



Casualty Practice Council Capitol Hill Visits

Disaster Preparedness

TWO MEMBERS of the Academy's Extreme Events Committee took their expertise in flood and natural disaster insurance to Capitol Hill May 8, meeting with a number of policymakers and congressional staffers. Visiting five offices in one long day, Shawna Ackerman and Stuart Mathewson, who co-chair the committee, met with key staffers in the Government Accountability Office (GAO), the House Financial Services Committee, the House Ways and Means Committee, the Senate Banking Committee, and the office of Rep. Gene Taylor (D-Miss.).

Besides offering the Academy's actuarial expertise to policymakers in the areas of flood and natural disaster insurance, Ackerman and Mathewson gained a sense of which issues are expected to dominate the congressional agenda this year.

"I thought it was very helpful, both for us on the committee and also, I hope, for the staffers we met," said Mathewson. "We were able to fill out our knowledge on some aspects of these issues, and they got an idea of who we are and how we might be able to assist them in the future."

The GAO meeting focused mostly on two ongoing projects of the GAO and the Academy's Flood Insurance Subcommittee, chaired by Mathewson, to examine the National Flood Insurance Program. Among other things, Ackerman and Mathewson were able to



Shawna Ackerman and Stuart Mathewson on Capitol Hill

provide helpful information on the use of the phrase "actuarially sound." GAO staffers expressed interest See **DISASTER PREPAREDNESS**, Page 7

Actuarial UPDATE

Inside

Website Upgrade

There is much that is new and improved on the Academy's website **PAGE 2**

International Initiatives

The Academy is involved in a variety of international activities. **PAGES 4-5**

Health RBC

The Academy comments to the NAIC on a number of aspects **PAGE 8**

Pension Diplomacy

Members of the Social Insurance Committee visit Capitol Hill. **PAGE 10**

Affirming a Commitment to the Public Interest

AT ITS APRIL 14 MEETING IN MEXICO CITY, members of the North American Actuarial Council (NAAC), composed of the presidents and presidents-elect of the organizations representing actuaries in Canada, Mexico, and the United States, signed a statement of position recognizing the actuarial profession's commitment to the public.

"We felt it was important to make it clear that our organizations and our members should always consider the public interest in the work of our profession,"

said Academy President Steven Lehmann. "If we do that, we can be confident that all our decisions will be good ones."

Further, said Thomas Terry, president of the Conference of Consulting Actuaries, it is a concept that serves to differentiate the actuarial profession from others. "Our profession's commitment to the public interest is what distinguishes us from a trade association," said Terry. "When we act in the public interest, all clients are well-served. There is no incompatibility here."

See **PUBLIC INTEREST**, Page 4

JUNE

- 1-4 NAIC summer meeting, San Francisco
 3-4 AcademyHealth annual meeting, Boston
 5-6 ASPPA Advanced Actuarial Conference, Boston
 7-8 ASPPA Northeast Benefits Conference, Boston
 10-13 IAA Life Section Colloquium, Stockholm
 11 Academy Life Financial Reporting Committee meeting, Chicago
 12-15 16th AFIR Colloquium, Stockholm
 13-16 SOA spring health meeting, Seattle
 14 Joint Academy Health Practice Council/ SOA Health Section meeting, Seattle
 16-18 Financial reporting, product development meeting (CAS, SOA), Quebec
 17-20 CAS spring meeting, Orlando, Fla.
 20 Academy webcast on principles-based reserves risk-based capital issues
 20-23 ASTIN colloquium, Lake Buena Vista, Fla.
 26 Academy IFRS Task Force meeting, Chicago
 27-28 ASB meeting, Washington
 28-29 CIA annual meeting, Vancouver, Canada

JULY

- 12-14 North American Actuarial Council meeting, Montreal
 19-22 NCOIL summer meeting, Seattle
 29 Academy Pension Practice Council meeting, Vancouver, Canada
 30 Academy Pension Committee meeting, Vancouver, Canada

AUGUST

- 2 Academy Executive Committee meeting, Washington
 5-9 National Conference of State Legislatures annual meeting, Boston
 9-11 SOA 42nd annual research conference, Pittsburgh

SEPTEMBER

- 5-6 ASB meeting, Washington
 17-18 SOA Valuation Actuary Symposium, Austin, Texas
 19 Academy Professionalism Council meeting, Washington
 24-26 SOA critical illness conference, San Antonio
 26-28 SOA DI and LTC insurer's forum, San Antonio
 29-October 2 NAIC fall meeting, Washington

OCTOBER

- 1 Council of U.S. Presidents meeting, Washington

WEB INTERFACE

Links to documents underlined in blue are included in the online version of this issue at www.actuary.org/update/index.asp

Academy NEWS Briefs

Website Improvements

WITH A SWITCH TO THE GOOGLE search engine, which does a better job of matching search terms to the appropriate pages and documents, searching the Academy [website](#) is now faster and better.

And we've made the search function more prominent—it's incorporated into the top section of every page, so you don't have to leave the page to start a search.

Other recent improvements to the website include:

► **More prominent login and logout for members**

It's now at the top part of every page, on the right.

► **The revived "Actuaries in the News"**

page A good page to bookmark for your coffee breaks. This section features recent news stories in which the Academy or Academy members appear, along with the links to those stories. If you visit this page periodically, you'll get a better sense of which actuarial issues are currently in the headlines—and of how the profession is responding to them.

► **New content in the members-only section**

Slides from this year's Academy Spring Meeting (in PDF format) are available online as a resource for all Academy members. The slides cover sessions on casualty, health, and life

topics, as well as a general session on the ASB and its current activities. (To view them, log in and click on "Spring meeting sessions" on the member welcome page.)

Helping to implement all these changes is Webmaster Mike Roberts, who joined the Academy earlier this year. Using his impressive technical skills, Roberts has been working with other Academy staff to improve web-based resources and services, and he continues to work quietly on behind-the-scenes fixes to enhance the Academy's web functionality.

More improvements are on the way, and we'll keep you informed of them. In the meantime, many thanks to the 39 actuaries who stopped by the Academy exhibit at the 2007 Enrolled Actuaries Meeting to play the Vespucci web navigation game and give us their feedback on the Academy site. Their suggestions have been useful, and we'll be looking for other ways to periodically solicit informal feedback from members and other website visitors in the future.

In the meantime, whether you have a comment, criticism, or suggestion about the website, we'd like to hear it. Contact Anne Asplen, the Academy's managing editor of internet and new media (202-785-7864; editor@actuary.org). ▲

Better Late Than Never You can still renew your Academy membership for 2007, although a 20 percent late fee is assessed after May 1. It's easy to make your dues payment online: Just log in to the Academy website, click "[Pay dues](#)" on the member welcome page, and follow the instructions. If you have any questions about paying dues or about your membership status, contact Rachel Rusch, the Academy's assistant director of member-

ship relations and administration (rusch@actuary.org; 202-785-7871).

Life Fellow The Academy's Life Practice Council is seeking an actuary to fill the newly created position of senior life fellow. Responsibilities would include helping to communicate the Academy's message on life insurance issues to the public; serving as the Academy's primary contact with state regulatory and legislative

officials, other public policy and trade organizations, and the news media on matters related to life insurance; and providing actuarial and policy analysis and guidance on life issues to the practice council, Academy staff, and external audiences. For more details, contact Gail Ingram, the Academy's manager of HR and office operations (ingram@actuary.org; 202-223-8196).

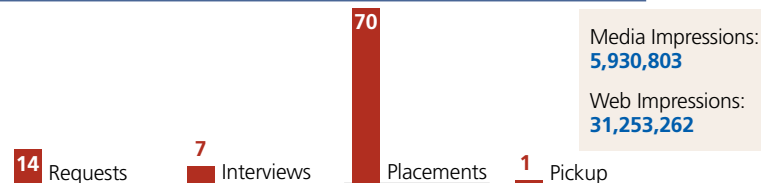
Time's Up If you missed it

THE NUMBER

RIGHT ON

47 The number of times the Academy has been cited by a media outlet as the source of insured-loss estimates from a terrorist attack since publishing its terrorism [risk analysis](#) in March 2006.

MEDIA RELATIONS ACTIVITY REPORT—APRIL 2007



Note: Media impressions are a combination of readership, listenership, and viewership. Web impressions are distinct from media impressions and reflect the number of daily, unique individuals who access a website. A placement is an article containing an Academy reference and/or a quote or attribution from an Academy spokesperson. A pickup is the publication of an Academy news release, media alert, statement, or letter to the editor.

in the May issue of the *Update*, you had a second chance to catch a once-in-a-lifetime moment at three minutes and four seconds after 2 a.m. on June 5 when the time and the date was 02:03:04 05/06/07. But only if you lived in Australia or another country whose convention is to put the day before the month when writing out the date. This phenomenon will occur again in the next century, but actuarial tables argue against anyone who is currently reading this being around to enjoy it.

IN THE NEWS

Academy Senior Pension Fellow **Ron Gebhardt** was quoted in an April 8 *Baltimore Sun* financial column that discussed how and why 401(k) plans were evolving to include features of traditional defined benefit plans. Gebhardt said in the future there will be a blurred distinction between defined benefit and 401(k) plans. The article was published in more than a dozen other newspapers, including the *Miami Herald*, the *Chicago Tribune*, the *Hartford Courant*, and Nashville's *The Tennessean*. Gebhardt also explained employee benefit packages in an April 15 *Washington Post* financial column tailored to college graduates. On April 17, he was the featured guest on *Post* columnist Martha Hamilton's online chat. Gebhardt answered readers' questions on various topics, such as retiree benefits, defined benefit and defined contribution pension plans, and Social Security.

An April 1 *Best's Review* feature on principles-based reserving reported that the Academy has been charged by the National Association of Insurance Commissioners (NAIC) with prepar-

ing a new reserving approach based on principles rather than formulas. The article also pointed to the principles-based [section](#) of the Academy's website as a source of information on the project. Academy members quoted in the article include **Larry Bruning**, a member of the Academy's Life Practice Council and chief actuary with the Kansas Department of Insurance in Topeka; **Laura Hay**, a principal with KPMG in New York; and **George Hansen**, managing senior financial analyst and actuary with the A.M. Best Co. in Oldwick, N.J.

Donald Segal, the Academy's vice president for pension issues and a consulting actuary with JPMorgan Compensation and Benefit Strategies in New York, was quoted in an April 5 *New York Times* article on state pension plans.

On April 23, CNNMoney.com posted reports before and after the release of the 2007 trustees' reports on Social Security and on Medicare. Academy Senior Health Fellow **Cori Uccello** was quoted in both articles, and **Ken Steiner**, a member of the Academy's Social Insurance Committee and a resource actuary with Watson Wyatt Worldwide in Arlington, Va., was quoted in the post-release article. Uccello said a funding-warning trigger could be an opportunity to renew focus on Medicare's financial problems but that policymakers would need to look beyond the revenue share of Medicare spending. Steiner said the Academy believes changes to Social Security should happen sooner rather than later to give people sufficient time to prepare if their benefits are reduced in any way.

Academy [comments](#) to the Centers for Medicare and Medicaid Services on lessons learned from Medicare Part D were cited in an April 9 *Dallas Morning News* cover story about the Part D prescription drug coverage gap. The letter was also the subject of an April 30 *Medicare Drug Focus* article.

The Academy was the source of longevity statistics in a retirement planning article in the April 16 *Arizona Republic*.

Anna Rappaport, a Chicago consulting actuary, was quoted in an April 9 *U.S. News & World Report* article about ways to save for retirement.

The Academy was the source of the definition of a "whipsaw calculation" to determine lump-sum payouts for cash balance pension plans in an April 21 *Dayton Daily News* article on a federal appeals court ruling in an age discrimination lawsuit.

An April 24 article in *The Hill* cited Academy [statistics](#) on an insured-loss estimate from a future large nuclear, biological, chemical, or radiological terrorist attack in New York. Sen. Joseph Lieberman (I-Conn.) also cited the Academy estimate in an April 26 *Best Wire* article.

An article in the April 18 *New Orleans Times-Picayune* referred to an article on storm models in the March/April issue of *Contingencies* and quoted the article's author, **David Lalonde**, a senior vice president with AIR Worldwide in Oakville, Ontario.

See **ACADEMY NEWS BRIEFS**, Page 5

CUSP Focuses on International Issues

THE COUNCIL OF U.S. PRESIDENTS (CUSP), composed of the Academy's president and president-elect and the presidents and presidents-elect of the Academy's four sister U.S.-based actuarial organizations, will be helping to coordinate the U.S. profession's response to international issues.

At an April 12 gathering in Mexico City, held before meetings of the North American Actuarial Council and the International Actuarial Association (IAA) in the same location, CUSP agreed that IAA activities should be an agenda item at all future meetings of the group. Encouraging each of the five U.S.-based actuarial organizations to work closely with its representatives to the IAA, CUSP also suggested that former Academy President Dan McCarthy, the Academy's international secretary, and Academy Senior Pension Fellow Ron Gebhardtshauer, the Academy's delegate to the IAA, develop an early warning system

to alert CUSP to items of interest to the U.S. profession on upcoming IAA meeting agendas.

CUSP was formed by the Academy's Board of Directors at its Jan. 31 meeting. Among other things, CUSP was tasked with facilitating agreement and, where appropriate, coordinating cross-discipline and cross-organizational issues for the U.S. actuarial profession. CUSP's focus on international issues comes after the group released a letter to the profession on Jan. 31 calling on the Academy to coordinate collaboration on international efforts.

Look for continuing coverage of CUSP activities in upcoming issues of the *Update*. ▲



PUBLIC INTEREST, continued from Page 1

At the same time, said Edward Robbins, president of the Society of Actuaries, "identifying and advancing the public interest helps to maintain a climate in which we can continue to exist as a profession over the long term."

Interest in drafting the statement was galvanized, in part, by a recommendation in the final [report](#) of

the Critical Review of the U.S. Actuarial Profession (CRUSAP) Task Force.

"The issue that has come out in a number of forums, most recently in this country in the CRUSAP report, is the importance of making sure that the profession is cognizant of the needs of the public," said Thomas Myers, president of the Casualty Actuarial Society. "The statement of position is to help remind ourselves and to encourage our members to consider the impact of their work."

A further impetus, Lehmann said, was a presentation to the group by Norman Gendron, president of the Canadian Institute of Actuaries, about the unique aspects of the Canadian profession. "The Canadians have an obligation to serve the interests of the public as one of their guiding principles," Lehmann said.

The statement also serves notice that the various North American actuarial organizations value the importance of working together to advance the profession and the public interest, said Chris Stroud, president of the American Society of Pension Professionals and Actuaries. "If you have the presidents of coordinating organizations taking positions in accord on issues, then you are laying the groundwork for the future on what this group is trying to accomplish together."

To read the complete statement of position, see box at left. ▲

Statement of Position From Members of NAAC on the Topic of Public Interest

In recognition of:

- ▶ The actuarial profession's commitment to the public,
 - ▶ The demands brought upon us by the pace of change in the world around us, and
 - ▶ The growing opportunities that always accompany such change,
- the undersigned leaders of the actuarial professional associations comprising NAAC acknowledge the paramount importance of acting in the public interest. It is important to identify, protect, and advance the public interest in the work of our profession—its organizations and its members.

NAAC (the North American Actuarial Council) is composed of the presidents and presidents-elect of the various North American actuarial professional associations.

International Oversight

THE ACADEMY HAS A NUMBER of members who serve as liaisons representing the U.S. actuarial profession at meetings of the International Actuarial Association (IAA) and its various committees and subcommittees.

The Academy's official delegate to the IAA's governing council is Senior Pension Fellow Ron Gebhardtshauer. The Academy's alternate delegate is Academy President Steven Lehmann. Former Academy President Dan McCarthy is the Academy's international secretary, a new position that coordinates international activity both within the Academy and among all U.S. actuarial organizations.



Serving as Academy representatives on individual IAA committees are:

- **Academy President-elect William Bluhm**, who serves on the IAA's Accreditation Committee
- **Former Academy Vice President Howard Bolnick**, who serves as chairman of the IAA's Health Section and is a member of the IAA's Member Services and Supranational committees and of the China Subcommittee
- **Former Academy Board member Paul Braithwaite**, who serves on the IAA's Reinsurance Subcommittee
- **Academy Social Insurance Committee Chairperson Ken Buffin**, who serves on the IAA's Social Security Committee
- **William Hines**, who serves on the IAA's Insurance Accounting Committee
- **William Horbatt**, who serves on the IAA's Risk Margin Working Group
- **Ron Gebhardtshauer**, who serves on the IAA's Task Force on Financial Economics, its Pension and Employee Benefits Committee, and its Accounting Standards Subcommittee

- **Former Academy Vice President Burt Jay**, who serves on the IAA's Actuarial Standards Subcommittee
- **Steven Lehmann**, who serves on the IAA's Advice & Assistance, Financial Risk, and International Education Program committees
- **Dan McCarthy**, who serves on the IAA's Education and Professionalism committees
- **Therese Vaughan**, who serves on the IAA's Insurance Regulation Committee and its Solvency and Role of the Actuary subcommittees.

Academy members who are interested in the activities of a specific IAA committee, or have questions or comments, are encouraged to contact their Academy representatives.

Other Academy members hold leadership positions at the IAA, although not as Academy representatives. Former Academy President David Hartman is the IAA's president-elect. Sam Gutterman chairs the IAA's Insurance Accounting Committee, and Curtis Huntington chairs the IAA's Audit and Finance Committee. Mary Frances Miller is the vice chairperson of the IAA's Education Committee. ▲

KUDOS

➤ **Haeworth Robertson**, former chief actuary for Social Security and 2004 recipient of the Academy's Robert J. Myers Public-Service Award, delivered an April lecture on Social Security and Medicare at the University of Michigan in Ann Arbor. The lecture was sponsored by the Weltha McLachlan Van Eenam Memorial Fund. Weltha McLachlan was a qualified actuary and 1918 Michigan graduate who in 1936 became the first staff actuary of the newly enacted Social Security system. Marjorie Van Eenam Butcher and her late husband, Robert Butcher, who taught Robertson when he was a student at Michigan, established the fund in memory of her mother. Earlier in the month, Robertson gave the Shelby Cullom Davis Endowment Lecture and met with faculty and students at Trinity College in Hartford, Conn.

ON THE MOVE

➤ **John Hele** was appointed chief financial officer and a member of the ING Group Executive Board in Amsterdam, Netherlands. Hele, a Canadian, was formerly deputy chief financial officer and had served as general manager and chief insurance risk officer as well as the group actuary of ING.

➤ With the state of Kansas elevated to chair the National Association of Insurance Commissioners' Life and Health Actuarial Task Force (LHATF), **Larry Bruning**, chairperson of the Academy's Centralized Examination Office Team and a member of the Academy's Life Practice Council and chief actuary of the Kansas Insurance Department in Topeka, will be chairing LHATF meetings. ▲



FASB Hosts Roundtable on Valuation Guidance

ON APRIL 30, the Financial Accounting Standards Board (FASB) held a roundtable discussion on the need for valuation guidance for financial reporting and how such a need might be filled. Andrea Sweeny, vice chairperson of the Academy's Financial Reporting Committee, joined delegates from a variety of accounting and appraisal organizations for the meeting at FASB headquarters in Norwalk, Conn.

FASB staff member Leslie Seidman led the discussion with questions developed from the FASB's earlier invitation to comment on the topic, including whether such guidance was necessary. Bruce Bingham of the American Society of Appraisers argued that it was. He said that auditors need to be comfortable with evaluating and reviewing financial information. Others at the roundtable thought that Financial Accounting Standard (FAS) 157 was sufficient framework and that additional guidance was not needed. Sweeny suggested that more guidance would become necessary as international accounting standards are released. Chris Thorne of the International Valuation Standards Committee pointed out that different views existed on the degree of aggregation anticipated by FAS 157. The problem, he said, is the impact of principles in different sectors and markets. Dan Noll from the American Institute of Certified Public Accountants said that while there is a clear need for guidance, there is a point beyond which the board should stop issuing guidance. Paul Munter of KPMG said the board should issue guid-

ance on the implementation level, not on a detailed level. Sweeny added that such advice needs to be policy-based, rather than principles-based.

Sweeny also said that the FASB should provide guidance and goals, and then leave it to the standard setters on how to achieve those goals. She said that the FASB should make use of existing guidance-setting structures, such as the Actuarial Standards Board (ASB), and that there should be a due process for setting standards. She concurred with Gerald Mehm of American Appraisal Associates who added that guidance should be developed interactively between, for example, the FASB and the accounting community.

The final question posed at the roundtable was whether or not the process of developing valuation guidance should be on an international level. Robert Herz, chairman of the FASB, responded that this presented an opportunity for convergence and that it would be a shame to have separate implementation guidance for the United States and for the rest of the world. Sweeny observed that insurance products are different worldwide and that it would be difficult for guidance to work entirely smoothly in every country.

Seidman said that the FASB will be compiling input from the roundtable and letters it received to its invitation to comment before deciding on next steps. Among the comment letters is an April 13 joint [response](#) from the Academy's Financial Reporting Committee and the ASB.

—TINA GETACHEW

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ▶ In an April 18 [letter](#) to the Financial Accounting Standards Board (FASB), the Academy's Life Financial Reporting Committee expressed concern over an accounting issue that arose at the FASB's Feb. 13 meeting involving life insurance contracts acquired in a business combination.
- ▶ The following have joined a new Academy task force that will be commenting on the International Accounting Standards Board's discussion paper on accounting for insurance contracts: **George Argesanu**, a pricing consultant for Nationwide Insurance in Columbus, Ohio; **James Backus**, an actuary with Transamerica Reinsurance in Charlotte, N.C.; **Rowen Bell**, a manager at Ernst & Young in Chicago; **Michael Dubin**, a director at PricewaterhouseCoopers LLP in Florham Park, N.J.; **Victoria Grossack** of Tucson, Ariz., and Troistorrents, Switzerland; **Thomas Herget**, executive vice president at PolySystems Inc. in Chicago; **Gareth Kennedy**, a manager at Ernst & Young in Chicago; **Jay Morrow**, senior vice president and actuary for American International Underwriters in New York; **Chris Nyce**, senior manager at KPMG LLC in Radnor, Pa.; **Leonard Reback**, vice president and actuary for Metropolitan Life Insurance Co. in Bridgewater, N.J.; **Henry Siegel**, vice president, office of the chief actuary, for New York Life Insurance Co. in New York; **Donald Solow**, director, Wachovia Capital Markets LLC in New York; **Andrea Sweeny**, a principal with Casualty Actuarial Assistance in Meriden, Conn.; **Nicholas Weltmann**, vice president, AIU personal lines, at AIG in New York; and **Russell Willard**, actuarial director with Humana in Louisville, Ky.



DISASTER PREPAREDNESS, continued from Page 1

in a subcommittee paper on flood insurance that is expected to be completed later this year.

Such ready attention to Academy work products reflected the general esteem in which the Academy is held by those with whom they met, Ackerman said. "All of the people we visited already knew about the Academy and viewed us as being very helpful," said Ackerman. "That was both gratifying and exciting."

The meeting with Rep. Taylor's staff focused on his bill (H.R. 920) to add wind damage coverage to the National Flood Insurance Program. The bill would also mandate that purchasers of new coverage be charged actuarially sound premiums. It would not change the manner in which premium rates are determined for the program's flood-only coverage. In addition to meeting with the Academy, Taylor's staff is seeking guidance from the Congressional Budget Office on the bill's financial implications.

In related action, Kevin Thompson, a vice president of the Insurance Services Office and a member of the Academy, and Jack Seaquist, a senior manager with Applied Insurance Research Worldwide, who has assisted the Academy's Terrorism Risk Insurance Subgroup by providing modeling information on terrorism risk, met May 17 with a staffer for the Senate Banking Committee to discuss risk modeling.

Speaking on behalf of the Academy, they explained the value and limitations of modeling terrorism risk. While event losses can be modeled with a certain level of accuracy, the two said, the modeling of event frequency lacks accuracy. In its [report](#) to the

President's Working Group on Financial Markets last year, the Academy subgroup gave detailed estimates of insured losses that could be incurred by a terrorist attack. The estimates varied by the type of event and the size and composition of the city in which it occurred.

The current legislation providing a federal backstop for terrorism risk insurance will expire at the end of 2007. The House is expected to begin discussions of a renewal or replacement bill in the near future.

—LAUREN PACHMAN

CASUALTY BRIEFS

- ▶ On March 30, the Academy's Workers' Compensation Subcommittee sent a [letter](#) to the National Conference of Insurance Legislators commenting on a proposed model law on professional employer organizations' registration and use of experience ratings for workers' comp insurance.
- ▶ **Sholom Feldblum**, vice president and actuary with the Liberty Mutual Group in Boston, has joined the Academy's Property and Casualty Risk-Based Capital Committee.
- ▶ **Jeffrey Kadison**, president of Practical Actuarial Solutions Inc. in West Hartford, Conn., has joined the Academy's Workers' Compensation Subcommittee.
- ▶ **Richard Lord**, principal and consulting actuary with Milliman in Pasadena, Calif., has joined the Academy's Medical Malpractice Subcommittee.



LOOK IT UP

Interested in the particulars of federal legislation that is mentioned in the *Update*? You can access the full text of any proposed bill or existing legislation by going to the Library of Congress website, <http://thomas.loc.gov>, and typing in the bill number in the search box.



Academy Renews Focus on Health RBC

VARIOUS ACADEMY GROUPS have stepped up the pace on health risk-based capital (RBC) issues in recent months. In early May, the Health Practice Financial Reporting Committee, the Medicare Part D RBC Subgroup, and the Stop-Loss Work Group each provided comment letters to the National Association of Insurance Commissioners (NAIC) on the topic.

Active life reserves have been a topic of discussion at the NAIC for a number of years. Blue Cross and Blue Shield of Florida recently submitted a proposal to modify the treatment for medical insurance products, suggesting that the risk be proportionally reduced for products with active life reserves (based on the reserves recorded in the statutory financial statement). In a [letter](#) to the NAIC's Health Risk-Based Capital Working Group, the Academy's Health Practice Financial Reporting Committee offered some background on the Florida proposal and on the actuarial modeling that was done by Milliman USA in support of it. There is no clear theoretical case that either supports or refutes the conclusion that a product with active life reserves is less risky than products without active life reserves, the Academy concluded. It is expected that discussion on this topic will continue at the NAIC's summer National Meeting this month in San Francisco.

With a trend test included in the life and the property/casualty RBC formulas, the NAIC earlier



this year asked the Academy to comment on the possibility of creating one for the health RBC formula. An RBC trend test is a supplemental calculation to determine whether an entity can trigger the company-action-level RBC requirements because of concern over deteriorating trends in its capital position, even though its current capital position is above that threshold.

HEALTH BRIEFS

- ▶ The Premium Deficiency Reserves Work Group of the Academy's Health Practice Financial Reporting Committee recently published a [paper](#) on premium deficiency reserves. Designed for practicing actuaries, the discussion paper includes examples, common terms, and references to authoritative guidance.
- ▶ In April, the Academy's Medicare Steering Committee published an updated [issue brief](#), *Medicare's Financial Condition: Beyond Actuarial Balance*, which examines the findings of the 2007 Medicare trustees' report.
- ▶ **Joann Hess**, senior vice president for Aon Consulting in Baltimore, has joined the Academy's State Mandated Coverage Task Force.
- ▶ **Frederick Busch**, regional vice president and actuary for Anthem Blue Cross and Blue Shield in Louisville, Ky., has joined the Academy's Consumer Driven Health Plans Work Group and the Academy's Emerging Data Subgroup.
- ▶ **Michelle Raleigh**, a consulting actuary in Scottsdale, Ariz., has joined the Academy's Uninsured Work Group, the Academy's Health Coverage Subgroup, and the Academy's Health Dollar Subgroup.
- ▶ **Steven Wang**, an actuary with Cheiron in McLean, Va., has joined the Academy's Disease Management Work Group, the Academy's Health Practice International Task Force, and the Academy's Health Care Quality Work Group.
- ▶ Joining the Academy's State Long-Term Care Principles-Based Work Group are **Anthony Attard** and **Philip Sanchez**, respectively actuarial projections leader for the long-term care division and long-term care valuation actuary for Genworth Financial in Richmond, Va.
- ▶ Joining the State Health Principles-Based Work Group are **Frank Amrine**, actuarial director and appointed actuary for Humana Inc. in Louisville, Ky., and **Tim Deno**, vice president and valuation actuary for WellPoint Inc. in Indianapolis.



In a May 3 [letter](#), the Health Practice Financial Reporting Committee requested additional guidance from the NAIC on this task. Having performed some high-level sensitivity tests, using both the life and P/C trend tests at various combined ratios, the Academy found that neither effectively separates financially troubled from financially stable companies. While regulators would seem to find it useful to have another tool for identifying companies at risk, because there are still states that haven't adopted the health RBC formula, any ability to accurately report the number of companies facing action levels could be impeded. Continued discussion is expected during the summer National Meeting and on future conference calls of the NAIC's Health RBC Working Group.

Having provided a report and proposed risk factors in December 2005 to the NAIC, the Academy's Medicare Part D RBC Subgroup has been reconstituted in order to revisit the factors (as prescribed in its 2005 report). In a May 3 [letter](#), the subgroup noted that its report recommended revisiting the proposed factors in order to modify them for the four-year period 2008 to 2011. Because risk corridors will be widened for 2008, companies will have at least one full year of actual experience providing them with increased knowledge that can be used to mitigate the potential for mispricing. The Academy subgroup requested additional direction from the NAIC before moving forward with the project to update its 2005 analysis.

Finally, the Academy's Stop-Loss Work Group has been engaged in a long-term effort to update reports presented to the NAIC from 2002 and earlier. At the NAIC's winter meeting, the group reported on its activity since 2002, including work on the creation of a set of proposed RBC factors for excess of loss products. During a May conference call of the NAIC's Health RBC Working Group, the Academy group reported on further progress, on its efforts to select a structure for the RBC calculations, and it presented a modified timeline for the project. It's now anticipated that a final report will be ready by the NAIC's fall national meeting in Washington in late September.

—GERALYN TRUJILLO

Health Help Wanted

The Academy's Health Practice Financial Reporting Committee is looking for volunteers to help revise the large-group medical business and small-group certification practice notes. The committee is also trying to gauge interest in drafting two new practice notes, one focused on internal controls and the other on Medicare Part D accounting. If you are interested in volunteering or want further information, please contact GERALYN TRUJILLO, the Academy's state health policy analyst (202.223.8196; trujillo@actuary.org).

LIFE BRIEFS

- **Tony Dardis**, a consulting actuary with Towers Perrin in Atlanta, has joined the Academy's Life Financial Soundness/Risk Management Committee.
- **Patricia Matson**, senior manager and consulting actuary for Deloitte Consulting in Hartford, Conn., is the new vice chairperson of the Academy's Life Financial Reporting Committee.
- **Eric Carlson**, vice president, professional services, for DFA Capital Management Inc. in Purchase, N.Y., is the chairperson of the Academy's Illustrations Work Group.
- **Larry Seller**, president of Larry Seller Consulting Services in Canton, Mass., has joined both the Academy's Annuity Capital Work Group and Annuity Reserves Work Group.

PROFESSIONALISM BRIEFS

- **Kathleen Riley**, a senior vice president for the Segal Co. in Boston, has been named vice chairperson of the Academy's Council on Professionalism. As the current chairperson of the council's Committee on Qualifications, Riley has been leading the multiyear effort to update the qualification standards.



Academy Capitol Hill Visits

Social Insurance Diplomacy

ON APRIL 10, Ken Buffin, chairperson of the Academy's Social Insurance Committee, joined Academy Senior Pension Fellow Ron Gebhardtshauer in a whirlwind round of meetings with congressional staff, policymakers, and advocacy groups working on social insurance issues. With nine meetings over the course of two days, the two were able to discuss the Academy's work with many individuals who influence and shape the debate on social insurance programs both in this country and around the world.

"By engaging in fruitful dialogue with other interested parties, it was our hope to further raise the visibility and profile of the Academy on Social Security issues," said Buffin.

As part of their ambitious schedule, Buffin and Gebhardtshauer met for the first time with representatives of the National Committee to Preserve Social Security and Medicare. While the discussion was introductory, it offered meeting participants the opportunity to discuss areas in which the two organizations could work together. Topics of discussion included the adequacy of benefits in proposals

for price indexing and the impact of retirement age adjustments.

Buffin also met with representatives from the World Bank to discuss social insurance on a global level. Many countries are exploring alternative options for financing their social insurance systems, said Buffin, and the ideas they are exploring could be useful when examining ways to reform Social Security.

In a meeting at AARP, discussions revolved around the impact of Social Security reform options, as well as possible incentives to delay the retirement age. Buffin and Gebhardtshauer passed along some of the Academy's latest publications in the area, including its newest [monograph](#), *Social Security Reform Options*, and an [issue brief](#) discussing the effect of investing Social Security trust fund assets in private securities.

While on Capitol Hill, the two met with representatives of the Congressional Research Service, minority staff to the House Ways and Means Committee, minority and majority staff to the Senate Finance Committee, and staff in the office of Sen. Jeff Sessions (R-Ala.). The consensus from most of

Academy Reiterates DOE Pension Policy Concerns

IT WOULD BE PENNY-WISE AND POUND-FOOLISH for the Department of Energy (DOE) to reinstate a policy denying reimbursements to DOE contractors for the costs of their new employees' defined benefit (DB) pension plans.

That is the thrust of a May 10 [letter](#) that the Academy's Pension Committee sent to the DOE as it considers whether to reinstate a policy that was suspended last year in the wake of considerable opposition from a variety of stakeholders.

In its letter, the Academy acknowledges the DOE's need to manage and control the costs of pension and medical benefits but argues that prohibiting DB plans for future employees won't control the volatility or level of pension expenditures. It is a flawed perception, the letter states, that DB plans are more expensive than defined contribution plans. This is because the benefit levels of

the plans are usually not comparable. Instead of restricting the type of plan, the Academy argues, the DOE should instead specify its goals for volatility and cost and consider the various ways of attaining those goals.

At the conclusion of the letter, the Academy offers to help the DOE find alternate solutions for contractor costs related to pensions.

When the policy was first proposed last year, the Academy was one of the first of a number of organizations to voice concerns about it. The Academy's position was reported in the *Washington Post* and other newspapers and was cited by numerous other groups and by key legislators. Sen. Edward Kennedy (D-Mass.), ranking member of the Health, Education, Labor and Pensions Committee, referred to the Academy's objections during his floor statement opposing the new policy. ▲

these meetings was that it would be hard to find a solution for Social Security reform that could pass in both the House and the Senate this year. However, staffers from both sides of the aisle reported that ways to enable or even encourage work at older ages are being seriously discussed. Staffers were also interested in the Academy's take on the request for comments by the Financial Accounting Standards Advisory Board on accounting for social insurance. In the meeting with staff in Senator Sessions' office, the discussion centered on the senator's proposal to create portable lifetime savings accounts, a vehicle for individual retirement savings accounts based on the government employees' thrift savings plans.

At their meeting with representatives of the National Academy

of Social Insurance, Buffin extended an invitation to speak at the next Social Insurance Committee meeting. Buffin sees such a visit as a continuation of the two-day effort to expand the outreach of the Academy to other groups that are engaged in the debate on Social Security reform.

"While members of the Academy's Social Insurance Committee are extremely knowledgeable on Social Security from an actuarial perspective, there are benefits to be derived from exposure to experts from different backgrounds," said Buffin. "They bring to the table a somewhat different perspective on social and economic policy issues."

—SAMUEL GENSON



Ken Buffin, left, and Ron Gebhardt plan their Capitol Hill visits at the EA meeting.

PENSION BRIEFS

- In May, the Academy's Social Insurance Committee published an updated [issue brief](#), *An Actuarial Perspective on the 2007 Social Security Trustees' Report*.
- In a May 1 [letter](#) to the Internal Revenue Service, the Academy's Pension Committee commented on proposed regulations governing phased retirement from defined benefit pension plans.
- **Paul Angelo**, senior vice president and actuary for the Segal Co. in San Francisco, has joined the Academy's Public Plans Subcommittee.



Farley Award Nominations

The Academy is looking for nominations for the 2007 Jarvis Farley Service Award, given annually to an actuary who has provided sustained exemplary volunteer service to the profession.

With the exception of current Academy officers, all Academy members are eligible for the award, as are directors and members of the Actuarial Standards Board and the Actuarial Board for Counseling and Discipline. Past Academy presidents are eligible for consideration only for the volunteer work they have done after completing their term of office.

E-mail your nominations by July 20 to the Academy at awards@actuary.org. Include the name of the nominee, a brief explanation of why his or her volunteer service is exemplary, and your name and telephone number.



Actuarial Update

ASSOCIATE EDITORS

William Carroll
Patrick Collins
Andrew Erman
Rade Musulin
Geoffrey Sandler
Donald Segal

EDITOR

Linda Mallon
(editor@actuary.org)

DESIGN AND PRODUCTION

BonoTom Studio Inc.

MARKETING AND PUBLICATION

PRODUCTION MANAGER
Cindy Johns

American Academy of Actuaries

PRESIDENT

Steven Lehmann

PRESIDENT-ELECT

William Bluhm

SECRETARY-TREASURER

John Parks

VICE PRESIDENTS

Robert Miccolis
Allan Ryan
David Sandberg
John Schubert
Donald Segal
Timothy Tongson

EXECUTIVE DIRECTOR

Kevin Cronin

DIRECTOR OF COMMUNICATIONS

John Schneidawind

ASSISTANT DIRECTOR FOR PUBLICATIONS

Steven Sullivan

MANAGING EDITOR, INTERNET AND NEW MEDIA

Anne Asplen

EXECUTIVE OFFICE

The American Academy of Actuaries
1100 Seventeenth Street NW
Seventh Floor
Washington, DC 20036
Phone 202-223-8196
Fax 202-872-1948
www.actuary.org

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

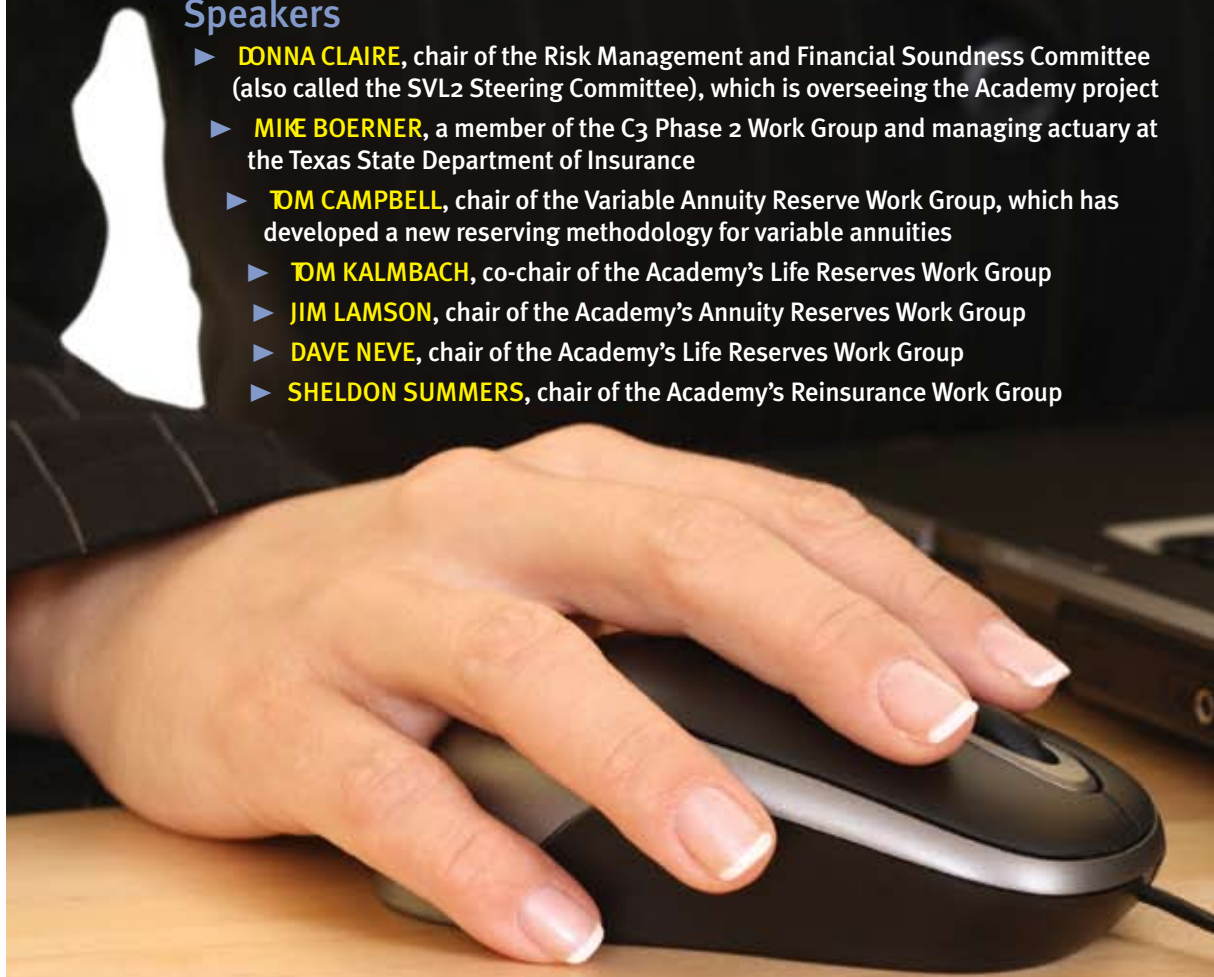
©2007 The American Academy of Actuaries. All rights reserved.

Sign Up Now for the June 20 Principles-Based Webcast

Online registration has begun for the Life Practice Council's next webcast, part of a series of periodic updates on the effort to develop a principles-based approach for life reserve and capital requirements. The 90-minute noon (EDT) webcast will include a discussion of principles-related developments at the NAIC summer meeting. The registration fee is \$160 for Academy members and \$200 for non-members.

Speakers

- ▶ **DONNA CLAIRE**, chair of the Risk Management and Financial Soundness Committee (also called the SVL2 Steering Committee), which is overseeing the Academy project
- ▶ **MIKE BOERNER**, a member of the C3 Phase 2 Work Group and managing actuary at the Texas State Department of Insurance
- ▶ **TOM CAMPBELL**, chair of the Variable Annuity Reserve Work Group, which has developed a new reserving methodology for variable annuities
- ▶ **TOM KALMBACH**, co-chair of the Academy's Life Reserves Work Group
- ▶ **JIM LAMSON**, chair of the Academy's Annuity Reserves Work Group
- ▶ **DAVE NEVE**, chair of the Academy's Life Reserves Work Group
- ▶ **SHELDON SUMMERS**, chair of the Academy's Reinsurance Work Group



CE Credit

Participation in the June 20, 2007, webcast may earn the participant up to 1.8 continuing education credits under the Qualification Standards for Prescribed Statements of Actuarial Opinion, depending on the participant's practice area and other requirements set forth therein. The Academy believes, in good faith, that the June 20, 2007, webcast qualifies as a "Recognized Organized Activity" under the Qualification Standards for Prescribed Statements of Actuarial Opinion currently in effect.