own it, apologize for it, and fix it.

Looking forward, Sebelius identified four trends that, she said, “are playing out and will accelerate” in the health care market over the next several years:

- ➡ A move from fee-for-service to a value-based payment system based on outcomes and measurements;
- ➡ The introduction of big data, that, “for the first time, will introduce a major consumer voice in health care, which was really not heard from in the past. Because most people didn’t even have *their own* data,” much less the ability to compare them with those of others.
- ➡ A focus on prevention and early intervention for keeping people healthier in the first place, and for addressing two issues that drive chronic health care costs: smoking and obesity; and,
- ➡ Personalized medicine and targeted therapies. “While we now know that a certain drug is not effective for everyone, it may be effective for, for example, 50-year-old women who have a certain genetic profile,” she explained. Eighty percent of the 50 potential breakthrough drugs recently identified by the FDA are in targeted therapies, with the potential to save lives and cure diseases that earlier had been impervious

to drug treatment.

Most sessions at the forum were closed to the media, to encourage candid dialogue among members, but reporters were allowed to attend the secretary’s speech. Sebelius took several questions from members of the media, including Fox News and *Politico*, and answered many questions from members.

Asked what changes she would make to the ACA with the benefit of hindsight, Sebelius said, “Repeal is not mathematically likely to happen ... so the discussion is, what can be agreed upon politically?” She pointed out that the bill defines a “workweek” as 30 hours, which may be adjusted. “There are features of the bill, around paperwork that large employers are going to be submitting,” that she thinks may be changed. “There is also an ongoing discussion around the medical device tax.”

But, she worried, “we are growing a two-nation health strategy,” as some governors choose to opt out of Medicaid expansion. “We may see lower-income workers who have no options. Whether or not that can be legislatively solved, I have grave doubts.”

Asked whether the law’s individual mandate is likely to change, Sebelius said, “No. I think it’s pretty simple. If people want to have insurance sold without medical underwriting and without pre-existing conditions, then you really have to have a requirement that everyone bear some of the responsibility.”

Addressing her own future, Sebelius told attendees she expected to be done with elected office at this point in her life. “I’m hoping not to do one more big job. I’ve done that a number of times and want to enjoy more flexibility. And my most important job right now is as grandmother of an almost perfect 2-year-old.” ▲