FEB 2010

Actuarial UPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Academy Out in Front of Reform Reshuffling

PRIOR TO THE POLITICAL HUDDLING that took place after Republican Scott Brown's special election victory to fill the U.S. Senate seat vacated by the death of Massachusetts Democrat Edward Kennedy, the House and Senate had begun negotiations to resolve the differences between their versions of heath care reform legislation. As such, the Academy's Health Practice Council proactively analyzed the actuarial implications of the existing bills in a comment letter to both chambers and released an accompanying joint Academy/Society of Actuaries (SOA) report on excise taxes for high-cost plans.

In the Jan. 14 letter addressing the Academy's comprehensive concerns with various elements of the two legislative proposals, the council underscored the need to limit adverse selection, such as that potentially stemming from new issue and rating restrictions. An effective and enforceable mandate will minimize adverse selection resulting from the more restrictive issue and rating rules that are included in both versions of legislation, the letter said.

"The individual mandate provisions are relatively weak, which limits their effectiveness to reduce the adverse selection that would arise due to the new market rules," wrote Health Practice Council Vice President Al Bingham. "Allowing wider premium variations by age and/or strengthening the individual mandate would reduce adverse selection and increase the viability of the reformed market."

The letter also acknowledged the potential for adverse selection inherent in the current design of the proposed new federal long-term care insurance program better known as the Community Living Assistance Services and Supports (CLASS) Act, and it summarized the differences in the grandfathering provisions of each bill and offered suggestions to prevent individuals with existing coverage from experiencing rate shock that will disrupt the market. Other issues it addressed were medical loss ratios, essential benefit packages for medical necessity, risk-sharing, the creation of cooperatives and/or a public plan, and an excise tax on employer-sponsored health insurance.

SEE **HEALTH CARE REFORM**, PAGE 4

Sears Supplies Tools to Strengthen ABCD

EVERY TIME A COMPLAINT ABOUT AN ACTUARY is referred to the Actuarial Board for Counseling and Discipline (ABCD), new Chairperson Carol Sears is one of the first people to see it. Along with ABCD Vice Chairpersons Paul Fleischacker and Curtis Huntington, Sears sets the agenda for the rest of the board in determining which actuaries warrant having their professional conduct examined under a microscope—with their reputations and sometimes practicing credentials hanging in the balance.

As one might imagine, it's not a duty taken lightly.

"Being an ABCD board member and sitting in judgment of your peers is one of the most gut-wrenching and difficult tasks that an actuary can do," says Sears, a principal with the Actuarial Consulting Group in Morton, Ill. "It's hard to feel like you can be the judge about how another actuary should or shouldn't be performing."

As much of a chore as it may sound like at times, however, she also realizes that it's a privilege that must be fully appreciated in order to allow actuaries to continue to operate under the self-governing conditions and with the professional respect they have always enjoyed.

SEE **SEARS**, PAGE 5

MARCH

3-6 IAA meeting, Cape Town, South Africa

5-7 NCOIL spring meeting, Charleston, S.C.

7-12 International Congress of Actuaries, Cape Town, South Africa

15-18 NAIC spring meeting, Denver

24 Webcast on retiree drug subsidy certification (Academy, ASPPA, CAS, CCA, SOA)

APRIL

6 Quarterly NAIC webcast

11-14 Enrolled Actuaries Meeting (Academy, CCA), Washington

15 Academy Executive Committee meeting, Washington

MAY

19 Council of U.S. Presidents meeting, Washington

20 Academy Board of Directors meeting, Washington

JUNE

17 Webcast on the Qualification Standards and the SOA's CPD requirements (Academy, ASPPA, CAS, CCA, SOA)

JULY

8-11 NCOIL summer meeting, Boston

26-28 45th Actuarial Research Conference, Vancouver, Canada

AUGUST

2-3 Actuarial collaboration meeting

10 Academy Executive Committee meeting, Washington

14-17 NAIC summer meeting, Seattle

SEPTEMBER

5 Webcast on best of *Contingencies* "Up to Code" articles (Academy, ASPPA, CAS, CCA, SOA)

30 Council of U.S. Presidents meeting, Mont-Tremblant, Quebec, Canada

OCTOBER

1-2 North American Actuarial Council meeting, Mont-Tremblant, Quebec, Canada

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.

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

Help the Academy Improve Online Member Experience

THE ACADEMY'S WEBSITE IS CURRENTLY undergoing a comprehensive redesign. As Academy staff and volunteers further those developments, the input and insight of Academy members are critical to making the new website more valuable by better meeting the needs of you, the members, as well as those of the outside audiences the Academy intends to reach through its work. Please take a moment to share your suggestions to make the website easier to navigate and to improve its functionality at www.actuary.org/web_redesign.asp.

MANUALS READY

The Academy has recently published its 2010 Life and Health Valuation Manual and 2009 P/C Loss Reserve Law Manual. For ordering information, visit www.actuary.org/lhmanual.asp or www.actuary.org/pcmanual.asp, respectively.

EA MEETING

Register now for the 2010 Enrolled Actuaries Meeting April 11-14 in Washington. The program features sessions covering a wide range of topics and issues relevant to enrolled actuaries and pension professionals, including up-to-date information on recent guidance and other developments. For more details or to register, visit www.enrolledactuaries.org.

IN GOOD HEALTH

The Academy welcomed Tim Mahony as its new state health policy analyst last month. Mahony, who was previously a senior account manager for health care marketing firm Dhamira Partners, started at the Academy on Jan. 4. Mahony has also served as associate director for government affairs at the National Hispanic Medical Association and as an intern for former Sen. Chuck Hagel (R-Neb.). Before that, he worked for the Nebraska Department of Health and Human Services. He's a graduate of the University of Nebraska at Omaha.

AVOIDING CONFLICT

The Academy has made it easier this year for volunteers to acknowledge the conflict-of-interest policy required for participation on Academy volunteer groups. The Academy's Council on Professionalism has established a webpage for volunteers to log in with their member IDs and confirm that they will ahere to and have read the conflict-of-interest policy as found in the Academy's *Yearbook and Leadership Manual*. Volunteers will find a link to the acknowledgment page from the member log-in page on the Academy website.

IN THE NEWS

An Academy letter to the Internal Revenue Service was spotlighted in the December 2009 issue of *The Insurance Tax Review*. The letter commented on a notice regarding the application of Internal Revenue Code Sections 7702 and 7702A to life insurance contracts that mature after age 100. The letter was signed by Barbara Gold, chairperson of the Academy Life Practice Council's Tax Work Group and a vice president with Prudential Insurance Co. in Newark, N.J.

Discussions during the National Association of Insurance Commissioners (NAIC) December 2009 winter meeting, including an Academy report to the Life and Health Actuarial Task Force, were detailed in a Dec. 4 entry by "The Insurance Bellwether." The report addressed creating a methodology to calculate asset default costs as part of a principle-based approach. Academy Life Reserves Work Group Vice Chairperson Gary Falde, vice president and appointed actuary with Pacific Life Insurance Co. in Newport Beach, Calif., and Alan Routhenstein, member of the Academy Life Reserves Work

➜ CONTINUED ON PAGE 3

PROFESSIONALISM BRIEFS

Aquil Ahmed, an actuary in Fairfax, Va.; **Robert Rietz**, an actuary in Old Fort, N.C.; and **Patricia Teufel**, principal for KPMG in Hartford, Conn., have joined the Academy's Council on Professionalism.

➔ CONTINUED FROM **PAGE 2**

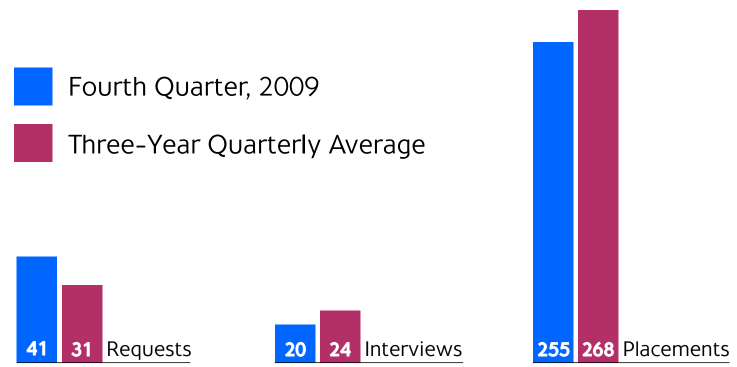
Group's Asset Subgroup and a consulting actuary with Milliman in New York, presented the report to regulators on behalf of the Academy.

The Academy sent comments to Senate leadership regarding health care reform legislation that underscored the need to strengthen the language regarding a health insurance individual coverage mandate. Sound bites from Academy Senior Health Fellow Cori Uccello, taken from a complementary news release, were included in an article by *National Underwriter Life & Health* on Dec. 7. Uccello told senators that "the viability of health care reform depends on attracting lower-risk individuals, and strengthening the individual mandate through higher financial penalties increases the likelihood that these individuals will purchase coverage."

Comments by Steve Schoonveld, chief financial officer of Life Plans Inc. in Waltham, Mass., on the Community Living Assistance Services and Supports (CLASS) Act were included in a Dec. 8 *Time* report. Schoonveld, who co-signed an Academy letter to policymakers with recommendations to improve the proposed federal long-term care program, said that changes to the CLASS Act are in the right direction but that there is still plenty of room for improvement.

Schoonveld was also quoted in a Dec. 29 Tribune/McClatchy article regarding the CLASS Act. He said that adverse selection issues with the CLASS Act will cause premiums to be exceptionally high. The article appeared in, among other publications, the Dec. 30 *Pittsburgh Post-Gazette* and *Orlando Sentinel* and the Dec. 31 *Los Angeles Times* and *Philadelphia Inquirer*.

MEDIA RELATIONS ACTIVITY REPORT — FOURTH QUARTER, 2009



Note: A request is a media inquiry for more information (e.g., statistics, comments, work products, etc.) or for media credentials to an Academy event. An interview occurs when the Academy is able to provide a spokesperson to meet a media request. When an interview is fulfilled, it is no longer tallied as a request. A placement is an article containing an Academy reference, quote, or attribution from an Academy spokesperson or the placement of an Academy-produced letter to the editor/op-ed. A three-year quarterly average is the statistical mean of the past 12 quarterly totals for each category (requests, interviews, and placements).

An actuarial analysis of the CLASS Act conducted by a joint work group of the Academy and Society of Actuaries was discussed during the Dec. 15 airing of the "Diane Rehm Show" on National Public Radio. The analysis was also cited in a Dec. 21 article by the Bureau of National Affairs. The article quoted Allen Schmitz, member of the joint work group and a principal and consulting actuary with Milliman in Brookfield, Wis.

Academy Senior Pension Fellow Frank Todisco discussed how to protect against potential retirement risks in a Dec. 15 *Newsweek* personal finance article. Todisco said that "longevity insurance," which protects against the risk of outliving assets in retirement, can be obtained affordably by deferring the start of collecting Social Security benefits.

On Dec. 17, "The Insurance Bellwether" provided a recap of the Academy Life Practice Council's webcast on principle-based approach updates from the December NAIC meeting. The report included comments from all the panelists, including Phillip Barlow, chairperson of the NAIC's Life Risk-Based Capital Work Group and an associate commissioner with the District of Columbia's Department of Insurance Securities and Banking; Larry Bruning, chairperson of the NAIC's Life and Health Actuarial Task Force and chief actuary for the Kansas Insurance Department in Topeka; Donna Claire, chairperson of the Academy's Risk Management/Financial Soundness Committee and president of Claire Thinking in Fort Salonga, N.Y.; Todd Erkis, chairperson of the Academy's Life PBA Practice Note Work Group and a consulting actuary and principal with Towers Watson in Philadelphia; and Dave Neve, chairperson of the Academy's Life Reserves Work Group and vice president of corporate valuation for Aviva USA in Des Moines, Iowa.

To find out about other actuaries in the news and for external links, visit the Academy's newsroom.

DISCIPLINARY NOTICE

(effective Dec. 28, 2009)

The Disciplinary Committee of the American Academy of Actuaries (the Academy), acting in accordance with the Academy's bylaws and under recommendation from the Actuarial Board for Counseling and Discipline, hereby expels William J. Lambiase for failure to comply materially with the following precepts of the Code of Professional Conduct when in effect as noted below:

- Precept 1 and 2 of the Academy's Code in effect in 1999 and Precept 1 of the Academy's current Code, effective Jan. 1, 2001 by embezzling or stealing $16,000 from an employees' 401(k) profit sharing plan in or around September 1999; by embezzling or stealing $17,000 in government income withholdings in or around September 1999; by stealing $60,000 from an escrow account property of the Diocese of Rockville Center, New York between January and April 2004; and
- Precept 14 of the Academy's current Code, effective Jan. 1, 2001 by failing to respond promptly, truthfully, and fully to information requests from, and to cooperate fully with, the Actuarial Board for Counseling and Discipline.

Health Care Reform, continued from page 1

To elaborate on the last point, a joint work group of the Academy and the SOA released on Jan. 14 a new technical report on the potential implications of an excise tax on high-cost employer health plans (often called "Cadillac plans"). The Senate-approved health care reform bill included a 40 percent excise tax on coverage in excess of specified dollar thresholds. The thresholds would be higher for some individuals based on age, occupation, and geographic area. According to the Academy/SOA report, an excise tax based on the actuarial value of the plan benefits rather than the proposed premium dollar threshold would more accurately target overly generous plans.

McCarran-Ferguson Repeal

On Jan. 21, the Academy also sent a letter to congressional party leaders urging them to discontinue efforts to repeal an antitrust exemption for medical professional liability insurers that was established under the McCarran-Ferguson Act. The Academy expressed concern that removing the exemption could preclude data collection and aggregation across companies, which could lead to limited competition and potentially increased premiums.

The repeal was included in the House's health care reform bill but not the Senate's. Although the election of Brown ostensibly removes Senate Democrats' filibuster-proof 60-vote majority for an omnibus reform package, the antitrust repeal was reported to potentially be one item that would be introduced as a stand-alone measure.

According to Kevin Bingham, chairperson of the Academy's Medical Professional Liability Subcommittee and author of the letter, with respect to medical professional liability insurance, the provision is likely to result in "reduced availability with fewer willing insurers, less vigorous competition among those that do write coverage, and higher costs to the consumer." Bingham wrote that if policymakers proceed with the repeal, they should restore language from an earlier version of the bill that would permit information-gathering and rate-setting activities currently allowed under McCarran-Ferguson. Since a single company's data are often not sufficiently credible to determine basic loss costs and to determine reasonable premiums, data aggregation provides credible information that enhances competition and reduces the likelihood of insolvencies.

Reform Recap

The Academy hosted a free webcast Jan. 25 for more than 1,500 Academy members to keep them up to date on all recent developments in the health care reform efforts on Capitol Hill. The webcast, which was co-sponsored by the Conference of Consulting Actuaries and the Society of Actuaries, was led by the Health Practice Council's David Shea, Thomas Wildsmith, and Cori Uccello. The presenters outlined significant differences between the House and Senate bills and discussed the Academy's involvement with policymakers and the media throughout the reform debates. The slides and archived webcast are available online.

"We have to police ourselves, and we have to do so in a way that's valuable and sensible and meaningful," Sears says. "Or else we will be policed from the outside. And that would cause strife within the profession and how the profession is understood to its audiences and to the public."

That sense of obligation to maintaining the respect of the profession led her to accept a position on the ABCD when she was asked, and it's why she encourages others to do the same. It's also what has inspired her to stay involved in other professional activities, such as serving as then-American Society of Pension Actuaries president in 1999, as a member of the Advisory Committee for the Joint Board for the Enrollment of Actuaries, and as a member of the American Society of Pension Professionals and Actuaries' (ASPPA) Education and Examination Committee for 12 years. For her contributions, Sears was the 2005 recipient of ASPPA's Educator's Award in recognition of her leadership and outstanding contributions to enhancing the retirement industry.

As ABCD chairperson, Sears continues to see the value of educating others about the ABCD's mission and services, including providing guidance to actuaries who have questions or conflicts about their professional responsibilities.

"We want to communicate to the profession that we do provide that service and encourage the profession to utilize it more," she says.

One of the ways the board has done this recently is by bolstering its outreach to actuaries through presentations at actuarial meetings and through webcasts, such as those periodically hosted by the Academy's Council on Professionalism and jointly sponsored by the other U.S. actuarial organizations. The board added a page to the ABCD website to provide information about topics ABCD members will be discussing at upcoming meeting presentations and webcasts. It also allows interested parties to request ABCD speakers for professionalism events.

Prior to those developments, another recent educational method has been the introduction of "Up to Code" columns in *Contingencies*, a regular feature that started in the January/February 2006 issue by former ABCD member Julia Phillips.

"It was our first and fairly effective way of reaching out and delivering education about who we are and what we do and how we do it," Sears says. "It was our first successful attempt to do something different."

In September, the Council on Professionalism plans to combine these efforts by hosting a webcast that highlights some of the best "Up to Code" columns since its inception.

Looking back on her two terms on the ABCD (her second and last three-year term expires toward the end of 2010), Sears says she thinks these efforts have made a visible impact on the critical awareness of the professional issues with which the board deals.

"I used to sense a lot of apathy," she says. "But over my time in the ABCD, I think, for a lot of reasons, the awareness and the concern about its activities has increased considerably in an actuary's everyday life."

She is quick to acknowledge additional factors, such as seeing other professions that have been affected by unethical behavior within their ranks and wanting to learn from those mistakes. But even if she doesn't know quite why, she's glad to see actuaries "caring a lot more about their own ethics and the global ethics of the profession."

Carol Sears

- Has been an Academy member and an enrolled actuary since 1983, a fellow of the American Society of Pension Professionals and Actuaries (ASPPA) since 1989, and a fellow of the Conference of Consulting Actuaries since 1999. She is also a certified pension consultant.
- Has been a principal and consulting actuary for Actuarial Consulting Group in Morton, Ill., since 2000. Prior to that, she worked as a consulting actuary for more than 20 years for the firm Small, Parker, and Blossom in Illinois.
- Is a member of the Conference of Consulting Actuaries' board of directors and a member of ASPPA task forces for phased retirement and women's issues. She previously served as president of the then-American Society of Pension Actuaries in 1999, at which time she also served on the Academy's Board of Directors; spent 12 years on ASPPA's Education and Examination Committee, including as chairperson; was ASPPA's technical education consultant; and was a member of the Advisory Committee for the Joint Board for the Enrollment of Actuaries.
- Was awarded ASPPA's Educator's Award in recognition of her leadership and outstanding contributions to educating the retirement industry and was the recipient of the 25 Women in Leadership Award given by WEEK-TV, the Peoria (Ill.) Area Chamber of Commerce, and the *Marketeer Magazine*, in recognition of contributions to the betterment of family, business, and community in central Illinois.
- Is a frequent local and national speaker on topics relative to retirement plans and other employee benefit programs. She has testified before the U.S. House Ways and Means Committee about the pension industry.
- Received her bachelor's degree from the University of Illinois in actuarial science and finance and is a fervent Fighting Illini fan.

LIFE BRIEFS

- **Edward Robbins**, senior managing director for SMART Business Advisory and Consulting in Chicago, and **Donna Novak**, president and chief operating officer of NovaRest in Sahuarita, Ariz., have joined the Academy's Deferred Tax Asset Work Group.
- **Mike Gower**, actuarial financial reporting manager for Allianz Life Insurance Co. of North America in Minneapolis, and **Arnold Dicke**, president of New World Actuaries in Studio City, Calif., have joined the Academy's Annuity Reserves Work Group.
- **Robert LaLonde**, vice president and senior account executive for InsightDecision Solutions in Glencoe, Ill., has joined the Academy's Life Reserves Work Group.
- **Connie Tang**, assistant vice president and actuary for Harford Life Insurance Co. in Weatogue, Conn., and **Donald Krouse**, vice president and actuary for AEGON USA in Cedar Rapids, Iowa, have joined the Academy's Invested Asset Work Group.

Beer Continues Professional Commitment

ACTUARIAL STANDARDS BOARD (ASB) Chairperson Al Beer never personally doubted the value of volunteerism. Even before joining the ASB in 2006, he had a long history of professionalism involvement with committees of the Casualty Actuarial Society, the Academy, and the Actuarial Foundation. But seeing the participation results and the conclusions drawn by the recent professionwide ASB survey certainly helped reassure him of the fruits of his work.

"The response rate was enormous. Twice what was expected," said Beer, who is currently the Michael J. Kevany/XL Professor of Risk Management, Insurance, and Actuarial Science at St. John's University in New York. "We have very involved, outspoken members in our profession. I've always known that, and this was one more reaffirmation of it. I believe the standards process benefits greatly by people not being afraid to get involved."

Part of Beer's professional activism comes from an appreciation for the value of the actuarial profession itself, a credibility and respect he believes the profession can enjoy only as a result of its high professional standards. And that public confidence is something that he says he "jealously guards."

"I could work 24 hours a day for the rest of my life and couldn't give back what the actuarial profession gave to me," Beer says. "I feel a great responsibility and obligation on behalf of the ASB to maintain the high standards established by our predecessors."

As he knows through his time on the ASB, those standards are only as good as the people who participate in the process of creating and maintaining them. And he couldn't be more impressed with the people with whom he has worked. His job as chairperson, as he sees it, is to marshal the tremendous talent and energy of the board, whose members Beer describes as self-starters who simply need to be allowed room for their own talents to show through.

"I'm not sure that people appreciate the quality of the board members," Beer says. "They have an incredible understanding of their own disciplines and are very quick learners of all others. To me, it's a privilege to work with people like this, and I'd consider it a success if I can keep the level and quality of work that was done while [predecessors] Cecil Bykerk and Steve Kellison were chairpersons."

Beer now brings both the practical and philosophical perspectives to actuarial standards, as he's had the benefit of seeing actuarial work as a consulting actuary for five years with Tillinghast Towers Perrin, for 17 years through Skandia-America Re-Insurance Corp. and American Re-Insurance Corp., and through two stints as an actuarial science professor at the College of Insurance and at St. John's University, both in New York.

"I had professional roles even in my commercial experiences," Beer says. "I was always directly or indirectly responsible for actuaries, including working on standards implementation for professional peer reviews."

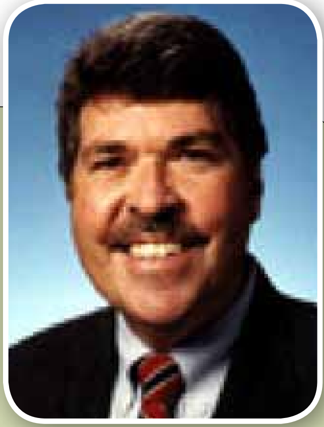
Now he says he can draw on his academic experience of stepping back and gaining a broad, objective view of different disciplines. One issue being discussed—in which that mind-set is especially helpful—is the board's research into appropriate standards for the valuation of pensions.

"There's a healthy and productive discussion going on," Beer says. "It's good for the profession and good for the public to have this discussion. I'm proud of the diligence and the level of detail by the board going into it to make sure we have a good grasp of all the issues."

Other priorities for the immediate future include monitoring the progress of the principle-based approach for the valuation of life annuities and reserves at the National Association of Insurance Commissioners (NAIC) and developing a ratemaking standard for property and casualty actuaries. On the former, Beer says the ASB has been proactively making various modifications to current standards for the past two years but has waited for the NAIC to finalize both the revised standard valuation law and its accompanying valuation manual before starting the process of etching anything into stone. While the model law was approved last September, the manual has been delayed for action until the NAIC spring meeting March 15–18 in Denver.

As for the property/casualty issue, which Beer calls "ripe for clearer standards," he admits that in an ideal world he'd prefer to have all standards be multidisciplinary whenever possible.

"However, in the real world," Beer says, "there are some significant variations between practices," he says. "Rather than dilute the standard to accommodate all disciplines, we want to make sure we have very good standards for the areas in need."



Al Beer

- Was born and raised on Long Island, N.Y.
- Became an Academy member in 1979 and a fellow of the Casualty Actuarial Society (CAS) in 1980.
- Is currently a member of the Academy's Council on Professionalism. He has served two terms on the Academy Board of Directors and has been a member of the Casualty Practice Council. In addition to a stint as CAS president, he has served in over a dozen roles on various CAS committees.
- Was awarded the CAS's Woodward-Fondiller Prize in 1984. He was also named executive of the year in 2001 by the Professional Insurance Agents of New York, professor of the year three times by the College of Insurance, and both role model and volunteer of the year by his diocesan Catholic Youth Organization. As reward for St. John's being named one of nine centers of actuarial excellence in the U.S. by the Society of Actuaries, Beer was chosen to represent the School of Risk Management, Insurance, and Actuarial Science as an honorary coach by sitting on the bench for a Johnnies basketball game.
- Has published actuarial papers through the journals of the CAS and the College of Insurance. Beer has also testified on property/casualty issues to committees of both the U.S. Senate and House of Representatives.
- Received a bachelor's degree in mathematics from Manhattan College and a master's degree in mathematics from the University of Colorado.

New Academy Members

IN THE SECOND HALF OF 2009, 461 new members joined the Academy. By joining, they have demonstrated a commitment to ethical and responsible actuarial conduct and an interest in keeping up with the issues and events that shape their profession. And they are in good company. As of Dec. 31, the Academy boasted 16,758 members on its rolls.

Anees Abbas
Engy Abdel-Motaleb
Jennifer Abel
Heather Adams
Alex Rudolf Agatep
Aadil Ahmad
Andrew Aitken
Rebecca Allen
Jacob Alpert
Shital Amin
John Amundsen
Desmond Andrews
Jennifer Andrzejewski
Qiang Ao
Anna Apgar
Janejira Aranyawat
Matthew Arnold
Alejandro Arriaga
Zachary Aters
Courtney Bach
Gregory Backus
Zheng Bai
John Balbach
Grace Barbieri
John Barela
Adams Barnhart
Ken Bell
Dreanna Belting
Jeffrey Bergman
Sokol Berisha
Bo Bi
Kevin Blackman
Frank Blair
Aleece Blake
Zachary Bohler
Ryan Bohrer
Valerie Bolduc
Karin Bombard
Mathieu Boucher
Alissa Bowen
Sarah Box
Michael Bradley
Joshua Bragg
Andrew Brantner
Peter Braun
Krista Bredenkamp
Adam Bremberger
Rachel Brewster
Kelli Broin
Craig Brophy
John Bullock
Andrea Burrell
Joshua Butler
Daniel Callahan
Megan Campagna
Alp Can
Shawn Carlson
James Carson
Amanda Castello
Tyler Cawley
Keith Champagne
Yung-Chieh Chang
Jonathan Charak
Hsing-Pei Chen
Huina Chen
Jiao Chen
Tiffany Chen
Yikun Chen
Matthew Cheung
Rebecca Chilcote
Stephanie Chin
Young Ho Cho
Jennifer Choe
Chung Yu Choi
Matthew Clark
Fiona Clayton
Marcus Cleary
Amy Cohen
Daniel Collins
Paul Conner
Daniel Constantine
Kristine Coogan
Jay Cooke
Benjamin Crabtree
Steven Cramer
Patrick Curtis
Randi Dahl
Matthew Daskivich
David Davenport
Chad Davis
Rachel Dein
Paul DellaPenna
Jonathan deLutio
Troy Dempsey
Elizabeth Desmonds
James Deye
Sheng Di
Mario DiCaro
John Dizer
Xiaonan Dong
Zelong Dong
Amy Dorff
Nisha Doshi
Neal Drasga
Leigh Duhig
Paul Dunlap
Trevor Durham
Jennifer duToit
Tatsiana Dybal
Kathleen Earle
Daniel Engell
Andrew Etheridge
Katie Euston
Carol Fan
Bin Fang
Ryan Farrelly
Phillip Fedako
Gary Feder
Kevin Feltz
Yucheng Feng
Jake Ferguson
Karl Fick
Miriam Fisk
Zachary Fohl
Matt Fox
Jennifer Frasier
Marie Fredericks
Justin Freeby
Dan Freeman
Jeremy Freestone
Kyle Fritz
Ryan Fuhs
Jie Gao
Brian Gaudet
Jeffrey Gehring
Gavin Geiger
Scott Gibson
Michelle Girton
Colby Goetsch
Akshar Gohil
Illya Golanek
Robert Gomez
Kristen Goodrich
Kim Gordon
Ruchama Graff
Justin Grassel
Jonelle Graziani
Todd Green
Robert Grider
Sitian Gu
Jennifer Gunckle
Ajay Gupta
Syeda Haider
Kenneth Haile
Amanda Hamala
Raymond Hanna
Brian Harper
Benjamin Hart
Thomas Hartl
Adrian Hartley
Jad Hayes
Jason Haynes
Jason Head
Stephen Heagy
Timothy Hedlund
Erik Heiskanen
Donald Hendriks
Eduardo Hernandez
Roberto Hernandez
Aaron Hillebrandt
Yeelam Ho
Andrew Hobbs
Stephanie Honett
William Hossom
Jason Howard
Douglas Hruz
Dennis Huang
Yu-Jie Huang
Joonghee Huh
Karen Hui
Suzette Huovinen
Steven Huppenbauer
Richard Huynh
Theresa Huynh
Alla Iagniatinskaia
Lauren Inglis
David Jaffe
Kari Jennings
Shuheng Ji
Hui Hui Jiang
Jenny Jin
Noel Johnson
Thomas Johnson
Kevin Jones
Bridget Jonsson
Patrick Jou
John Juliano
Daniel Jury
Howard Kahn
Anne Kallfisch
Catherine Kan
Arjun Kanduri
Kai Kang
Dipa Kapadia
Iouri Karpov
Matthew Kaschalk
Abigail Katuska
Timothy Kempen
Benjamin Kester
Veronika Khanina
Gregory Kharonov
Matthew Killough
Min-Jae Kim
Moses Kim
Brett King
Patricia Kinghorn
Perry Klingman
Justin Knight
Richard Knudson
Nathan Kolbes
Kwabena Koranteng
Krista Korbel
Jennifer Kowall
Ignace Kuchazik
Nathan Kunkel
Vinu Kuriakose
Seth Kurpiel
Stephen Laddis
Evi Laksana
Ying Lam
Réal Lamarche
Wing Lau
Meyer Lehman
Chelsea Lenderman
Haiyan Li
Laurie Li
Naihui Li
Xinyu Li
Zhenyin Li
Yuan-Chen Liao
Lian-Ching Lim
Li Lin
Li Ling Lin
Shan Lin
Christian Lindy
David Liner
Ervin Ling
Baoyan Liu
Cunbo Liu
Hannah Liu
Li-Lin Liu
Qiang Liu
Qiong Liu
Lenard Llaguno
Kirk Locker
Michael Logan
Matthew Lombardo
Ashley Lowenberg
Xin Lu
Yue Lu
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➜ CONTINUED FROM **PAGE 7**

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Nominations Sought for 2010 Myers Service Award

Do you know an actuary who has made an outstanding public service contribution? The Academy is looking for nominations for the 2010 Robert J. Myers Service Award.

The award, named for the former chief actuary of the Social Security Administration, recognizes actuaries with a single noteworthy public service achievement or those who have devoted careers to public service. The nominee may be a current or former government employee, the employee of an organization whose primary focus is government work, or an unpaid volunteer working at a philanthropic organization. Public work completed by a paid consultant, by a member of an actuarial committee, or by someone who is an officer of an actuarial organization is ineligible. Please visit http://www.actuary.org/awards/myers.asp for more information about the Myers Award or to nominate an outstanding actuary online. You can also print out a nomination form at http://www.actuary.org/awards/pdf/myers_nominate10.pdf. Nominations are due by July 1, 2010.

Academy Makes Recommendations on ERISA Revisions

IN A LETTER TO REPRESENTATIVES EARL POMEROY (D-N.D.) AND PATRICK TIBERI (R-OHIO), the Academy's Pension Committee commented Dec. 9 on the single-employer defined benefit provisions of H.R. 3936, the Preserve Benefits and Jobs Act of 2009. The bill was introduced by Congressman Pomeroy in late October and would amend the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code to allow time for pension plans to fund benefit obligations in light of the 2008 economic downturn and subsequent financial losses. The Pension Committee did not advocate for or against any particular provision but rather offered actuarial insight into several specific provisions in the bill.

The maintenance-of-effort provisions in Section 101 of the proposed legislation apply to employees "who would, but for any prior amendment ceasing accruals, be eligible for an accrual under the plan." The Pension Committee recommended that a time limit be put on the amendments ceasing accruals in this requirement—such as limiting it to employees for whom accruals ceased in the past five or 10 years—due to administrative difficulties in tracking historical plan freezes in the distant past. The maintenance-of-effort requirement also applies to "applicable plan years," which are generally the 2009 and 2010 plan years. Assuming the bill is signed into law sometime in 2010, this provision would apply retroactively for 2009 and in many cases for part of 2010. This retroactive application would be particularly problematic for the nonqualified plan option—by 2010, it would be impossible to undo compensation deferred in 2009. There is an existing special rule that provides for a delay in the maintenance-of-effort requirement in limited circumstances. The committee recommended extending this special rule to any plan year beginning before enactment.

Section 108 of the bill addresses Social Security level income options, specifically excluding them from benefit restrictions applicable to lump sums. The Pension Committee wrote that consideration should be given to expanding this provision to exclude other payment options from the restrictions where they do not pose a meaningful risk to plan solvency. This would avoid unnecessary restrictions, which are complex and costly to administer.

The Academy's Multiemployer Subcommittee met with staff in Rep. Pomeroy's office on Sept. 24 to discuss the multiemployer plan provisions of the bill. The subcommittee addressed amortization extensions for critical status plans, recommended strengthening the definition of a plan eligible for any form of extended amortization period, and noted zone classification change implications of some provisions.

—JESSICA THOMAS

PENSION BRIEFS

- **Charles Clark**, employee benefits research director for Milliman in New York, has joined the Academy's Pension Committee.
- **Jay Jaffe**, president of Actuarial Enterprises Ltd. in Chicago, has joined the Academy's Committee on Social Insurance.

RISK MANAGEMENT & FINANCIAL REPORTING NEWS

Office of the Actuary Urged

THE ACADEMY'S FINANCIAL REGULATORY REFORM TASK FORCE sent a letter to the Senate Banking Committee Dec. 22 regarding H.R. 4173, the Wall Street Reform and Consumer Protection Act of 2009. The House passed the bill earlier in December. The letter, targeting the provision of a Federal Insurance Office, urged the committee to create an Office of the Actuary. The task force stressed the need for an Office of the Actuary as the Senate committee "considers its own blueprint for the financial reform overhaul in an Office of National Insurance."

Actuaries are crucial in ensuring adequate oversight and guidance to policymakers in the operations of a Federal Insurance Office, the letter says. The task force points out the resilience of the regulatory and risk management structure of insurance entities throughout the financial crisis due to consistent capital requirements. The profession, the letter stresses, was essential to the framework through its objectivity and guidance.

The task force had previously sent a letter to the House Financial Services Committee on Nov. 24, encouraging the creation of an Office of the Actuary in the proposed Insurance Information Act, H.R. 2609.

—TINA GETACHEW

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- **Marianne Purushotham**, a consultant for Towers Watson in Hartford, Conn., has joined the Academy's Financial Regulatory Reform Task Force.

Interstate Commission Looks at Guaranteed Living Benefits

THE ACADEMY'S LIFE PRODUCTS COMMITTEE provided comments to the Interstate Insurance Product Regulation Commission Jan. 6 on an exposure draft of proposed product standards for guaranteed living benefits and guaranteed minimum death benefits for individual deferred annuities. The comments were later presented by committee member Barbara Lautzenheiser Jan. 11 during the commission's Management Committee teleconference.

The commission was created in 2004 to be able to approve policy forms with a single filing for states that have adopted the enabling legislation (currently 36). Policy forms are approved if they comply with product standards developed by the commission, based on the laws, regulations, and best practices of the participating states. Policy forms approved by the commission for sale in the 36 states must be enforced by their state insurance departments even if those forms would not have been approved in the individual states.

Guaranteed living benefits provide guaranteed minimum benefits, most commonly lifetime withdrawal benefits under a variable annuity contract. The commissioners' proposed guaranteed living benefit standards would allow insurers to terminate the benefit feature if the annuity is sold to an institutional investor. Proponents of the provision argue that it is important to be able to terminate the benefit if the annuity is resold to an institutional investor because charges for the benefit would need to be higher for all contract owners. Others argue that a contract owner should be able to sell the annuity to an institutional investor with the benefit intact because the institutional investor may be willing to pay an amount greater than the contract's cash surrender value.

The Life Products Committee didn't take a stand on the provision but explained in its letter to the commission why rates for guaranteed living benefits would be expected to go up for everyone if such terminations were not allowed. Institutional investors might reallocate funds of the variable annuity to the riskiest available investments and take withdrawals immediately to maximize investment return, the committee said. Individuals, on the other hand, may maintain less risky investments to limit their risk if they wish to cash out at any point and will time withdrawals consistent with their lifestyle and financial needs. Furthermore, the potential that a few institutional investors will have a large percentage of the overall market increases the risk that such investors might exercise a certain contract right for an entire block of contracts at the same time. Pricing the benefit feature to cover the cost of potential institutional investor behaviors would necessitate a higher charge than pricing the benefit feature to address individual behaviors.

The Academy letter also pointed out that only consumers with large policies and in good health (i.e., long life expectancies) are likely to be able to sell their guaranteed living benefit annuities to institutional investors, resulting in the less healthy individuals with smaller policies subsidizing the others.

This letter was an outgrowth of a more general paper that the Academy committee has been working on concerning the effect of government mandates. The paper is expected to be used to work with state legislative staff to point out potential unintended ramifications from mandating product designs.

Actuarial Update

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Annual Practice Note Updated

THE ACADEMY'S COMMITTEE ON PROPERTY AND LIABILITY FINANCIAL REPORTING (COPLFR) issued an update of its annual practice note on statements of actuarial opinion at the end of December. The 2009 practice note provides guidance to practicing actuaries who will be writing statements of actuarial opinion (SAOs) on property and casualty loss reserves. It offers examples to actuaries of ways to communicate various reserving situations in their SAOs. The advice contained in the new practice note is nonbinding.

The primary change in the 2009 practice note is including further elaboration upon the manner in which SAOs are to be drafted in intercompany pooling arrangements. Section 1 of the practice note instructions describes the distinction between pooling to a 100 percent lead company with no retrocession and ceding 100 percent via a quota-share reinsurance agreement. Any reinsurance agreement with affiliates must be approved by the regulator as either an intercompany pooling arrangement or a quota-share reinsurance agreement. The financial reporting of such arrangements depends on the approved filing, regardless of how a company views the contract. Additional background on this distinction is included in the "Discussion" section following Section 1C of the SAO instructions and in the "Discussion-Disclosure Items" section following Exhibit B.

COPLFR also recently issued an update to the *Property/Casualty Loss Reserve Law Manual*, which is currently available for purchase on the Academy website.

—LAUREN PACHMAN

CASUALTY BRIEFS

- **Joseph Herbers**, managing principal for Pinnacle Actuarial Resources in Bloomington, Ill., has been named chairperson for the Academy's Committee on Property and Liability Financial Reporting.
- Joining the Academy's Emerging Issues Task Force are **Bill Burns**, senior manager for KPMG in New York; **Nancy Hoppe**, vice president for Zurich North America in Schaumburg, Ill.; **Manalur Sandilya**, chief actuary for insurance for Max Capital Group of Companies in Dublin, Ireland.
- **Robert Miccolis**, director for Deloitte Consulting in Philadelphia, has joined the Academy's Casualty Practice Council.
- **Ronald Kuehn**, consulting actuary for Huggins Actuarial Services in Media, Pa., has been named chairperson for the Academy's Casualty Loss Reserve Seminar Joint Committee. Kuehn has also joined the Casualty Practice Council.
- **Timothy Wisecarver**, president of the Pennsylvania and Delaware Compensation Rating Bureaus in Philadelphia, has been appointed the chairperson for the Academy's recently formed Communications Task Force. Other Academy members joining that task force are **William Wilkins**, commercial lines pricing and product actuary for Safety National Casualty Corp. in St. Louis; **Michael Angelina**, chief risk officer and chief actuary for Endurance Specialty Insurance Ltd. in Bermuda; **Kelly Cusick**, senior manager for Deloitte Consulting in Chicago; **Michael DeMattei**, actuary for Milliman in Pasadena, Calif.; **Roosevelt Mosley**, principal and consulting actuary for Pinnacle Actuarial Resources in Bloomington, Ill.; **Marc Oberholtzer**, principal for PricewaterhouseCoopers in Philadelphia; and **John Rollins**, president of Rollins Analytics Inc. in High Springs, Fla.
- **Robert Eramo**, president of Risk Assessment and Strategies in New York, and **Kenneth Kasner**, assistant vice president and actuary for Hartford Financial Services Group in Hartford, Conn., have joined the Academy's Emerging Issues Task Force.
- **Alp Can**, associate actuary for Crum and Forster in Morristown, N.J., has joined the Academy's Mass Tort Subcommittee.
- **Patrick Causgrove**, an actuary with Allstate Insurance Co. in Northbrook, Ill., has joined the Academy's Flood Insurance Subcommittee.
- **James Hurley**, an actuary with Towers Watson in Atlanta, has joined the Academy's Deferred Tax Asset Work Group.