



# SEC Seeks Academy's Fair Value Views

**T**HE U.S. SECURITIES AND EXCHANGE COMMISSION invited the Academy to participate in a July 9 roundtable on fair value accounting and auditing standards. The event featured two panels, the first focusing on the perspective of larger financial institutions and their investors and the second focusing on the perspective of all public companies, including small companies, and their investors.

Academy volunteer Sam Guterman, director and consulting actuary for PricewaterhouseCoopers and chairperson of the International Actuarial Association's Committee on Insurance Accounting, represented the Academy on the second panel.

As part of his opening remarks, Guterman asserted that an actuarial perspective can add important insights to the conversation, since many actuaries make a living measuring values of financial liabilities in which there are no liquid markets. One central theme of his remarks was the necessity to better educate users on the values included in financial reports, which, he explained, are estimates, whether or not fair value measurements are used.

Given the complexity often involved in developing those estimates, Guterman insisted that transparency of

See **SEC ROUNDTABLE**, Page 8



SEC Chairman Christopher Cox, left, greets Academy representative Sam Guterman after the SEC roundtable.

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## Explaining Actuarial Equivalence

**T**HE ACADEMY HOSTED A CAPITOL HILL BRIEFING ON JULY 11 to educate policymakers on what "actuarial equivalence" means in the context of comparing a health insurance plan to a specified standard benefit design. Presenting to 51 attendees in the Senate Budget Committee hearing room, Academy Senior Health Fellow Cori Uccello and John Bertko, member of the Academy's Medicare Steering Committee and chairperson of the Health Practice International Task Force, explained that actuarial equivalence is a general concept used to apply a relative measurement when comparing two benefit plans to see if their values are "sufficiently close for the specified purpose."

One method, Bertko elaborated, could be to compare the value of an insurer's spending for different plan designs. Such calculations would rely on the use of historical data, the deter-

mination of plan cost of a specified standard design, and the determination and adjustment of plan costs under alternative designs. Plan design differences that are typically included in equivalence calculations can include out-of-pocket limits, deductibles, co-pays, and services covered. Another method that should result in the same conclusions (unless different utilization assumptions are used) would entail calculation of the proportion of an insured's health spending that is covered by insurance. In either method, Bertko stressed, the specific population used is an important factor.

Because those purposes may vary, Uccello and Bertko said it was important that any legislation including actuarial equivalence provisions specify what is being measured and the goal of the legislation.

Attendee Rep. Brian Baird (D-Wash.)

See **HEALTH BRIEFING**, Page 8

Actuarial Update

## AUGUST

- 4 Actuarial collaboration meeting, Arlington, Va.
- 4 Academy Social Security press conference, Washington
- 5 Academy leadership meeting, Arlington, Va.
- 6 Academy Executive Committee meeting, Arlington, Va.
- 14-16 Annual Actuarial Research Conference, Regina, Saskatchewan, Canada

## SEPTEMBER

- 15-16 ASB meeting, Washington
- 18-19 Casualty Loss Reserve Seminar (Academy, CAS, and CCA), Washington
- 22-24 NAIC fall meeting, Washington
- 24 PBA case study seminar (Academy, SOA), Washington
- 25-26 SOA valuation symposium, Washington

## OCTOBER

- 2-4 NAAC meeting, Sedona, Ariz.
- 5 CUSP meeting, Paradise Valley, Ariz.
- 6 Joint orientation for U.S. boards, Paradise Valley, Ariz.
- 7 Academy Board of Directors meeting, Paradise Valley, Ariz.
- 19-22 SOA annual meeting, Orlando, Fla.
- 19-22 APPA annual meeting, Washington
- 26-29 CCA annual meeting, Bonita Springs, Fla.
- 27 Academy annual meeting, Bonita Springs, Fla.

## NOVEMBER

- 1-4 IAA meeting, Limassol, Cyprus
- 10-13 Academy Life and Health Qualifications Seminar, Arlington, Va.
- 13-14 CIA general meeting, Toronto
- 16-19 CAS annual meeting, Seattle
- 20-23 NCOIL annual meeting, Duck Key, Fla.

## DECEMBER

- 3-4 Academy Casualty Effective Loss Reserve Opinion Seminar, Baltimore
- 6-8 NAIC winter meeting, Grapevine, Texas
- 8-9 ASB meeting, Washington

## FEBRUARY

- 26-March 1 NCOIL spring meeting, Washington

## MARCH

- 14-16 NAIC spring meeting, San Diego

### WEB INTERFACE

Links to documents underlined in blue are included in the online version of this issue at [www.actuary.org/update/index.asp](http://www.actuary.org/update/index.asp)

# Academy NEWS Briefs

## Vote Now on Proposed Bylaw Changes

**N**ext month, Academy members will be asked to vote on two bylaw [changes](#) by the Board of Directors. The board recommends these changes for approval.

In the first change, the board is asking members to eliminate the redundancy in the current membership requirements that Academy members have three years' experience. The new Qualification Standards include an experience requirement, which the board believes better serves the Academy's mission. This change will also allow the Academy to invite all newly credentialed associates to join.

In the second change, the board is asking for discretion to determine when dues waivers are appropriate, in light of the profession's evolving demographics and work patterns.

Voting will be conducted online starting Aug. 15 and will continue until Sept. 16. You will receive instructions by e-mail before the balloting begins. For a portion of this time, the SOA's annual election will be held online, and SOA members will also vote on proposed SOA bylaw amendments. The Academy and SOA bylaw proposals are separate and independent. Members can vote on the Academy bylaw recommendations only through the Academy's online election process. To view the proposed changes, visit [http://www.actuary.org/pdf/academy/bylaws\\_july08.pdf](http://www.actuary.org/pdf/academy/bylaws_july08.pdf).



### Buzzer Beater

Academy member Sven Sinclair proved he knows more than numbers when he became a *Jeopardy!* champion this summer. Sinclair, an analyst for the Congressional Budget Office in Washington and member of the Academy's Social Insurance Committee, took home \$28,599 in his network television debut. Find out how Sven Sinclair's actuarial skills gave him an edge in the September *Update*.

### Staff Shuffling

Kasha Shelton is the Academy's new manager for membership operations. She moves over to the membership department from the Academy's public policy department, where she has served the Academy for 10

years as an administrative and legislative manager. Shelton replaces Rachel Rusch, who moved back to her Wisconsin home to pursue new professional opportunities.

Phillip Hafler, another staff member familiar to many Academy volunteers, has been elevated to senior administrative assistant for public policy. He will take over full administrative management responsibilities for the public policy department.

### Standards Webcast

The Academy's Council on Professionalism hosted a webcast on June 25 that reviewed updates to the Qualification Standards that took effect this year. Some 520 viewers tuned in for the webcast. For access to

the 90-minute recording and the speakers' slides, visit [www.actuary.org/professi.asp](http://www.actuary.org/professi.asp).

By listening to the full webcast, you may earn up to 1.8 continuing education credits toward satisfying the "other activities" component of the revised Qualification Standards.

### CLRS Registration

Deadlines are approaching to register for the 2008 Casualty Loss Reserve Seminar, which is co-sponsored by the Academy, the Casualty Actuarial Society, and the Conference of Consulting Actuaries. This year's seminar will be held Sept. 18-19 in Washington. Hotel reservations must be made by Aug. 29 to receive the negotiated room rate at the Omni Shoreham Hotel, and registration fees increase

## DISCIPLINARY NOTICE

The American Academy of Actuaries issued the following public discipline notice on June 27, 2008:

"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 reprimands Gerald J. Rankin for failure to comply materially with the following precepts of the Code of Professional Conduct as in effect as noted below:

- ▶ Precept 9 of the 2001 Code, by disclosing confidential information without authorization to do so on an electronic message board and to reinsurance companies;
- ▶ Precept 1 of the 2001 Code, by failing to act with integrity and competence by sending inaccurate information to insurance departments;
- ▶ Precept 13 of the 2001 Code and Precept 14 of the 1995 Code, by failing to report what he believed to be apparent, unresolved material violations of the Code to the ABCD while making accusations of such violations to an insurance department, a reinsurance company, and on an electronic message board; and
- ▶ Precept 14 of the 2001 Code, by failing to cooperate fully with the ABCD.

Mr. Rankin is publicly reprimanded for these material violations of the Code of Conduct and is suspended from membership in the Academy for two years or until he successfully completes a professionalism course selected by the Academy, whichever occurs first."

by \$100 if received after Sept. 3. Don't delay—make your plans to attend the 2008 CLRS today! See [www.casact.org/clrs](http://www.casact.org/clrs) for more information.

### IN THE NEWS

The Academy Social Insurance Committee's [mono-graph Social Security Reform Options](#) was linked in an addendum to a report filed by McClatchy's Washington Bureau on June 22. The report, which reviewed the presidential candidates' positions on reforming Social Security, was published on online versions of dailies such as the *Connecticut Post*.

**Donna Claire**, chairperson of the Academy's Life Financial Soundness/Risk Management Committee and

president of Claire Thinking in Fort Salonga, N.Y., discussed new mortality tables in an article in the June 23 edition of *Investment News* that looked at the tax implications of the revised tables.

A June 28 editorial in the Scranton, Pa., *Times-Tribune* quoted the Academy Medicare Steering Committee's [issue brief Medicare's Financial Condition: Beyond Actuarial Balance](#). "The sooner the solutions are enacted, the more effective and gradual they can be," the committee said. "Moreover, the early introduction of reforms increases the time available for affected individuals and organizations — including health care providers, beneficiaries and

## MEDIA RELATIONS ACTIVITY REPORT—SECOND QUARTER, 2008

Three-Year Quarterly Average

Second Quarter, 2008



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 pickup is the publication of an Academy news release, media alert, or statement. A three-year quarterly average is the statistical mean of the past 12 quarterly totals for each category (requests, interviews, placements, and pickups).

taxpayers — to adjust their expectations."

**Dwight K. Bartlett**, who was chief actuary of the Social Security Administration from 1979 to 1981, authored an op-ed in the June 24 *Baltimore Sun*. Bartlett wrote that lack of health care coverage "is merely a symptom of a larger problem: the high cost of medical care, which makes insurance unaffordable for many."

### SPEAKERS BUREAU

The Academy's life actuaries have been busy spreading the word on principle-based developments. Chairperson of the Academy's Life Tax Steering Group **Dave Sandberg**, a vice president and corporate actuary with Allianz Life Insurance Co. of North America in Minneapolis, addressed the Insurance Accounting & Systems Association Educational Conference in Seattle on June 4 and the Casualty Actuarial Society's spring meeting on June 16 and 18. **Bill Wilton**, member of the Academy's C3 Life and Annuity Work Group and a consulting actuary with Actuarial Resources Corp. in Overland Park, Kan., discussed the principle-based approach

to capital for life products with the members of the Kansas City Actuaries Club on June 24.

**Stacey Lampkin**, vice chairperson of the Academy's Uninsured Work Group and a principal for Mercer Health and Benefits in Phoenix, discussed the presidential candidates' health care proposals and the current reform landscape at WellPoint's Annual Actuarial Meeting in St. Louis on June 17.

### ON THE MOVE

**Evan Inglis** has been named chief actuary in the institutional strategic consulting division at Vanguard in Valley Forge, Pa. He was previously a consulting actuary with Watson Wyatt Worldwide in Arlington, Va.

**Andrew Peterson** is the staff fellow for retirement systems at the Society of Actuaries in Schaumburg, Ill. He was previously a consulting actuary with Watson Wyatt Worldwide in Chicago.

**Claudine Modlin** is now a senior consultant for EMB America in its San Diego office. Most recently, Modlin had been a senior consultant in the New York office of Watson Wyatt Worldwide. ▲

# New Academy Members

**I**N THE FIRST HALF OF 2008, 503 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 the profession. And they are in good company. As of June 30, the Academy boasted 16,357 members on its rolls.

Theresa Achtziger	Thomas Carroll	Emmanuel Fong	Yaohua Ji	John Mallows	Brian Railey	Robert Tomsik
Rachael Adamczyk	Lisa Carskadden	Lindsay Foster	Xiaohui Jin	Matt Maloney	Narendra Ramdass	Matthew Trettin
Daniel Adams	Michael Casey	Andrew France	Sam Jo	Neelam Mankoff	Jason Rankin	Christopher Trinrud
Jason Adamson	Sherry Chan	Barry Freiman	Jeannine Jodhan	Aamar Manzoor	Haibin Rao	Alice Tsai
Jonas Adjei	Carl Chang	John Fries	Adam Johnson	Jason Margus	David Raszeja	Hung-yu Tsai
Kingsley Agyei-Gyamfi	Shaoping Chang	Clinton Funk	Gregg Johnson	Nathaniel Marks	Mark Ray	Jeffrey Tsai
Marcus Aikin	Paojung Chao	Bradley Fuxa	R. E. Johnson	Albert Maroun	Justin Reed	Emma Tse
Anthony Airne	Alastair Chapman	Karl Gagnon	Gareth Jones	Laura Martin	Cheryl Reese	Mitchell Underwood
Armen Akopyan	Derek Chapman	Zoe Galaitis	Rioma Kam	Monica Martin	Robert Reide	Reza Vahid
Tatiana Aksanova	Kenneth Charette	Kim Gallman	Davin Kangas	Lindsay Matola	Ryan Renn	Tamra VanAllen
Elizabeth Alexander	Paul Chen	Alexander Geml	Thomas Kania	Paul Mayfield	Albert Rettig	Gregory Vande Krol
Wendy Althoff	William Chen	Ryan Gendreau	Brian Kelly	Michael McCormick	Renata Ringo	Eric Vandenberg
Michael Altilio	Yiyun Chen	Christopher Giese	Amanda Kemling	Megan McKinney	Andrew Rizzo	Dirk VanTilburg
Gregory Amspacher	Junjie Cheng	Jill Gifford	Sarah Kemp	Mary McMahon	Tanya Rizzuto	Kanika Vats
Christopher Andersen	David Chin	Adam Gingerich	Tatyana Kerbel	Robert Mehler	Calvin Ro	Melissa Verguldi
Alanna Anderson	John Chmielewski	Andrew Girton	Naomi Khadavi	Lin Meng	John Roland	Robert Vidin
Angelina Anliker	Evelyn Chong	Gregory Glashan	Jeong H. Kim	Steven Meyer	Michelle Rosel	James Vinci
Juan Arroyo	Shawn Chrisman	Rodrigo Godinez	Jeong R. Kim	Susan Mielbrecht	Jason Rosin	Eric Viney
John Ashby	Karen Christy	Bennett Goiffon	Joseph Kim	D. Ryan Miller	Douglas Ross	Michael Voelkel
Elizabeth Ashmore	Stefanie Chung	Fernando Gomez	Kristen Kim	Peter Miller	Richard Ross	Benjamin Wacker
Rich Astudillo	Stephaine Clark	Neil Gordon	Matthew Kim	Max Mindel	Rebecca Rosser	Barry Wagoner
Dana Atkins	Christopher Cogliano	Jason Gratsos	Soyeon Kim	Labonee Mohanta	Pete Rossi	Joseph Walker
Daniel Atkinson	Elizabeth Cohen	Jennifer Graunas	Katie Kirkland	Timothy Morant	Robert Royer	Min Wang
Andrew Au	Joel Cohn	Leonard Greenblatt	Jennifer Kitchen	Rick Moser	Jordan Rubin	Simon Wang
Geoffrey Au	Leslie Collier	Joshua Gregg	David Klemish	Christos Motsiopoulos	Scott Rushing	Tiffany Wang
Ho Au-Yeung	Carolyn Comeau	Jacob Grice	Yanan Kluemper	Daniel Moulden	Jason Russell	Troy Ware
Charles Axford	Kelly Conlin	Heather Griffin	Robert Knadler	Lisa Mudgett	John Ryder	Rowan Watson
Michelle Baillargeon	Betty Cook	Ashley Guajardo	Alex Knights	Emmie Munthali	Michael Sanders	Shalini Weatherwax
Casey Baldwin	Heather Costello	Shaohua Guan	Wen Kong	Timothy Murray	Edward Schneider	John Weber
Dhaneshwar Balropur	Matthew Covalle	Steven Hadler	David Kotick	Kimberlene Myles	Caroline Schopp	Jingwei Wei
David Barker	Dean Crawford	Wen Wei Han	Dusan Kozic	Henry Nearing	Ronald Schuknecht	Eli Weisfeld
Emily Barker	Erika Creager	Matthew Hansen	Jason Kroening	Eric Nelson	Jennifer Scull	James West
Jennifer Beattie	Laura Crompton	Henry Hardegree	Frank Kropf	Justin Neustadter	Garrett Shafer	Rachel White
Sarah Becker	Matthew Crotts	Jason Harger	Nathan Kukla	Quang Nguyen	Vikas Shah	Ksenia Whittal
William Bednar	Sufang Cui	Martina Harris	Richard Kutikoff	Kate Nguyen-Wong	Pragya Sharma	Steven Wilson
Aaron Beharelle	Peter Cullen	Rebecca Harris	Steve Laabs	Loren Nickel	Matthew Sharp	Ian Winograd
Mark Belasco	Ron Curran	Tyree Harris	Christopher Lalonde	Aaron Nieuwsma	Brian Shelley	Stephen Woelfer
Daryl Bell	Sarkis Daghlian	Mark Hartman	Dustin Lanman	Joshua Nissley	Xiaokai Shi	Patricia Wojcik
David Bell	Khalid Dajani	David Harwood	Howard Lapin	Valerie Noonan	Lilliene Shin	Judy Wong
Gina Benetatos	Mark Daniels	Matthew Hayes	Carmen Laudenschlager	Joseph Norton	Jeffrey Shouldis	Jade Woodford
Christopher Berg	Edward Dankanich	Fan He	Caroline Lavoie	Michael Nyszcot	Raymond Shum	Genghui Wu
Scott Berger	Kija Davis	Brett Heineman	Saul Lazarus	Paul Obedencio	Susanne Simon	Lauranne Wyatt
Caroline Bergstedt	Richard De Haan	Bradley Heinze	Mark Lazzo	Wil Ocasio	Kyle Slavish	Julia Xiao
Tony Berkel	Xiangdong Deng	David Henderson	Caroline Le	Ernest Ofori	Christopher Slaybaugh	Jian Xu
David Biewer	Timothy Dickson	Brent Henningson	Henry Lee	F. R. Ogborne	Andrew Smith	Yuhong Xue
Kathryn Birchell	Richard Dietrich	Kenneth Herbold	Justin Lee	Felix Okwaning	Brian Smith	Venelin Yanakiev
Jean-Philippe Blais	Chris Dignam	Brady Hermans	Justine Lee	Marla Pantano	Patrick So	Kui Yang
Timothy Bleick	Kevin Dill	Chandra Hicks	Kyungsuk Lee	Aree Patel	Xiaoyan Song	Shaowei Yang
Michael Boot	Mary Dinc	Kathleen Hierlhy	Susan Lee	Catherine Patson	Jay Sorensen	Yi-chuang Yang
Mirza Borogovac	Heidi Dodd	Sarah Hixon	Mark Lehman	Mary Pattison	Kerry Spelman	Tracy Yantosh
William Boswell	Quentin Doll	Kenneth Ho	Robert Lendrum	Todd Pavlik	Erich Squire	Zerong Yu
Lindsay Bourn	Jeffrey Dotterer	Jeremy Hoffman	Joseph Leopold	Lori Peacock	Bradford St. Pierre	Yuan Yuan
Timothy Bowen	Marissa Doudna	Mitchell Hofing	Nathan Lerman	Brad Pesarek	Robert Stegner	Raisa Zarkhin
Jerome Bownes	Brandi Dries	Jenny Holbink	Hoi Fai Leung	Trina Peters	Kimberly Steiner	Virginia Zeigler
Eric Brandon	Theodore Drozd	Kimberly Holmes	Beibei Li	Andrea Piraino	Sarah Strauss	Wei Zhang
Steven Brown	Melissa Dubay	Rebecca Holnagel	Jin Li	Kathryn Pizzi	Steve Su	Xuemei Zhang
Theresa Brown	John Duffy	Eduardo Hori	Robin Li	Joseph Polley	Frank Svara	Xuemin Zhang
Ryan Bruner	Robert Duong	Paul Houston	Alan Lichtenstein	Lance Poole	Suhrid Swaminarayan	Yueyun Zhao
John Bryson	Robert Eaton	Marlene Howard	Alex Lin	Melody Prangley	Soumya Swaminathan	Run Zheng
Yisheng Bu	Leigh Ebers	Nyi Htoo	Hua Lin	Scott Prepperneau	Genevieve Swanson	Karen Zhong
Bryan Burningham	Lisa Elliott	Che Hu	Marshall Lin	Shepherd Price	Aaron Syster	Ninghui Zhong
Angela Busch	J. Grant Elman	Yungui Hu	Dong Liu	Laurel Prokopow	Andrew Tackmann	Amanda Zhou
Claude Bussieres	Brian Emanuel	Suzanne Hughes	Jeffrey Long	Kevin Prooeny	Wei-Chyn Tan	Hongbo Zhou
Matthew Byrd	Eugene Eng	Winnie Hung	Christopher LoSciuto	Kyle Puffer	Wei Tao	Marina Zompatori
Andrea Cablayan	Jordan Erp	Caleb Huntington	Yuefeng Lu	Matthew Purdy	Dana Tebo	
Heather Caffoe	Horng-Jiun Fann	Christopher Hurlburt	Yelena Lukatsky	Sanjat Puri	Wei Kiat Teo	
Pee wee Calfas	Benjamin Farnsworth	Brian Hurleigh	Min Luo	David Purushotham	Andrew Tess	
Claudia Campbell	Jeffrey Farr	Kevin Hurley	Brenda Lyon	Marianne Purushotham	Merton Thompson	
Scott Campbell	Erik Fasano	Meredith Huskey	Lie Ma	Yang Qiao	Anthony Tippa	
John Canetta	Stephen Fernstrom	Graham Ireland	Lisa MacDonald	Martin Quigley	Stephen Tizzoni	
Karen Carlson	Matthew Fingerhut	Jennifer Jakubowski	Matthew Maguire	Anna Quinn	Suyauwaty Tjandrasa	
Benzion Carmeli	Chad Fix	Troy Jaros	Grace Maina	Cathy Quock	Pauline To	
Bruno Caron	Melanie Flaherty	Nathan Jeppson	Aikaz Makarovskiy	Una Raghavan	Jason Tomanda	



# Academy Sponsors SOA Sessions in Quebec

MUCH OF THE NORTH AMERICAN ACTUARIAL WORLD CONVERGED in Quebec City during a week in June as the Society of Actuaries (SOA), Casualty Actuarial Society, and Canadian Institute of Actuaries—not to mention the International Actuarial Association—all hosted spring meetings along the St. Lawrence River. The Academy joined its counterparts in Canada, sponsoring three sessions at the SOA spring life meeting June 15–18.

Robert DiRico, chairperson of the Academy's Life Valuation Subcommittee, moderated a session that introduced the ideas in a practice note on credibility theory that the group was finalizing at press time. The presenters explained the theoretical basis for credibility theory, a common concept in property and casualty insurance that is seeing increased application to life and annuity valuation work. The presenters also offered

examples of related models to be used in practical applications and suggested possibly conducting a webcast in the fall to explain many important issues related to credibility theory.

In the other sessions, Mary Bahna-Nolan, Timothy Harris, and Allen Klein, members of the Joint Academy/SOA Preferred Mortality Project Oversight Group, presented the results of the group's continuing work on new mortality tables. Also, Academy volunteers Todd Erkis and Peter Boyko discussed the latest developments in the life insurance industry's move to a principle-based approach to capital.

In addition to the Academy-sponsored sessions, several members of the Academy's Modeling Efficiency Work Group presented the group's work in a mini-seminar that spanned four individual sessions. At press time, the group was preparing to release a bibliography designed to help point insurance com-

panies to recent research on techniques that may be useful for streamlining modeling work under a principle-based approach to statutory reserves and capital considerations. ▲

## LIFE BRIEFS

- **Randall Stevenson**, chief operating officer and chief life actuary for Verus Financial Management in Leawood, Kan.; **Calvin Birkey**, a senior actuary with Aegon USA Inc. in Cedar Rapids, Iowa; and **Donna Megregian**, an actuary with Milliman in Indianapolis, have joined the Academy's Nonforfeiture Improvement Work Group.
- **Charles Carroll**, an actuary in New York, has joined the Academy's Life Practice Council.
- **Dan Purcell**, an actuary with Actuarial Resources Corp. in Overland Park, Kan., has joined the Academy's Annuity Reserves Work Group.

DREAMSTIME

## Life and Health Qualifications Seminar

Nov. 10–13, 2008, Arlington, Va.

If you are a fellow in the Society of Actuaries (effective 2000–2006) or if you were not examined on the topics listed in Section 3.1.1 of the Qualification Standards for actuaries issuing statements of actuarial opinion in the United States, the Life and Health Qualifications Seminar offers state- and country-specific basic education that may not have been provided as part of the Society of Actuaries examination process. It can also serve as a basic education refresher or as a source of continuing education for more experienced actuaries.

**Attendance will be limited to the first 100 registrants.**

For more information or to register online, go to [www.actuary.org/seminar/index.asp](http://www.actuary.org/seminar/index.asp) or contact Rita Winkel, the Academy's legal assistant (202-223-8196; [winkel@actuary.org](mailto:winkel@actuary.org)).

# Terms of Agreement

BY DAN McCARTHY

**A**CCORDING TO MERRIAM-WEBSTER, a glossary is “a collection of specialized terms with their meanings.” While the world of insurance has no shortage of specialized terms, many of those terms have meanings that change depending on who is using them. Communication can be difficult enough within a single specialty or a given country, but it’s even more challenging when conversations cross disciplines and international boundaries. Accordingly, the International Actuarial Association decided to lend a helping hand, joining with several other organizations in an attempt to create a single glossary to be used as a reference guide for international insurance industries.

The six-person editorial group that will manage this effort includes two Academy members: Terri Vaughan, professor at Drake University in Des Moines, Iowa, and Stuart Wason, senior director of the Office of the Superintendent of Financial Institutions of Canada in Toronto. Vaughan represents the IAA in the group, while Wason represents the International Association of Insurance Supervisors (IAIS), a group of insurance regulators from more than 100 countries worldwide.

The other organizations involved in the joint effort are the Groupe Consultatif, the multinational body representing actu-

arial associations in the European Union, and the Comité Européen des Assurances (CEA), an organization that represents 33 national associations of insurers in European countries.

Though a number of glossaries of insurance terms have been created by different organizations throughout the years, the IAA hopes that one common glossary will facilitate international cooperation among the partner organizations and their members—and lead to greater consistency on the part of professionals worldwide. Part of that effort may include recognizing that the glossary may have to acknowledge that some terms have different meanings when they are used in different contexts.

The group has already made its first major decision on the glossary. The language of the glossary will be English (whether British English or American English or some amalgamation is yet to be seen).

The group hopes to have its first significant output sometime during 2009. In the meantime, and thereafter, you can contact Vaughan ([terri.vaughan@drake.edu](mailto:terri.vaughan@drake.edu)) if you have any comments or suggestions.

**McCarthy, a consulting actuary with Milliman in New York, is the Academy's international secretary. He would like to thank Terri Vaughan for her help on this article.**

## NCOIL Seeks Academy Opinions

**T**HE NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL) invited Academy input at its summer meeting July 10-13 in New York, as Academy members gave presentations at two NCOIL sessions.

Geoff Sandler, member of the Academy's Health Practice Council and the *Update* editorial board, spoke at an NCOIL Long-Term Care and Health Retirement Issues Committee hearing to discuss an NCOIL draft resolution that supports extending dependent health benefits to young adults. While many health plans allow for dependents to be covered only until they are 19 years old unless they are full-time students, NCOIL has proposed a resolution to call for dependents up to 25 years old to be covered on family plans, regardless of student status.

In his remarks, Sandler advised that any future legislation address how eligibility is defined.

“Eligibility requirements,” Sandler said, “should be defined to target the specific population in need of coverage in order to minimize incentives for individu-

als to switch from their own private health coverage, through the group or individual market, to their parents’ health coverage.”

Another issue Sandler highlighted is the structure of enrollment periods. He explained that the way an enrollment period is defined in legislation can help prevent adverse selection, a circumstance in which those with health risks are more likely to purchase insurance than healthier individuals. For instance, limited enrollment periods would make it difficult for individuals to sign up for coverage only after they’re diagnosed with an ailment.

While the NCOIL resolution supports mandating that insurers offer coverage to the master policyholder (which, in group coverage, is the employer), Sandler pointed out that individual states will have to decide whether extended dependent benefits should be required for all family policies or whether master policyholders should be given the extension as an option.

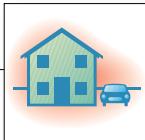
“In evaluating a mandated offer for employers, consideration should be given to the implications of selection because employers, especially in the case of small

businesses, may already be aware of the health status of its employees’ children prior to the decision to extend benefits to them,” he explained.

### Tracking PBA Developments

At NCOIL’s Life Insurance and Financial Planning Committee meeting, Dave Sandberg represented the Academy as he and Joe Musgrove, director of the life and health division of the Arkansas Insurance Department, presented an update on the U.S. life insurance transition to a principle-based approach (PBA) to annuities and capital.

Sandberg explained that the purpose of PBA is to provide a process designed to ensure uniform reserve requirements for the generation of consumer-focused products that have emerged over the past 10 to 15 years. Musgrove offered a useful analogy by comparing old, traditional life products to trains on a track—a simple, well-defined product where a premium was set and the train either lapsed or died. Recently, however, life insurance has seen products closer to all-terrain vehicles that allow much more policyholder flexibility and options. ▲



# FTC Solicits Advice on New Study

**T**HE ACADEMY'S PROPERTY AND ALL OTHER LINES SUBCOMMITTEE sent a letter to the Federal Trade Commission (FTC) in June, providing suggestions for the FTC as it prepares a study of the effect on consumers of homeowners' insurance of using credit-based insurance scores. The letter responded to an invitation from the FTC to comment on a draft model order that it will issue to nine different insurance firms in order to gather data for the study.

The letter offered insight into the type of information that will be most helpful for the FTC so that all sets of company data can be compared against one another. For instance, the subcommittee noted some of the challenges in requesting comparable information from companies due to inconsistent state laws, varying metrics for calculating scores, and the existence of multiple scoring algorithms used for different purposes.

One suggestion was to ask for only the actual credit score, since companies don't typically keep all the detailed statistics involved in computing that score. Also, since some state laws restrict the type of information used in that calculation, those states may have different versions of credit-scoring mechanisms, commonly called "credit-lite" scores. Consequently, the subcommittee recommended asking companies only for the scores calculated from the methods they use most often.

Further complicating matters, by some scoring methods, higher scores can signify good credit, while by other methods the

reverse can be true. To rectify this problem and to create analogous figures, the subcommittee recommends that companies be required to rank their customers by percentile according to the level of risk indicated by their credit scores (e.g., 1 equals the customers whose credit scores are in the top 1 percent, 2 equals the customers whose credit scores are in the top 2 percent, etc.).

The letter also made general suggestions, such as deciding how to define and measure disparate impact or racial proxy before beginning the study. The subcommittee recommended testing whatever standard the FTC uses against rating variables other than credit, so as to be able to distinguish if credit truly performs worse than other variables currently used for rating. The subcommittee also noted that removing credit as a factor in premium pricing would not change the total premiums that the insurance companies must collect. And it added that the use of credit or insurance scores has generally allowed companies to broaden their markets and write more total risks over time. ▲

## CASUALTY BRIEFS

- The Academy's Natural Catastrophe Subcommittee commented on a draft proposal by the National Association of Insurance Commissioners' (NAIC) Climate Risk Disclosure Working Group. The June 30 [letter](#) suggests an alternative wording to a question on the draft disclosure form for property and casualty insurers.

## All the Views That Are Fit to Print

**N**THE MAY 21, 2008, issue of the *New York Times*, Mary Williams Walsh wrote an article that addressed challenges actuaries face when setting assumptions for determining public pension plan funding levels. She noted that policymakers in several cities and states have increased benefits for public employees without increasing pension plan funding—based on overly aggressive investment return projections. The article suggested that a situation could arise when an actuary could be pressured "to come up with projections that make the pension fund look good."

In response to Walsh's article, Academy President Bill Bluhm wrote the following letter to the *Times* to explain the actions the Academy has taken on this issue and to clarify the professionalism standards with which all actuaries must comply. ▲

## PROFESSIONALISM BRIEFS

- **Arthur Panighetti**, Academy board member and Life Practice Council member, has been appointed to the Actuarial Foundation's board of trustees.



AMERICAN ACADEMY  
of ACTUARIES

Attn: Letters to the Editor  
*The New York Times*  
620 Eighth Avenue  
New York, NY 10018

May 23, 2008

To the Editor:

The American Academy of Actuaries, an association of 16,000 U.S. actuaries, recognizes the importance of the issues raised by Mary Williams Walsh in her May 21 article, "Actuaries Scrutinized on Pensions." (May 21, 2008, C1)

In February 2008, the Academy sponsored a day-long roundtable at NYU that encouraged and facilitated a free exchange of ideas on the issues raised in the article. The Academy's Board of Directors has also authorized its Public Interest Committee to address the question of public pension plan disclosures and develop a position that will express how actuarial practice can best serve the interests of the public.

Actuaries are held accountable through a set of 44 standards of practice that help guide them through the sometimes inexact process of producing complete, accurate, and trustworthy work by identifying acceptable procedures and techniques for actuarial practice. These standards, promulgated by the Actuarial Standards Board, are reviewed and updated regularly. The actuaries' Code of Professional Conduct requires them to abide by those standards.

The Actuarial Board for Counseling and Disciplining investigates alleged violations of the standards and code of conduct and, when appropriate, recommends discipline. Incidents of alleged actuarial misconduct may be reported to the ABCD at [www.abcdboard.org](http://www.abcdboard.org).

Sincerely,

William F. Bluhm  
President of the American Academy of Actuaries  
Washington, D.C.



## SEC ROUNDTABLE, continued from Page 1

models and assumptions used is critical when reports are reviewed by auditors and digested by those who use financial reports, like management, boards of directors, and investors. Because the process can be complicated, according to Guterman, it is all the more important for financial statements to contain meaningful—though not necessarily more—disclosures. He emphasized the use of techniques such as sensitivity analysis of key areas of uncertainty to provide more useful information to users.

"It is critical that the users of financial statements have a sound basis on which to assess the effect of the estimates and related risks and in turn increase the credibility of financial report values," he said.

One of the key points of discussion in the second panel was the difficulty in defining the fair value to be used, particularly in level 2 and level 3

measurements of illiquid assets and liabilities under Financial Accounting Standard (FAS) No. 157, *Fair Value Measurements*.

"This discussion was particularly relevant in today's economic environment by showing that markets cannot always be looked to for reliable values," Guterman said after the roundtable.

At the conclusion of the roundtable, SEC Chairman Christopher Cox mentioned the possibility for additional guidance to be provided by the SEC and the Financial Accounting Standards Board to "help smooth out some of the rough edges" of FAS No. 157—as well as FAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. ▲

## HEALTH BRIEFING, continued from Page 1



reiterated the need for continued education of policymakers on this issue, recounting a session in which Congress had to quickly pass a Medicare Part D bill that had an actuarial equivalence provision without having time to fully dissect how the term was being used.

"I yielded the floor to anyone who could explain actuarial equivalence," Baird said. "As you can imagine, there was a lot of dead air."

Uccello clarified that the perceived precision of actuarial equivalence calculations may be overstated because they are range estimates based on the costs incurred for an average person under the plan. Those estimates often depend on the data sources, projection methods, and a range of appropriate assumptions.

One thing actuarial equivalence is not, Bertko said, is a guarantee that two plans will have identical premiums, because insurers set premiums based on a number of factors, including selection issues and utilization norms for a given population.

The pair also explained how health savings accounts and health reimbursement accounts can be figured into actuarial equivalence calculations. For more information, including the presentation slides, visit [www.actuary.org/briefings/health\\_july08.asp](http://www.actuary.org/briefings/health_july08.asp). ▲

From left to right, Rep. Brian Baird (D-Wash.) speaks to Cori Uccello, Academy senior health fellow, and John Bertko, Academy Medicare Steering Committee member, after the Hill briefing.

## Qualification Standards

*Under the new Qualification Standards, in-house meetings can qualify as organized CE activities only if outside speakers are invited. To what extent must the outside participant be involved in the meeting?*



**FOR IN-HOUSE MEETING TIME** to count as an "organized activity," there should be an outside active participant available for questions and for participation throughout the event.

If an organization has a daylong series of sessions and the outside participant can only participate in one or two of the sessions, only those sessions would count as organized activities. If an organization has a full day of panel discussions and the outside participant serves on the panel for the entire day, therefore having an opportunity to actively participate and interact, the full day can be counted as an organized activity.

## Actuarial Update

### ASSOCIATE EDITORS

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

### EDITOR

Tim Dougherty  
(editor@actuary.org)

### DESIGN AND PRODUCTION

BonoTom Studio Inc.

### MARKETING AND PUBLICATION

**PRODUCTION MANAGER**  
Cindy Johns

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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](http://www.actuary.org)

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