



AMERICAN ACADEMY of ACTUARIES

In Search Of . . .

The American Academy of Actuaries offers this listing of government actuarial positions as a public service. The position descriptions are provided by the employer, and the Academy assumes no responsibility for any inaccuracies or misrepresentations contained therein. All communication must be directly between the interested party and the government agency.

AUGUST 1999

Job Title: Life & Health Actuary
Employer: North Dakota Insurance Department
Address: 600 East Blvd., Bismarck, ND 58505-0320
Name & Title of Contact: Jodee Buhr, Human Resources Director/Business Manager
Salary Range: Commensurate with experience

Description of Position To Be Filled: This position is in the life and health division. The candidate will review all rate filings for health insurance, reviewing actuarial memorandum for new policy form filings along with review of all rate change filings. Other duties include review of life filings for disclosure concerns, review and update of department's administrative code and provide actuarial expertise to department staff.

Education & Experience Requirements: An M.A.A.A. with at least 5 years of hands-on actuarial experience either with an insurance regulatory agency or working at or with insurance companies.

Other: Send resume and letter of application to contact person at address above.

Job Title: Actuary 1 & 2 – Property and Casualty Bureau
Employer: Pennsylvania Insurance Department
Address: 1326 Strawberry Square, Harrisburg, PA 17120
Name & Title of Contact: Jeffrey T. Wallace, Director
Phone Number of Contact: (717) 705-4194
Salary Range: \$42,797 – \$65,057 (Actuary 1); \$48,861 – \$74,269 (Actuary 2)

Description of Position To Be Filled: Employees perform actuarial analysis of insurance rates, rating procedures, rating plans and schedules of insurance companies; review and analyze insurance operations, reserves and underwriting procedures; and provide technical assistance regarding actuarial matters to policy examiners and other technical staff.

Education & Experience Requirements: **Actuary 1** – Successful completion of 4 parts of the Casualty Actuarial examination program or 3 years of actuarial experience in property and casualty insurance, and a bachelor's degree with major course work in mathematics or statistics. **Actuary 2** – 1 year of experience as a Property and Casualty Insurance Actuary; or successful completion of 5 parts of the Casualty Actuarial examination program; or 4 years of actuarial experience in property and casualty insurance and a bachelor's degree with major course work in mathematics or statistics.

Job Title: Supervising Actuary (Life)
Employer: New York State Insurance Department
Address: 25 Beaver Street, New York, NY 10014
Name & Title of Contact: Barbara Watson, Director of Human Resources
Phone Number of Contact: (212) 480-5315
Salary Range: \$69,826 – \$88,072

Description of Position To Be Filled: The incumbent would be assigned to the Health Bureau (NYC) and would perform actuarial analysis and review of individual and group rate filings submitted by HMOs, nonprofit organizations (e.g., BC/BS), Child Health Plus carriers, and integrated entities, as well as Municipal Cooperative Health Benefit Plans and Managed Long Term Care Plans. May be involved in any or all of the following: Reviewing projections and community rating methodologies of applicants for licensure, evaluation of legislative proposals, drafting of new regulations and/or circular letters and responding to inquiries from consumers, other government agencies, etc.

Job Title: Actuary (Workers Compensation)
Employer: State of Washington, Department of Labor & Industries
Address: P.O. Box 44120, Olympia, WA 98504-4120
Name & Title of Contact: Aurianna Reigh, Administrative Secretary
Phone Number of Contact: (360) 902-5018
Salary Range: \$79,176 – \$101,340

Description of Position To Be Filled: The actuary will be a member of a small team of workers compensation actuaries that supports the Washington State Industrial Insurance Fund, which has over \$8 billion in assets. Key responsibilities may include analysis of ratemaking, reserving, management reporting, research and development of actuarial methodologies. The candidate should be able to work under pressure; have good oral and writing skills; have good computer skills and be a team player.

Education & Experience Requirements: Bachelor's degree; F.C.A.S.; and 6 years of P/C actuarial experience. Workers compensation experience is highly desired.

Other Information: E-mail: reia235@ni.wa.gov. EEO employer. The department's Web site is www.wa.gov/ni/.

Job Title: Senior Actuary (GS-13/14/15)
Employer: U.S. Railroad Retirement Board
Address: 844 N. Rush Street, Chicago, IL 60611
Name of Contacts: Susan Chin, Personnel; Frank Buzzi, Chief Actuary
Phone Number of Contacts: (312) 751-7168, (312) 751-4915
Salary Range: \$59,162 – \$106,902

Description of Position To Be Filled: Incumbent reports to the Chief Actuary and assists in planning, developing, executing, evaluating and revising the various actuarial programs of the agency. Also assists in analyzing statistical techniques and procedures, ADP and computer programs, investment strategies and all proposed legislation.

Education & Experience Requirements: Preferred candidate will be an A.S.A. or F.S.A. with 4+ years of experience. Familiarity with actuarial experience studies is desirable. Significant experience or training may be considered in lieu of A.S.A. Bachelor's degree with at least 24 semester hours in mathematics and at least 1 year of complex actuarial experience is required.

Job Title: Actuary
Employer: U.S. Department of Defense
Address: 1555 Wilson Blvd., Suite 701, Arlington, VA 22209
Name of Contact: Joel Sitrin, Deputy Chief Actuary
Phone Number of Contact: (703) 696-7412
Salary Range: \$31,451 – \$63,436 (GS7 – GS12, depending on experience)

Description of Position To Be Filled: Actuary needed to assist in valuation of pension, post-retirement medical and other fringe benefit programs available to military personnel. Responsibilities also include analysis of legislation and other proposals to change the Military Retirement System or related benefit programs. Employees are encouraged to pass actuarial exams and progress professionally.

Education & Experience Requirements: Bachelor's degree in mathematics, actuarial science, finance, economics, statistics or related field plus at least 30 credits on Society of Actuaries exams.

Job Title: Actuary I, II, III (P/C)
Employer: Texas Department of Insurance
Address: 333 Guadalupe, Austin, TX 78714-9104
Name of Contact: Sharon Robertson, Human Resources
Phone Number of Contact: (512) 463-6578
Monthly Salary Range: \$3,011 – \$4,579

Description of Position To Be Filled: Perform highly responsible professional and administrative actuarial duties in the P/C Actuarial Division of the Technical Analysis program. This position will assist in the development and maintenance of P/C statistical plans and calls, review ratemaking data for accuracy and compliance with approved statistical plans, review P/C rate filings, apply actuarial formulas and procedures to produce rates and rating values for all regulated P/C lines and analyze data for ratemaking purposes.

Education & Experience Requirements: Graduation from an accredited 4-year college or university with major course work in statistics, mathematics or actuarial science.

Actuary I – should have passed at least 2 parts of the examinations towards A.C.A.S. and should have at least 6 months of actuarial work experience.

Actuary II – should have passed at least 3 parts of the examinations towards A.C.A.S. and should have at least 1 year of actuarial work experience.

Actuary III – should have passed at least 3 parts of the examinations towards A.C.A.S. and should have at least 2 years of actuarial work experience.

Continued study and passage of CAS examinations is desired for all levels. Greater abilities through additional examinations, education or achievements may substitute for a portion of the experience requirement. Greater abilities through additional examinations, education or achievements may substitute for a portion of the experience requirements.

Job Title: Actuarial Assistant, Senior
Employer: New Mexico Public Regulation Commission Insurance Division
Address: P.O. Drawer 1269, Santa Fe, NM 87504-1269
Name & Title of Contact: Michael C. Batte, Acting Superintendent
Phone Number of Contact: (505) 827-4336
Salary Range: \$35,535 – \$53,302

Description of Position To Be Filled: Review P/C rate and policy form filings for this prior approval state. Participate in the analysis of the financial condition of both domestic and foreign P/C companies. Other duties include special projects, analysis of legislation, formulation of regulations and related expert testimony.

Education & Experience Requirements: Bachelor's degree in math, actuarial science, finance, economics, statistics, or closely related field with 24 semester hours of math plus 6 years of experience in insurance rate/policy analysis, underwriting, ratemaking, solvency oversight or actuarial work or first 2 CAS exams plus 6 years of experience or A.C.A.S.

Job Title: Chief Actuary P/C Division
Employer: New Mexico Public Regulation Commission Insurance Division
Address: P.O. Drawer 1269, Santa Fe, NM 87504-1269
Name & Title of Contact: Michael C. Batte, Acting Superintendent
Phone Number of Contact: (505) 827-4336
Salary Range: Negotiable

Description of Position To Be Filled: Assists the Superintendent in regulating P/C insurers by monitoring the solvency of insurers, approving form and rate filings and ensuring compliance with laws and regulations. Manages the P/C and title insurance units and represents the Superintendent on the P/C Guaranty Fund Board and other committees.

Education & Experience Requirements: Graduation from an accredited college or university with a bachelor's degree in mathematics, statistics or actuarial science. Candidate should be an M.A.A.A. and either A.C.A.S. or F.C.A.S., and have a minimum of 5 years of actuarial experience.

THE ACTUARIAL UPDATE

VOLUME 28 • NUMBER 8

AMERICAN ACADEMY OF ACTUARIES

AUGUST 1999

ACADEMY LEADERSHIP

Academy Officers Announced for 2000

The Academy Nominating Committee has made its recommendations for 1999 – 2000 Academy officers. The complete roster, subject to final approval by the Academy Board of Directors, is as follows:



Larry Johansen

• Larry Johansen, president-elect. Johansen will complete his term as vice president for Financial Reporting in October. He is a member of the Pension Practice Council and the Committee on Pension Accounting, and is an actuary with the New York State Teachers Retirement System in Albany.

• Barbara Lautzenheiser, vice president, Life Practice Council. Lautzenheiser is a past president of the Society of Actuaries (SOA) and past board member of the Conference of Consulting Actuaries (CCA). She was one of nine charter members of the Actuarial Standards Board, and is a former board member of the Academy. She serves as vice chairperson of the Life Practice Council and is a member of the Committee on State Life Insurance Issues, and is co-chairperson of the committee's Disclosure Working Group. She is principal of Lautzenheiser & Associates, a consulting firm in Hartford.



Barbara Lautzenheiser

• Donna Novak, vice president, Financial Reporting Council. Novak is vice chairperson of the Health Practice Council. She worked with congressional staff to develop the Health Insurance Portability and Accountability Act, and has worked on Medicare and with the Health Care Financing Administration. She has also worked with the Academy in developing risk-based capital formulas for health organizations. She is a senior manager with Deloitte & Touche, LLP, in Fox Lake, Ill.



Donna Novak

• James Turpin, vice president, Pension Practice Council. Turpin is a member of the Pension Practice Council and Pension Committee. He also serves as an editor for the *Enrolled Actuaries Report*. Turpin is in private practice as a pension consultant in Albuquerque.



James Turpin

The following officers will complete the second year of their terms in 2000: James F. Reiskytl, secretary-treasurer; Robert A. Anker, vice president, Casualty Practice Council; Daniel J. McCarthy, vice president, Council on Professionalism; and James J. Murphy, vice president, Health Practice Council.

The new vice presidents will take office at the October 19 Academy Annual Meeting, which will be held this year in San Francisco in conjunction with the Society of Actuaries' 50th Anniversary Annual Meeting. Regular directors will be elected by members in attendance at this meeting. Joining the board as ex officio special directors will be the 2000 presidents-elect of the American Society of Pension Actuaries, the Casualty Actuarial Society, CCA and the SOA.

Academy Letter Proposes Pension Conversion Rules

In a June 30 comment letter to the Senate Finance Committee, which is currently considering legislation to require disclosure of the financial impact of pension plan changes, the Academy detailed an alternative approach to the legislation proposed by Sen. Daniel Patrick Moynihan (D-N.Y.) and Rep. Jerry Weller (R-Ill.). This legislation would require large employers to provide each participant with a detailed, personalized statement that estimates the effect of a plan amendment. The Academy warns that as currently drafted, the Moynihan-Weller bill would not provide meaningful information to most participants, and would place an undue burden on many employers.

In the letter, the Academy urges Congress to consider the impact that new disclosure requirement(s) would have on employers' administrative feasibility and cost. The Academy proposal strengthens current law to require a clear description of how the pension plan is being amended. Also required would be a written description of the types of employees who might be expected to see reduced future benefit accruals under the new plan. The Academy also suggests disclosure of significant reductions to early retirement benefits.

The Academy's alternative approach is intended to address disclosure rules by strengthening Section 204(h) of ERISA requirements, which currently states that employers must provide written notice of an amendment to a defined benefit plan that will significantly reduce the rate of future benefit accruals. According to law, the notice may be distributed after adoption of the plan amendment, but no later than 15 days before the amendment's effective date. In addition, current law does not re-

quire individual notification to plan participants and does not require disclosure of the effect plan changes will have on the participants.

The Academy made several recommendations in the letter, which included:

- Within 30 days of any pension plan amendment, the employer should distribute a summary of material modifications to the pension plan. Under current law, the statement deadline is 210 days after the end of the plan year.

- The employer should furnish a clear description of the new plan's initial value and a comparison with the previous plan's accrued benefit. Each active participant would receive information that includes the previous plan's accrued benefit amount; the actuarial equivalent lump sum value of that benefit; and a description of how an initial cash balance amount was determined.

For the complete text of the pension conversion disclosure letter, see the "What's New" section of the Academy Web site, www.actuary.org.

What's New on the Web

Recent postings to the Academy's Web site — www.actuary.org — include:

- 1999 Key Public Policy Issues. Click on "Public Policy" at the home page, or go directly to <http://www.actuary.org/KeyIssues.htm>.

- An Academy comment letter on cash balance plans to the Senate Finance Committee. Click on "What's New" at the home page navigation bar, then click on the link "Letter to Senator Roth on Cash Balance Plans."

- Request an actuarial standard of practice exposure draft. Actuaries may now request a copy of current and recent actuarial standard of practice exposure drafts. Click on "Professionalism" from the home page navigation bar, then click on "Actuarial Standards of Practice" (or go directly to <http://www.actuary.org/standard.htm>). Scroll down to section V, "Exposure Drafts."

- Updated Academy Public Statements for 1998 and 1999. Click on "Public Policy" from the home page.

Contingencies now has its own site. Go directly to www.contingencies.org.

ACADEMY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1998

Assets:	
Current assets:	
Cash and cash equivalents	\$1,112,046
Certificates of deposit	1,885,341
Accounts receivable	105,982
Accrued interest receivable	6,113
Due from Casualty Actuarial Society	36,526
Due from Conference of Consulting Actuaries	15,000
Mutual funds, at fair value	1,595,043
Prepaid expenses	78,074
Total current assets	4,834,125
Certificate of deposit — Long Term	694,000
Furniture, Equipment, and Leasehold improvements, Net	167,266
Total assets	\$ 5,695,391

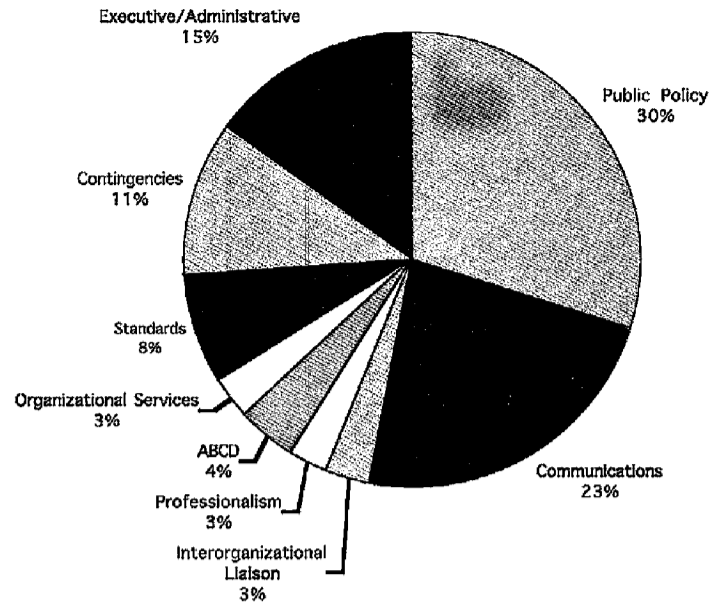
LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$438,705
Accrued annual leave	41,655
Deferred revenue:	
Membership dues revenue	1,933,802
Other	66,836
Deferred rent liability	25,470
Total current liabilities	2,506,468
Deferred Rent Liability — Long -Term	197,077
Total liabilities	2,703,545
Unrestricted Net Assets	
Undesignated	2,859,891
Designated - Actuarial Board for Counseling and Discipline Litigation Fund	131,955
Total net assets	2,991,846
Total liabilities and net assets	\$5,695,391

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 1998

Revenue:	
Membership dues	\$4,191,309
Membership application fee	31,500
Investment income, net of expenses of \$7,428	330,066
Net appreciation in fair value of mutual funds	96,393
Administrative services	12,301
Academy Alert subscriptions	120,731
Enrolled Actuaries Meeting distribution	191,859
Casualty Loss Reserve Seminar distribution	36,526
Advertising income	370,569
Magazine subscriptions	4,904
Actuarial Board for Counseling and Discipline Litigation Fund contributions	1,948
Manual sales	67,980
Service fees	123,320
Other	22,754
Total revenue	5,602,160
Expenses	5,263,880
Excess of Revenue Over Expenses	\$338,280

Allocation By Function of 1998 Academy Expenditures



Public Policy: Brings actuarial analysis to public policy-makers; researches and drafts Academy monographs, issue briefs, and reports; serves as liaison between actuaries and Congress, insurance regulators and related professions.

Communications: Increases the profession's visibility through forums with Congress and other public policy-makers; communicates Academy work to media and public; produces Academy member newsletters, public policy documents, professionalism reports, Web site; manages membership services, volunteer development and meetings.

Contingencies: The Academy's flagship publication for actuaries, business leaders and public policy-makers.

Professionalism: Develops standards of qualification for the entire profession.

Standards: Manages Actuarial Standards Board, which develops standards of practice for the entire profession.

Actuarial Board for Counseling and Discipline (ABCD): Investigates complaints against actuaries, provides guidance, recommends disciplinary action.

Executive/Administrative: Provides staff and internal support for all Academy activities.

Organizational Services: Fulfills functions relating to membership data, admission, dues collection.

Interorganizational Liaison: Maintains communications among leaders of all actuarial organizations in United States, Canada and Mexico.

STATEMENT OF EXPENSES BY CATEGORIES YEAR ENDED DECEMBER 31, 1998

	Academy Operations	Actuarial Standards Board	Actuarial Board for Counseling and Discipline	Total General Fund
Salaries	\$1,606,369	\$134,038	\$67,639	\$1,808,046
Employee insurance	103,286	8,618	4,349	116,253
Payroll taxes	104,415	8,713	4,397	117,525
Pension plan	84,592	7,058	3,562	95,212
Temporary help and personnel fees	120,340	5,412	-	125,752
Rent	279,949	25,868	11,788	317,605
Telephone	43,034	3,591	1,812	48,437
Postage and freight	119,901	31,389	7,860	159,150
Travel and related expenses	71,281	52,779	45,073	169,133
Annual meeting and Washington luncheon	18,799	-	-	18,799
Committee meetings	79,894	25,299	23,785	128,978
President and President-elect travel	21,283	-	-	21,283
General office supplies and equipment rental	134,893	11,256	7,284	153,433
Printing	160,166	99,436	14,341	273,943
Personnel development	8,241	1,878	347	10,466
Service agreement	88,312	-	-	88,312
Professional services	154,341	-	-	154,341
Audit and accounting	17,628	1,471	742	19,841
Insurance	15,452	1,289	651	17,392
Depreciation and amortization	50,696	4,230	2,135	57,061
Subscription and periodicals	33,008	2,754	1,390	37,152
Communications	30,545	2,549	1,441	34,535
Public information consulting	83,037	-	-	83,037
Affiliation fees	55,456	-	-	55,456
Academy Alert	26,361	-	-	26,361
Contingencies	369,328	-	-	369,328
Manuals	87,974	-	-	87,974
Health Practice Council	81,020	-	-	81,020
Pension Practice Council	230,451	-	-	230,451
Life Practice Council	151,410	-	-	151,410
Casualty Practice Council	27,928	-	-	27,928
Council on Professionalism	21,134	-	-	21,134
Financial Reporting Council	72,436	-	-	72,436
Standards notebooks	-	2,814	-	2,814
Income taxes	47,750	-	-	47,750
Loss on disposal of furniture and equipment	1,430	119	60	1,609
Litigation fund expense	-	-	3,765	3,765
Other	24,882	1,094	2,782	28,758
Total expenses	\$4,627,022	\$431,655	\$205,203	\$5,263,880

Getting Your Money's Worth

Do you ever wonder where your Academy dues dollars go? In 1998, public policy accounted for the largest share of the expenditures: 30 percent. Communications followed with 23 percent. Professionalism, including the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline (ABCD), accounted for 15 percent. (A variety of other activities accounted for the remainder.) As the end of my first year as secretary-treasurer approaches, I'm pleased to report that the Academy's auditor, Thomas Havey, LLP, has rendered an unqualified opinion for the fiscal year ending December 31, 1998. That's expected, but it really doesn't tell you whether you're getting your money's worth.

Let me try to help you decide. Among the benefits you receive as a member are the expertise actuaries bring to the public policy arena, increased awareness of current issues, strong support and enforcement of professionalism, and the creation of actuarial standards of practice.

Increasingly, actuaries are being asked to review and participate in the development of public policy. Several members testified before Congress last year and more have done so this year. For example, both Ron Gebhardtsbauer, senior pension fellow, and Dwight Bartlett, the Academy's first senior health fellow, have been very active in bringing actuaries to the forefront of Social Security, Medicare and other key issues.

Have you looked at the Academy's Web site recently? The site — www.actuary.org — received a great deal of attention over the last year and significant improvements have been made. This site continues to evolve as the one-stop place to get current Academy information, finished public policy and professionalism documents. The *Actuarial Update* and the *Enrolled Actuaries Report* also provide current information for your use.

Two standards were completed last year: ASOP No. 32, *Social Insurance*, and a revised ASOP 15, *Dividend Determination for Participating Individual Life Insurance Policies and Annuity Contracts*. The ASB also sent out eight actuarial standard of practice exposure drafts for your comments in 1998. These standards of practice provide a foundation of professionalism for your work. Standards accounted for 8 percent of 1998 expenditures.

The ABCD and other non-ASB professionalism ex-

penditures accounted for about 7 percent of total dollars spent. Professionalism challenges include how to respond to planned key changes in the SOA educational system. If you are ever in doubt about how to handle a situation, please refer to the Code of Professional Conduct or contact the ABCD for assistance.

Membership dues continue to be the largest source of revenue for the Academy, accounting for almost 75 percent. Last year the Board of Directors increased annual dues to \$380.

In 1998, the board approved a new strategic plan to set the course for the Academy through 2003. Among the strategic plan initiatives are two new ones: increasing the actuarial profession's public policy involvement at the state level and raising revenue through means other than member dues.

As secretary-treasurer, I oversee the budget and finance, communications, membership, technology, personnel and compensation committees, as well as the Task Force on Strategy for Managing the Profession, and the Task Force on Developing Non-Dues Revenue. Several things became clear to me as I worked with these committees. We need to make a cohesive effort to be more effective in carrying out our charges and meeting members' needs. We need to place more focus and effort on the Academy's Web site and use it to communicate more effectively and more quickly with members. We need to continue to focus on professionalism as a key issue in the actuarial community, and, in order to accomplish these goals and others effectively, we may need to continually search for sources of non-dues revenue.

I assure you that all Academy officers are striving to

meet these goals. I hope this gives you a better idea of where your dues are going. Thanks also on behalf of the officers to all the many volunteers, and to the Academy staff, who really make things happen.

—REISKYTL IS SECRETARY-TREASURER OF THE ACADEMY.



Jim Reiskytl

Contingencies

On Paper and Online

In the September/October issue, *Contingencies* takes up the hot controversy everyone in the pension world seems to be talking about: cash balance plans. They seem ideally suited to a modern, mobile work force, but are they fair to older workers? We'll present both sides of the debate while Ron Gebhardtsbauer, the Academy's senior pension fellow, explains exactly what a cash balance plan is and how it's supposed to work. Pension Benefit Guaranty Corporation Director David M. Strauss weighs in on why defined benefit plans still make sense in today's environment. Look for this issue in your mailbox the first week of September.

Don't forget to check out the *Contingencies* Web site, located at www.contingencies.org, every month. You can buy books and help fund actuarial minority recruitment programs at the *Contingencies* book page, www.contingencies.org/books.html. And if you're looking for an actuarial job in any practice area, CareerMoves, *Contingencies'* online actuarial job bank, is the place to turn. With the latest job openings from insurance companies, consulting firms and actuarial recruiters around the country, CareerMoves is a one-stop source for your next big career move. Check it out at www.contingencies.org/career.html.

IN MEMORIAM: John O'Connor



John O'Connor

John Edward O'Connor Jr., executive director of the Society of Actuaries (SOA) and the Actuarial Foundation, died June 15 at Loyola University Medical Center, Chicago, from complications after surgery in April. He was 56.

A Chicago native, O'Connor received his bachelor's degree in business administration from Loyola University, Chicago, and was a certified public accountant. Before becoming executive director of the SOA in August 1979, he was secretary-treasurer of the American College of Hospital Administrators, Chicago.

During his tenure, SOA membership nearly tripled and the organization gained respect worldwide for its many comprehensive education and research programs. Under his leadership, membership grew from 6,160 to 16,600; the number of SOA committees increased from 65 to 118; the operating budget increased from \$1.6 million to \$16 million; the number of staff increased from 15 to 87; the SOA office was moved twice, first from downtown Chicago to suburban Itasca, Ill., then from Itasca to Schaumburg, Ill.; the first overseas SOA office in Hong Kong was established; The Actuarial Foundation (formerly the Society of Actuaries Foundation) was established; and 15 special interest sections were created.

Academy President Dick Robertson said of O'Connor: "I was on the SOA Board of Governors when John was hired, and I participated on the selection committee. All of John's predecessors had been actuaries, and there were many actuaries who were concerned whether we should look outside the profession for the executive director. John quickly erased any

doubts we might have had. Several years later, when I was president of the SOA, I observed firsthand how much John and the staff he was able to assemble could make the president's job easier and increase the president's effectiveness.

"As president-elect and president of the Academy, I have been able to use John's willingness to contribute to the profession beyond the SOA. He made many valuable contributions as a member of the Academy's strategic planning task force and provided very helpful advice as we sought to fill our own executive director position."

"John set an example of what an executive director of an actuarial organization could be, an example that we have sought to emulate in the Academy and in the other U.S. actuarial organizations."

A career association executive, O'Connor served the Association Forum (formerly the Chicago Society of Association Executives) in several capacities, including as an elected member of its board of directors. In 1988, the CSAE honored him as "outstanding CEO" with the Samuel B. Shapiro Award, which recognizes outstanding service and accomplishment in association management. O'Connor was also active in a number of charitable causes.

He is survived by his wife of 33 years, Judi; their four sons, John, Barry, Ryan and Daniel, and their spouses and three grandchildren; two sisters; and two brothers.

Memorial contributions may be given to Marillac Settlement House, 212 S. Francisco, Chicago, IL 60612 or Loyola University Medical Center, Liver Transplant Unit, 2160 S. First Ave., Maywood, IL 60153.

Condolences may be sent to the John E. O'Connor Jr. Family, c/o Society of Actuaries, 475 N. Martingale, Suite 800, Schaumburg, IL 60173.

HCFA Method 'Actuarially Sound,' Academy Tells Senate

Academy member Bob Cumming told the Senate Committee on Finance on June 9 that the health-status-based risk adjustment method developed for Medicare+Choice plans by the Health Care Financing Administration (HCFA) is actuarially sound.

Cumming reported on the Academy's actuarial review of the health-status risk adjustment payment formula that HCFA plans to use beginning January 1, 2000. Cumming stated that the Academy's work group had concluded — but with certain qualifications and concerns — that the methodology developed by HCFA is actuarially sound. Cumming stated that on balance, and with the phase-in approach recommended by HCFA, the new risk adjustment method appears to be a reasonable first step in what should be a long-term evolutionary process.

Cumming then noted that "using health-status risk adjustment is a significant change for health plans, and some concerns remain about the implementation and potential market impact of the new payment system. The new method relies on inpatient hospital claims to identify conditions. Plans that have shifted treatments to more cost-effective outpatient care may have members who appear healthier than their actual risk level. Including outpatient data will give a better picture of risk."

The Academy study recommends including additional health-status data about beneficiaries in the payment method to more accurately reflect their actual risk level. In addition, the group suggests that HCFA perform additional testing of the payment system as it is implemented.

William V. Roth Jr. (R-Del.), chairperson of the Senate Committee on Finance, asked Cumming if the Academy would feel more com-

fortable if HCFA implemented a demonstration program in a few select markets rather than nationwide. Cumming stated that there certainly would be advantages and disadvantages to a phase-in plan. He said, however, that in order to receive valid information from test markets, HCFA would need to make sure it had a sufficiently diverse mix among "urban and rural, high-cost and low-cost, and high managed-care penetration and low managed-care penetration." Cumming pointed out one disadvantage: managed care plans in the test market might feel that they had an unfair edge compared to those not in the test market.

Roth then asked Cumming about HCFA's claim that Medicare+Choice plans are overpaid by 7.6 percent. Cumming commented that the work group had not looked at that particular issue. He did point out that HCFA's research showed that once the program is fully implemented, there will be a 7 percent to 8 percent reduction in the payment levels. Cumming then reemphasized that HCFA needs to move swiftly in including not only hospital inpatient information but outpatient and ambulatory care information to build a "comprehensive risk adjustment system."

The Academy study was conducted by the Risk Adjuster Work Group at HCFA's request. Cumming's testimony follows a March 19 appearance by work group chairperson Bill Bluhm before the House Ways and Means Health Subcommittee.



Robert B. Cumming

Academy's UVS Project Gains Momentum With Regulators

Regulators who met at the June meeting of the National Association of Insurance Commissioners (NAIC) agreed to take steps to make the unified valuation system (UVS) project their own.

The UVS strives to look at a life insurer's financial strength in a new way: one that places more responsibility on the actuary's judgment, freeing up insurers to offer more flexible, creative products in a competitive marketplace.

The Academy's Valuation Task Force, headed until recently by Life Vice President Bob Wilcox, has been working on the project for more than two years. Wilcox was succeeded as chairperson by David Sandberg at the meeting.

According to Tom Foley, chair of the NAIC's Life & Health Actuarial (Technical) Task Force, regulators are still uncertain how they will proceed to work on the UVS model. He emphasized that the LHATF must take responsibility to move the project forward.

Terri Vaughan, Iowa insurance commissioner, said that the NAIC's financial reporting working group touched on similar ground, and a

discussion will take place to see if any efforts can be coordinated.

The meeting brought to light several concerns: that any changes to the system had to make provision for determination of statutory earnings; whether language needed to be adjusted to prevent companies from possibly "gaming the system"; and whether, if a liability for a risk is estimated by an accountant or lawyer, an actuary should have the authority to decide otherwise if he or she deems it appropriate. Academy Secretary-Treasurer Jim Reiskyt, who has been working on the UVS project, said: "We're getting into professional disciplines, and I, for one, say, 'Tread very carefully.'"

Wilcox noted that much progress has been made on the project, and that it has the potential to address the concerns of a wide audience, including regulators, company management, stockholders, the Securities and Exchange Commission, the IRS, investors, creditors and reinsurers. According to Wilcox, there is potential that, in the next year, the UVS concept will be exposed by the NAIC for comment by interested parties.

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THE ACTUARIAL UPDATE

1 An Alternative Approach to Pension Plan Disclosure

2 1998 Academy Financial Statements

4 UVS Project Gains Momentum

4 Cumming Testifies on HCFA Risk Adjustment

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