

Changing Practice Areas— What the Standards Require

KAREN TERRY, CHAIRPERSON OF THE ACADEMY’S COUNCIL ON PROFESSIONALISM

SINCE WE REPRESENT a self-regulated profession, each of us has a responsibility to the public, to the profession, and to ourselves to ensure we are providing actuarial services only when we are qualified to do so. It’s not just the right thing to do, it’s also the only thing to do. Precept 2 of the Code of Professional Conductⁱ (the Code) makes this obligation perfectly clear.

PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.

Of course, this prompts the question of who is qualified? Many of us have been practicing long enough that we probably don’t give this question as much thought as we should. Annotation 2-1 of the Code states:

Annotation 2-1. It is the professional responsibility of an Actuary to observe applicable qualification standards that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.

Since the early 1980s, the Academy has issued Qualification Standards. The currently effective *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (the Standards) became effective in 2008.ⁱⁱ The standards spell out in detail the general requirements to be met for all Statements of Actuarial Opinion (SAO). In addition, they spell out any specific requirements that are required for particular SAOs.

The general requirements relate to an actuary’s basic education and experience as well as the requirements for continuing education. Currently the specific requirements apply to SAOs pertaining to the National Association of Insurance Commissioners’ (NAIC) Life and Accident and Health Annual Statement, SAOs pertaining to the NAIC Property and Casualty Annual Statement, and SAOs pertaining to the NAIC Health Annual Statement.

A periodic review of the standards should be normal practice. Such a review will help all actuaries remain confident they are fulfilling their professional responsibility in meeting the qualifications required for the actuarial services they are providing. A periodic review will also help to keep fresh the annual continuing education responsibilities.

Additionally, as it is frequently said, the only thing that is constant is change. So what if an actuary wants or needs

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Academy Co-Hosts Climate Forum at Stanford University

ACADEMY PRESIDENT-ELECT Mary D. Miller, Mike Angelina, vice president of the Casualty Practice Council, and Nancy Watkins, former chairperson of the Committee on Property and Liability Financial Reporting, represented the Academy, which co-hosted [Climate Risk Forum: Bridging Climate Science and Actuarial Practice](#) with the Steyer-Taylor Center for Energy Policy and Finance at Stanford Law School, Sandia National Laboratories, and the Risky Business Project on Sept. 18.

The day long forum featured presentations and discussions about the opportunities and challenges involved in integrating climate data into actuarial and economic risk assessments. Miller, Angelina, and Watkins were joined



by California officials and climate science researchers from the University of California, Carnegie Institution for Science, Sandia National Laboratories, the American Climate Prospectus, and Stanford Woods Institute for the Environment. ▲

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13-14 Academy Annual Meeting, Washington

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20-23 NCOIL annual meeting, San Francisco

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2-3 Seminar on P/C Effective Loss Reserve Opinions, Baltimore

4 Executive Committee meeting, Washington

7-8 North American Actuarial Council, Oaxaca, Mexico

Academy NEWS Briefs

More Speakers Announced for Annual Meeting

THE PROGRAM for the Academy's Annual Meeting and Public Policy Forum, Nov. 13-14 in Washington continues to expand.

Former Sen. Ben Nelson, the chief executive officer of the National Association of Insurance Commissioners, will be the Nov. 14 keynote speaker. Nelson began his career in the insurance industry, serving as CEO of the Central National Insurance Group, before moving into public service as director of the Nebraska Department of Insurance. He served as governor of that state from 1990 to 1998, and was elected to the U.S. Senate twice, retiring in 2012.

The Academy will honor six distinguished actuaries with awards during the meeting. At the opening session, Stephen Kellison will receive the [Jarvis Farley Service Award](#), which honors an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service. At lunch the first day, David Neve, Donna Novak, Robert J. Rietz, and Stephen Strommen will be honored with Outstanding Volunteerism Awards, which honor Academy volunteers who have made a single, noteworthy volunteerism contribution in the previous year that is above and beyond what is reasonably expected of an Academy volunteer. At the Nov. 13 dinner, Ronald V. Gresh will be recognized with the [Robert J. Myers Public Service Award](#), given to an actuary who has made an exceptional contribution to the common good, through a single noteworthy public service achievement or a career devoted to public service.

Presidential appointee Roy Woodall, a mem-

ber of the Financial Stability Oversight Council, and Kenneth Kobylowski, the commissioner of banking and insurance for the state of New Jersey, will serve as panelists for the Nov. 14 roundtable discussion, "What in the world is going on internationally?" Later that day at the professionalism plenary session, Steven Salky, a law partner at Zuckerman Spaeder, will examine requirements of the Stop Trading on Congressional Knowledge (STOCK) Act and the potential risks it poses to actuaries who interact with congressional and executive branch staff on public issues.

Other invited speakers include representatives from the Congressional Budget Office, the White House, and federal and state agencies with oversight responsibilities that affect the profession.

Comedian Mark Russell will perform at the awards dinner, offering his satirical, musical take on the headlines of the day. Russell works without a script, so every performance is a unique experience.

To stay ahead of the rapidly changing demands on the profession, this year's annual meeting features a new format. The gathering will include 1-1/2 days of issue-focused plenary sessions, practice-specific breakout sessions, and networking opportunities with colleagues in all practice areas. Attendees may earn up to 12.2 organized activity continuing education (CE) credits, depending upon area of practice, including 1.5 in professionalism.

Attendees may register for the full program, or purchase one-day tickets or dinner-only tickets. The meeting will be held at the Hyatt Regency on Capitol Hill. [Learn more and register for the Annual Meeting.](#) ▲

IN THE NEWS

The story ran in the [Washington Post](#) and was republished by other media outlets.

The Health Practice International Task Force's new [issue brief](#), *Curbing the High Cost of Diabetes*, received coverage in the widely read D.C. media outlet [Politico](#). The brief provides a perspective on the in-

crease of diabetes prevalence and diabetes-related health spending internationally.

The Academy's activities at the National Association of Insurance Commissioners (NAIC) Summer 2014 National Meeting were reported by several media outlets covering the event.

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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](#).

➔ Solvency Committee Chairperson Elizabeth Brill was quoted in Best's News Service's [coverage](#) of a special NAIC International Capital Standards Forum. The story focused on the challenges posed by different approaches to insurance risk-based capital standards.

➔ *LifeHealthPro* [reported](#) on an Academy [presentation](#) on models of principle-based reserving (PBR) for long-term care insurance LTCI providers. Its [coverage of changes to the NAIC's LTCI Model Regulation](#) noted that, every year, "an insurer subject to the regulation changes would have to get a member of the American Academy of Actuaries to certify that the rates for currently

marketed LTCI products were high enough to cover anticipated costs under moderately adverse conditions."

➔ A Mondaq [story](#) reporting on the NAIC's recent model regulation amendment calling for increased actuarial analysis of long-term care (LTC) rates noted that "[t]he expanded requirements for the actuarial certification and a supporting memorandum signed by a member of the American Academy of Actuaries include requirements of discussion of margin for foreseeable adverse experience and the calculation of reserves to be held."

A *Newsmax* column [examining](#) how systemically important financial institutions (SIFIs) are classified under the Dodd-

Frank financial reform law quoted the Solvency Committee's June 5 [letter](#) to Congress supporting passage of the Insurance Capital Standards Clarification Act of 2014. The legislation would clarify that the Federal Reserve has the authority to differentiate between banks and insurers in terms of capital requirements.

The Bond Buyer [newspaper](#) cited the Academy's work in debunking "[The 80% Pension Funding Standard Myth](#)" in a story on local public pension plan funding issues. The article notes the Academy's analysis that no single level of funding should be identified as a defining line between a "healthy" and an "unhealthy" pension plan.

A [column](#) discussing retirement income plan strategies in the *Jerusalem Post* cited analysis from the Academy's discussion paper "[Risky Business: Living Longer Without Income for Life](#)." The story notes that calculating for increased lifespans is a significant challenge facing today's financial planners.

The Public Plans Subcommittee's [comments](#) to the Governmental Accounting Standards Board (GASB) regarding accounting and financial reporting for pension plans that are not administered through trusts that meet specified criteria, and amendments to certain provisions of GASB Statements 67 and 68, were [published](#) in the "Benefits Link Health & Welfare Plans Newsletter." ▲

▲ PROFESSIONALISM COUNTS

Academy Seeks Comments on Qualifications Attestation Form

The Academy has asked members for comments on a [proposed U.S. Qualification Standards Attestation](#) form. The form is part of an Academy effort to help members voluntarily demonstrate how they have met the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion (SAOs) in the United States to a potentially broad audience of stakeholders.

Statutory opinions for Annual Statements filed with the states can be signed only by actuaries who meet specific qualifications standards beyond the general standards required of all actuaries who practice in the U.S. As the issuer of the [Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion](#) in the United States (USQS), the Academy would like to provide a voluntary form that actuaries could use to document how they meet those standards.

The Academy anticipates using the form to populate a public database of member information. For those who choose to take advantage of the opportunity, it would showcase their experience and understanding of the requirements

to issue SAOs. The Academy believes that having a standardized approach to documenting the requirements would benefit all stakeholders, enhancing the reputation of the actuarial profession.

Academy members, for instance, could have an easily accessible record of their compliance, with the USQS, and would gain understanding of the USQS requirements through the process of creating that record. Employers could have a tool to help them assess and track their employ-

ees' compliance, and as it spread through the industry, actuaries themselves could benefit from seeing the same documentation used across multiple employers. Regulators could have supporting documentation for their records, and could adopt the completed form as part of the documentation for an actuary's appointment.

The Academy has requested that members provide comments on the draft template by Oct. 17, 2014. It is available in both [PDF](#) and [Excel](#) formats. ▲

How the Academy's "U.S. Qualification Standards Attestation" Template Can Benefit Stakeholders

<p>The public:</p> <ul style="list-style-type: none"> ➔ Increases transparency and knowledge of how those who sign SAOs are qualified to do so in accordance with the U.S. actuarial profession's standards 	<p>Academy members:</p> <ul style="list-style-type: none"> ➔ Aids understanding of the USQS requirements ➔ Enhances reputation by showcasing compliance in a standardized, straightforward, documentable manner that is easy to understand
<p>Regulators:</p> <ul style="list-style-type: none"> ➔ Provides a clear demonstration of an actuary's qualifications to sign NAIC annual SAOs in accordance with the USQS ➔ Provides supporting documentation that assists in determining whether the SAO is provided by a qualified actuary 	<p>Employers or clients:</p> <ul style="list-style-type: none"> ➔ Provides a comprehensive and consistent template to illustrate how an appointed actuary is qualified ➔ Provides an optional tool to help employers in assessing their employees' qualifications

Members Elect New Directors

ANGELINA, DAILLAK, AND WILLIAMS BRING MORE THAN 80 YEARS OF EXPERIENCE

RESULTS OF THE 2014 ELECTION ARE IN, and the Academy will soon welcome three new regular directors to its board. With 16.5 percent of members voting, longtime members Mike Angelina, Rich Daillak, and D. Joeff Williams received member approval to join the board this fall at the close of the Academy's Annual Meeting on Nov. 13. Their terms will conclude in 2017.

As board members, Angelina, Daillak, and Williams will share responsibility for crafting policies to support Academy efforts to achieve its mission, make responsible use of members' dues, and serve the profession as the Academy celebrates its 50th anniversary next year.

The three take their positions after an extensive, six-month process conducted by the Academy's Nominating Committee and a vote among Academy members.

The Nominating Committee had named only three candidates for the three open positions, seeking to forward the most qualified candidates for approval. In order to be effective as board members, candidates must have broad professional experience, consensus building skills developed through a long Academy volunteer history, and a proven commitment to the Academy's vision.

Additionally, the candidates must bring balance across practice areas and affiliations to the board. [Nominating Committee guidelines](#) make clear that practice area representation across the entire board be considered when nominating regular directors.



Mike Angelina

Mike Angelina currently serves as the executive director of the Academy of Risk Management and Insurance within the Erivan K. Haub School of Business of Saint Joseph's University, where he leads the Risk Management and Insurance undergraduate program.

He came to academia after a quarter of a century in the insurance industry in Bermuda and the United States, in the international property/casualty insurance and reinsurance markets. He is a qualified actu-

ary, and has served as a chief risk officer, a consultant, an executive, and a director.

Angelina serves on the board of RLI Corp., an Illinois-domiciled property/casualty specialty insurer and Equator Re, a Bermuda-based property/casualty reinsurer.

In 2013, he was named one of *Insurance Business America's* Hot 100 Insurance Professionals because of his work on the topic of gender diversity in the insurance industry.

"For us to be successful, the Academy needs to continue to be seen as objective, independent, and effective. For us to accomplish this, we need to be seen as a united organization that transcends practice areas," says Angelina.

Angelina has been a member of 12 Academy committees and councils, and currently serves as vice president of the Casualty Practice Council.



Rich Daillak

Richard Daillak has been a credentialed actuary for more than 30 years, and currently is vice president and actuary at Swiss Re America Holding Corp. He spent

nearly 21 years at MetLife, rising to vice president, and has been a consulting actuary with The Wyatt Co.

Daillak has an unusually broad range of actuarial experience, having worked in group insurance, then individual insurance financial management, individual life reinsurance, risk management, and most recently as a senior regulatory officer addressing issues affecting both life and health and property and casualty reinsurance, including group supervision, own risk and solvency assessment (ORSA), and international solvency standards.

"Working with actuaries in life, health, and property and casualty reinsurance has brought home to me the incredible diversity and talent within our profession," Daillak says.

He sees the Academy's role as one of establishing and maintaining the credibility of the profession. "Legislators, regulators, and the public rely on the Academy for sound, unbiased, professional advice. Industry and consumers look to our members to

design and value products that deliver on their promises," he says. "Accomplishing this isn't just about standards of individual performance; it is equally about mobilizing the right teams of volunteers to analyze the issues well, understand the technical dynamics, and establish and communicate effectively the necessary guidance."

In a long volunteer career, Daillak has been the chairperson of the Academy's Life Reinsurance Work Group, and serves on the Life Practice Council and the Financial Regulatory Reform Task Force.



D. Joeff Williams

Joeff Williams has been a consulting actuary for Actuarial Management Resources, Inc. in Winston-Salem, N.C., for the past 25 years. Prior to that, he worked in product

development for Integon Insurance Co.

In his consulting work, Williams focuses on both the life and health practice areas.

He has long been a tireless volunteer, serving on more than 20 Academy committees and work groups. His voice has improved the Academy's work on long-term care, financial reporting, and life and health issues, as well as the Academy's professionalism oversight.

As his board tenure begins, Williams will be concluding a term as vice chairperson of the Council on Professionalism.

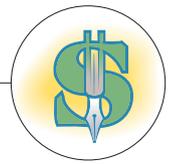
"I feel the work the Academy does is very important to our profession and will be even more important as public exposure for actuaries continues to increase," Williams says.

Officer Elections

As previously announced, a slate of six members has been nominated to serve in officer positions for 2015. The Nominating Committee developed and recommended the slate of nominees. The Academy board will vote on the slate at its Oct. 7 meeting.

They include Tom Wildsmith, candidate to be the Academy's next president-elect. Art Panighetti and John Moore have been nominated to return as treasurer and secretary, respectively.

See the [Academy Board Election Center for details](#). ▲



Academy Proposes 10 Principles for Capital and Solvency Standards

THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC), the U.S. Treasury's Federal Insurance Office (FIO), and the Federal Reserve are in the process of developing insurance group capital and solvency standards. The Solvency Committee of the Academy's Risk Management and Financial Reporting Council this month offered [direction](#) to the NAIC and other regulators on the principles and priorities that should inform that development.

"Actuaries have decades of experience working with insurance and other financial-sector regulators to develop prudent rules addressing insurer solvency, includ-

ing capital requirements," said Elizabeth K. Brill, committee chairperson. "To help with this process, the Academy has offered some guiding principles that we think could help the NAIC develop these important insurance standards."

The proposed principles include a clearly defined regulatory purpose for the standards, metrics that are useful to all stakeholders, and methods that take into account the varied local jurisdictional environments under which members of an insurance group must operate.

A [news release](#) on the issue can be found on the Academy's website. ▲



Financial Reporting Committee Comments on Contracts Proposal

THE FINANCIAL REPORTING COMMITTEE has provided [comments](#) to the International Accounting Standards Board (IASB) on its ongoing effort dedicated to improving financial reporting requirements for insurance contracts. Following comments on an Oct. 13 exposure draft, the IASB decided to reconsider the treatment of certain contracts.

The committee wrote to recommend that "the measurement approach used for certain types of participating insurance contracts should differ from that used for non-participating contracts," in particular asking that typical universal life and U.S. participating whole life contracts be eligible for a measurement exception.

The committee did not express a preference between several

measurement approaches the IASB has considered, but offered several modifications or clarifications intended to produce more meaningful accounting results. ▲

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Kok Bin Liew**, director and actuary for Metropolitan Life Insurance Co. in Bridgewater, N.J., has joined the Solvency Committee.
- ➔ **Michael Lockerman**, principal for PricewaterhouseCoopers LLP in New York, has joined the Financial Reporting Council.

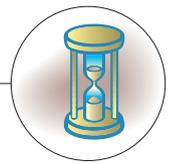
Security for Collateralizing Reinsurance Obligations

THE REINSURANCE COMMITTEE has sent [comments](#) to the National Association of Insurance Commissioners (NAIC) Reinsurance Task Force on its exposure draft "Securities Listed by the Securities Valuation Office." The comments address the security provided for the purpose of collateralizing reinsurance obligations.

The letter notes that the NAIC's Reinsurance Task Force "has expressed concern that it may not be possible to sell some Securities Valuation Office (SVO) listed assets immediately for cash," calling into question their value as collateral. However, "since payments by the

reinsurer normally are scheduled over many years, it is unlikely that the full collateral will be needed at one time to cover a reinsurer's current contractual obligations or that a shortfall of the full amount will occur due to financial difficulties. This has been recognized explicitly by the NAIC in recent rule changes allowing a reduction in collateral below the full level of reserves for certified reinsurers."

The committee asks that "any proposed changes be studied carefully to ensure the long-standing parity between acceptable reinsurance collateral and admissible assets on U.S. licensed insurers' balance sheets." ▲



Academy Hosts Post-NAIC Update Webinar

ACADEMY MEMBERS joined representatives from several working groups and task forces of the National Association of Insurance Commissioners (NAIC) to hear an update on the progress of the organization's major Principle-Based Reserving projects during a Sept. 24 [webinar](#). The session was the latest in a series the Academy has hosted after major NAIC meetings.

Dave Neve, chairperson of the Academy's Life Financial Soundness/Risk Management Committee, moderated the session.

Mike Boerner, chair of the NAIC's Life Actuarial Task Force (LATF), provided a breakdown of the group's major priorities for the remainder of the year, noting that the task force is dealing with "an unusual number of big-ticket items," such as the 2014 Valuation Basic Tables, which are currently exposed for comment.

"We've had two participating companies identify key risks and provide modeling assumptions. [Evaluating the results] is taking longer than expected, but I think it's fair to say that the initial results we've gotten are encouraging."

—Mark Birdsall

NAIC Life Risk-Based Capital Working Group Chairperson Mark Birdsall briefed attendees on the progress of the Kansas field tests of VM-22. The working group, he explained, is testing the practicality of allowing the use of certain representa-

tive scenarios that would take the place of running hundreds or even thousands of scenarios. "We've had two participating companies identify key risks and provide modeling assumptions," he explained, and evaluating the results "is taking longer than expected, but I think it's fair to say that the initial results we've gotten are encouraging."

Rich Daillak, chairperson of the Academy Life Reinsurance Work Group and an incoming Academy board member, gave an update on captives development, discussing the scope, implementation, and grandfathering of existing provisions. "These developments are being followed actively by several Academy committees and work groups," he said, "including the PBR Strategy Subgroup, Life Reinsurance Work Group, Life Capital Adequacy Subcommittee, and Risk Management and Financial Reporting Council Reinsurance Committee." ▲

Defining "Qualified Actuarial Opinion"

THE ACADEMY'S Principle-based Reserves Strategy Subgroup sent a [comment letter](#) to the National Association of Insurance Commissioners' Life Actuarial Task Force (LATF) this month regarding primary security calculation methods and the definition of "Qualified Actuarial Opinion" proposed in the NAIC's exposure draft of Actuarial Guideline 48.

The subgroup offered its opinion that "introducing a regulatory requirement by broadly specifying what constitutes a 'qualified opinion' is inconsistent with the purpose of the Actuarial Opinion Memorandum Regulation (AOMR), which is to impose on the appointed actuary the responsibility to issue an opinion as to the overall adequacy of reserves, and therefore would establish a bad precedent."

The subgroup proposed several alternatives, and asked that LATF consider removing Net Premium Reserve as a component of the VM-20 calculation used to determine the primary security requirement. ▲

Life and Health Qualifications Seminar

Nov. 10-13 Arlington, Va.

Do you meet the basic and continuing education requirements of Section 3 of the U.S. Qualification Standards to issue actuarial opinions for the NAIC Life or Health Annual Statements? Join us for a succinct and effective seminar that will give you the qualifications.

Contingent Deferred Annuity Work Group Comments to NAIC

THE CONTINGENT ANNUITY WORK GROUP submitted [comments](#) to the National Association of Insurance Commissioners' (NAIC) Contingent Deferred Annuity (CDA) Working Group regarding its exposure draft, "Guidelines for the Financial Solvency and Market Conduct Regulation of Insurers Who Offer Contingent Deferred Annuities."

The comments address the structure of CDAs and offer a deeper explanation of their phases, and associated risks, as well as the regu-

latory environment associated with CDAs. The work group asked that the NAIC consider removing language specific to the current interest rate environment. ▲

LIFE BRIEFS

➔ **Noel Abkemeier**, consulting actuary for Milliman Inc. in Newport News, Va., has joined the Life Illustrations Work Group.

Academy Hosts Conversation With Congressional Research Service

MEMBERS OF CONGRESS have access to a nonpartisan professional research staff that exists to answer their questions on the facts behind public policy issues. Staffers at the Congressional Research Service (CRS) prepare reports on major policy topics, write memorandums addressing member questions, conduct seminars and workshops for congressional staff, and provide expert congressional testimony.

Attendees of a Sept. 25 Academy [webinar](#), *A Conversation With the Congressional Research Service*, heard details on how the agency works and how it influences public policy. The event was part of the [Academy's Capitol Forum: Meet the Experts](#) webinar series.

Bernadette Fernandez, a specialist in health care financing; Annie Mach, a health care financing analyst; John Topoleski, an analyst in income security; and Baird Webel, a specialist in financial economics; briefed Academy members on some of the latest policy issues CRS has been asked to work on.

In recent years, the agency has conducted research into many issues that touch the actuarial profession. As the government has worked to implement the Affordable Care Act, the service has explored potential reforms for the private health insurance market. Pension policy and retirement income security questions have led to research on the movement from defined benefit to defined contribution plans, tax treatment of pension plans, and Pension Benefit Guaranty Corp. (PBGC) solvency

concerns. Other reports have focused on the differing roles of states and the federal government in regulating insurance markets, and specific federal insurance issues like the extension of the Terrorism Risk Insurance Act and the more recent Insurance Capital Standards Clarification Act.

The CRS does not employ any actuaries, the group noted, but has used Academy

publications as a resource for the actuarial perspective. CRS researchers also welcome the opportunity to speak directly with Academy members, and noted that Academy health practice volunteers visit CRS offices each spring as part of their annual Hill visits.

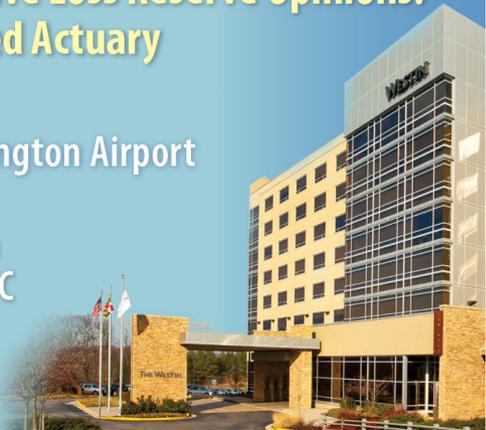
A recording of the webinar can be found on the Academy's website. ▲

Seminar on P/C Effective Loss Reserve Opinions: Tools for the Appointed Actuary

Dec. 2–3, 2014

Westin Baltimore Washington Airport

Deepen your expertise in writing and preparing P/C loss reserve opinions.



PROFESSIONALISM BRIEFS

- ➔ On Sept. 12, ABCD member **John Purple** reviewed Precept 13 of the Code of Professional Conduct for 70 attendees at the Middle Atlantic Actuarial Club's annual meeting in Baltimore.
- ➔ On Sept. 17, ABCD member **Nancy Behrens** spoke to the Columbus Actuarial Club about the role of the ABCD in professionalism.
- ➔ On Sept. 22, Academy President-Elect **Mary D. Miller** led a general session focused on professionalism at the annual meeting of the Actuaries Club of Indiana, Kentucky, and Ohio (Tri-State) in Louisville, Ky.

Changing Practice, continued from Page 1

to pursue a change in the type of actuarial services he provides? Again, the actuary should refer to the standards and determine if he believes he is still qualified to make an SAO for this type of actuarial service. If the answer is no, in *Section 4 – Changes in Practice and Application*, the standards detail how the actuary can pursue becoming qualified.

The new area of practice for the actuary may require satisfaction of only the General Qualification Standard or it could require satisfaction of the Specific Qualification Standard. Either way, the standards spell out the requirements, but in no event does an actuary necessarily have to change or obtain a new credential to switch practice areas. There are multiple ways to become qualified as detailed in the standards, and it's up to the individual actuary to determine what will work best for him or her.

If you haven't reviewed the standards recently, I encourage you to take the time to do so and make it a regular habit. Summary statements such as this article certainly cannot capture the details or the nuances of the standards. The Code and the standards are the backbone of the profession. Let's not take them for granted or treat them lightly. ▲

ⁱ The common *Code of Professional Conduct* applies to members of the American Academy of Actuaries and to members of the American Society of Pension Professionals and Actuaries (ASPPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA), whether or not they are also members of the American Academy of Actuaries.

ⁱⁱ For purposes of the Qualification Standards, a "Statement of Actuarial Opinion" is an opinion expressed by an actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.

Earn up to 12.2 continuing education (CE) credits, including 1.5 professionalism CE credits

American Academy of Actuaries Annual Meeting and Public Policy Forum

Nov. 13–14, 2014, Hyatt Regency Washington on Capitol Hill

Right after the fall congressional elections, learn about breaking public policy and professionalism developments that affect the U.S. actuarial profession at this 1-1/2 day program of cross-practice and practice-specific sessions.

Confirmed Speakers Include



Ben Nelson

Former U.S. Senator; Chief Executive Officer, National Association of Insurance Commissioners



Roy Woodall

Presidential Appointee; Member, Financial Stability Oversight Council



Kenneth Kobylowski

Commissioner of Banking and Insurance for the state of New Jersey



Steven Salky

Regulatory and Financial Services Super Lawyer and Partner, Zuckerman Spaeder



Mark Russell

Washington Icon and Political Satirist/Pianist

Nov. 13 Dinner Entertainment

Long before Jon Stewart and Steven Colbert, there was Mark Russell, daring to joke and sing of the often-absurd political process. He plays off the day's headlines, performing stand-up comedy while accompanying himself on the piano.

Dinner-Only Ticket: \$80

Others invited to speak include representatives from the White House, Congress, federal agencies, state insurance departments, and the actuarial profession.

Celebrate Award Winners

Join us in honoring the following award winners: Stephen Kellison, Jarvis Farley Service Award (Opening Session, Nov. 13); David Neve, Donna Novak, Robert J. Rietz, and Stephen Strommen, Outstanding Volunteerism Award (Lunch, Nov. 13); and Ronald V. Gresch, Robert J. Myers Public Service Award (Dinner, Nov. 13).

Registration

Easy Registration Options for Members, Nonmembers, and Regulators – Online, Mail, Fax, or Phone

- Two-day, single-day, and Nov. 13 dinner-only tickets are available.
- Register online or download a printable form at <http://www.actuary.org/2014AnnualMeeting>.
- Fax printed registrations to 202-872-1948, attn: Denise Winston
- Mail to: 2014 Academy Annual Meeting, attn: Denise Winston, American Academy of Actuaries, 1850 M Street NW, Suite 300, Washington, DC 20036.
- Call 202-223-8196 to speak with Denise Winston.



AMERICAN ACADEMY of ACTUARIES

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Actuarial Update

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PENSION NEWS

IRS Releases Hybrid Retirement Plan Rules

THE INTERNAL REVENUE SERVICE has released both [final](#) and [proposed](#) rules addressing hybrid retirement plans. The final rules have been pending since first proposed in 2010, and apply to “defined benefit plans that use a lump sum-based benefit formula, including cash balance plans and pension equity plans, as well as other hybrid retirement plans that have a similar effect.”

The final rules address market rates of return for cash balance plans, increase the maximum permitted fixed interest credit, and cover vesting, plan terminations, and other issues. The rules apply to plan years beginning on or after Jan. 1, 2016.



The proposed rules address transitions for plans that currently provide interest credits greater than a market rate of return. The IRS has requested comments on the proposal by Dec. 18. ▲

HEALTH NEWS

Medicare's Long-Term Sustainability Challenge

MORE THAN 52 MILLION AMERICAN SENIORS and adults with permanent disabilities rely on Medicare, but the program faces threats to its long-term solvency. Its major trust fund will be depleted in 2030, with payroll taxes covering only 85 percent of the program's costs at that time. Furthermore, the program's costs are growing faster than the gross domestic product (GDP), a measure of the U.S. economy.

The long-term challenge of maintaining Medicare's solvency is the topic of a new Academy [paper](#) issued this month. The paper is part of the Academy's [Essential Elements](#) series, which is designed to make actuarial analyses of public policy issues accessible to wider audiences.

The paper explains the structure of Medicare's two trust funds, delves into the pressures on each, and addresses the significant cost growth in the program. “By 2088, Medicare will take up 6.9 percent of GDP, which essentially means a lower level of funding would be available for all other goods and services.”

It concludes that Congress must take action soon to “put Medicare on a strong financial foot-

ing,” pointing out that delayed action could mean larger benefit cuts or tax increases. ▲

HEALTH BRIEFS

➔ **David Fox**, strategic consultant, group Medicare for Humana Inc. in Louisville, Ky., has joined the Medicare Supplement Work Group.

PROPERTY AND CASUALTY BRIEFS

➔ **Yazeed Abusaa**, vice president, insurance advisory for Conning & Co. in Hartford, Conn., has joined the P/C Risk-based Capital Committee.

➔ **Jay Morrow**, senior vice president and actuary for AIG Property & Casualty in New York; **Derek Freihaut**, consulting actuary for Pinnacle Actuarial Resources Inc. in Bloomington, Ill.; and **Rob Weber**, consulting actuary for Weber Consulting in Irvine, Calif., have joined the Committee on Property and Liability Financial Reporting.