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ACTUARIES HAVE ENJOYED ROBUST DISCUSSIONS on their fluency in actuarial professionalism since the creation of the American Academy of Actuaries—the home of actuarial professionalism—50 years ago. But have you ever really tested your proficiency in the profession's Code of Professional Conduct? Be



among the first to test your knowledge and receive a certificate (if you pass) showing your skill and commitment to the highest standards of conduct, qualifications, and practice. Join the Academy as we launch our latest professionalism online tool and try our brand new [Actuarial eLearning Center](#).

Developed by the Academy, the Actuarial eLearning Center provides Academy members with an innovative way to earn continuing education (CE) professionalism credits as described in the U.S. Qualification Standards, and if the user takes and passes the exam, obtain a certificate illustrating their CE compliance.

The first module, “Understand the Code of Professional Conduct,” provides an introductory course on professionalism along with an optional final exam.

The Actuarial eLearning Center opens with:

- ➔ A thought-provoking and interactive course on the Code of Professional Conduct;
- ➔ A unique engaging, substantive learning experience;
- ➔ A printable Certificate of Achievement to demonstrate

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Ethics Report Highlights Members' Perceptions of Professionalism Challenges Facing the Profession

THE ACADEMY RELEASED A REPORT describing survey responses related to member's perceptions of the potential ethical issues facing the actuarial profession, titled [“Key Ethical Concerns Facing the Actuarial Profession: Perceptions of Members of the American Academy of Actuaries.”](#) The report is based on an ethics survey instigated by the Council on Professionalism (COP) to which over 3,300 Academy members responded.

The responses were based on 18 hypothetical ethical issues that closely tracked principles set forth in the profession's Code of Professional Conduct. These issues cross different practice areas and types of employment. The Academy plans to use this report as a diagnostic tool to consider themes on professionalism important to the

profession and the public to further the Academy's unique mission to establish, maintain, and enforce high professional standards of actuarial qualification, practice, and conduct on behalf of the actuarial profession.

The survey yields unique information that the profession has not undertaken to review in years; response rates were sufficient to provide valid statistical results. The highest perceived ethical concern by a clear margin was “responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving.” Responses varied quite widely when analyzed by segments of respondents (such as area of practice, type of employment, etc.). The report also contrasts the ethical issues by various demographics. ▲

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Academy NEWS Briefs

National Media Turns to the Academy on the Actuarial Profession

ACADEMY IMMEDIATE PAST PRESIDENT TOM TERRY and Regular Director Audrey Halvorson spoke on behalf of the profession to media covering the new CareerCast.com [annual jobs rating report](#), which named “actuary” the best job of 2015. The report compared income, employment stability and advancement potential, stress, and other physical and environmental factors across 200 professions in determining the ratings.

In an [interview](#) with *CNBC*, Terry provided an overview of the profession and told readers what it takes to become an actuary. “In the United States, actuaries typically pass a series

of rigorous exams given by one of the actuarial societies. This basic education is accompanied by serious on-the-job training and continuing education. The American Academy of Actuaries sets standards for what it means to be a qualified actuary,” said Terry. The interview can also be found on [Yahoo Autos](#) and [Here Is The City](#).

Halvorson [shared](#) her perspective of the profession with *Business Insider*, saying, “Being an actuary is a rare profession that is well paid and well respected. ... In addition, most actuaries love math to some degree, and they get to use this skill in a dynamic business world.” The story also ran in [The Trading Report](#). ▲

Letters From Early Academy Leaders Still Resonate Today

IN HONOR OF OUR 50TH ANNIVERSARY, this year we will be reprinting documents from early Academy presidents. The first such letter is from the first *Yearbook* published in 1967. In it, H.F. Rood—the Academy’s first president—lays out the historical background of the founding of the Academy and underscores the necessity of one body to represent the actuarial profession in the United States.

HISTORICAL BACKGROUND

The American Academy of Actuaries was organized as an unincorporated association on October 25, 1965, as a single body to represent the whole of the actuarial profession in the United States of America. In the spring of 1966, when it was determined that a federal charter might not be obtained and in any event would be long delayed, the Academy was dissolved as an unincorporated association and on April 29, 1966, became a corporation organized under the Illinois General Not For Profit Corporation Act.

The work of the actuary in the fields of pension funds and other forms of employee benefits and in the fields of life, health, and property and casualty insurance has assumed a position of considerable public importance, and it is essential that all persons who hold themselves out to be actuaries are qualified to perform their duties in a fully competent manner and in the public interest. While a professional association of actuaries has existed on this continent since 1889, when the Actuarial Society of America was founded, there has not been

official recognition of the actuarial profession in the United States at any governmental level—federal, state, or local. There are at present no standards that an actuary must meet in order to practice and no licensing, certification, registration, or other requirement, in any state. In this respect the actuarial profession differs from such other professions as medicine, law, accountancy, architecture, and so forth, where the practitioners have to have a state license or certificate to practice.

The seemingly obvious need for legal recognition for actuaries had been discussed from time to time, but it was not until the late 1950s that there was organized activity to obtain such recognition. It soon became clear that, despite the fact that most of the practicing actuaries in the United States belong to one or more of the four actuarial societies (namely, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, the Fraternal Actuarial Society, and the Society of Actuaries), not one of these could speak for the whole profession.

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To continue receiving the *Update* and other Academy publications on time, remember to make sure the Academy has your correct contact information. Academy members can update their member profile at the member login page on the Academy [website](#).

Further, there were some fully qualified actuaries who were not members of any one of these bodies. After full discussion between representatives of the four existing organizations, it was decided that the proper vehicle for the approach to professional recognition must be a new body embracing all existing qualified actuaries practicing in the United States. This decision was approved by the governing boards and members of the four organizations, and, as a result, the Academy of Actuaries was formed. The organization of the Academy is the first step toward accreditation of actuaries and the official recognition of the profession.

The Bylaws of the Academy lay down requirements of both competence and conduct for the members. Initial membership qualifica-

tions recognize the standards of competence attained by the members of the four existing organizations. In addition, any practicing actuary not currently affiliated can become a member on giving evidence of his competence. As of December, 1966, the total membership of the Academy was more than 2,100.

The establishing of the American Academy of Actuaries was not accomplished without a great deal of work by many individuals both inside and outside the actuarial profession. This, the first Year Book, should properly pay tribute to them as well as mark a milestone in actuarial history in the United States.

H. F. ROOD
First President

Exploring Global Health Care Cost Drivers: South Africa and the United States

HEALTH CARE COST GROWTH is a global issue. Regardless of the structure of their systems—public, private, or some combination—countries all over the world need to evaluate and address varying degrees of health care cost growth. Exploring comparative experience with health care cost trends and the drivers of cost increases worldwide is the objective of a 2015 webinar series jointly sponsored by the Academy's Health Practice International Task Force and the International Actuarial Association (IAA) Health Section.

Join us at 9:30 a.m. EDT on May 13 for the second webinar in this series, which will provide a unique opportunity to learn about the successes and challenges that both South Africa and the United States have experienced as they have worked to identify and address particular cost drivers. This webinar will be a 90-minute examination and analysis of both countries' health care systems, with a focus on health care cost trends.

April Choi, chairperson of the IAA Health Section and member of the Health Practice Council, will moderate. Panelists Emile Stipp, chairperson of the IAA Health Committee, and Tom Wildsmith, Academy president-elect, will explore some of the following topics for both countries:

- The health care financing system;
- Efforts to address health care costs;
- Unique programs or aspects of the system that could be relevant to other countries;
- Examples of successes and challenges in each of the health care systems;
- Metrics used to measure health outcomes; and
- Anticipated changes and the impact of future health care cost trends.

The webinar is free for Academy members. [Click here to register online.](#) ▲

International Insurance Regulation 101: The International Association of Insurance Supervisors

ESTABLISHED IN 1994, the International Association of Insurance Supervisors (IAIS) is the standard-setting body responsible for developing and assisting in the implementation of principles, standards, and other supporting material for the supervision of the insurance sector internationally. The group is working on a number of important issues, including global insurance capital standards, which could have a significant impact on both international and U.S. insurers.

Join us at 2 p.m. EDT on May 22 for an Academy Capitol Forum

webinar on the IAIS. Deputy Secretary General of the IAIS George Brady will provide an overview of this important international regulatory body and its activities, as well as help participants navigate the acronym alphabet soup surrounding international insurance regulation.

This webinar is open to actuaries in all practice areas, and the fee is \$35.

[Click here](#) to see all the webinars in the Academy Capitol Forum Lunchtime Guest Webinar Series. ▲

Litigation Conclusion

ON APRIL 7, a pro forma approval of former SOA President Mark Freedman's voluntary motion to dismiss the remaining claim alleging defamation against Academy Immediate Past President Tom Terry was made in the Circuit Court of Cook County, Ill. On Feb. 24, 2015, Judge Peter Flynn dismissed

all other claims against the Academy. This latest action brings to a close all claims against any party related to the Academy. The dismissal of the specific counts against the Academy and against Tom Terry reaffirms the validity and vitality of the profession's self-disciplinary process. ▲

Recently Released

IN THE SPRING 2015 EDITION of the [Enrolled Actuaries Report](#), read about recent sweeping reforms to multiemployer pension plans that may affect millions of Americans; comment letters the Pension Committee sent to the IRS and the PBGC on mortality tables and late retirement actuarial equivalence, respectively; and the benefits of allowing qualified defined benefit pension plans to provide longevity annuities directly, rather than requiring buyers to purchase an insurance contract.

In the April issue of [HealthCheck](#), read about what Health Practice Council long-term care work groups are working on in a report from the NAIC's Spring 2015 National Meeting. Also in this issue, read about the Risk Sharing Work Group's letter to the Centers for Medicare & Medicaid Services on the 2014 medical loss ratio (MLR) annual reporting form.

The April 2015 edition of the [ASB Boxscore](#) is now available. This issue includes information on the newly adopted actuarial standard of practice (ASOP) No. 49 *Medicaid Managed Care Capitation Rate Development and Certification*; the enhanced ASB website; and a new task force charged with reviewing input concerning public pensions and ASOPs.

In the spring 2015 issue of [PBA Perspectives](#), read about the small-company exemption from principle-based reserving (PBR) requirements in VM-20 that was approved by the NAIC's Executive Committee in March; the proposed exemption will now go before the NAIC Plenary for a vote at its summer meeting in August. Also read a recap of other PBR issues from the NAIC's spring meeting, view upcoming events, and stay up to date on PBR progress. ▲

Lack of COI Policy Acknowledgments: Volunteers Dropped

IN ACCORDANCE WITH THE ACADEMY'S POLICY, 72 volunteers have been removed from their Academy committee positions because they failed to comply with the Academy's policy that its volunteers expressly acknowledge the longstanding [Conflict of Interest \(COI\) policy](#) applicable to all volunteers.

Committee member and interested party acknowledgments are a vital element in the Academy's ability to maintain its standards in providing unbiased, reliable information for policymak-

ers and others who rely on actuarial insight to inform their decisions regarding U.S. fiscal and societal challenges. The Academy requires members who serve in volunteer positions with the Academy to annually acknowledge its longstanding COI policy, and to comply with the continuing education (CE) requirements of the U.S. Qualification Standards. Individuals who serve as interested parties must formally acknowledge the Academy's COI policy as well. ▲

IN THE NEWS

Health Practice Council Vice President Catherine Murphy-Barron's [op-ed](#) published in *The Hill* provides additional context to the Academy's Feb. 24 [letter](#) to Health and Human Services (HHS) Secretary Sylvia Mathews Burwell. The letter advised HHS to consider policies that allow insurers rate filing flexibility to account for the possibility of Affordable Care Act premium subsidies being eliminated as a result of the Supreme Court case *King v. Burwell*, and warned of broader disruption to the individual market. "Mitigating the uncertainty created by *King v. Burwell* from an insurer solvency perspective is why we urged Secretary Burwell to take the initial step of rate filing flexibility. Addressing the potential for broader market disruption will require different and more

robust efforts on the part of policymakers at the federal and state levels, insurers, and other stakeholders," Murphy-Barron wrote in the [op-ed](#).

Senior Health Fellow Cori Uccello was quoted in a *Politico Pro* [story](#) reporting that some states will allow health insurers to submit alternate 2016 premium proposals, as the Academy has recommended. "It's just a matter of being prepared," said Uccello. (The *Politico Pro* story is available only to subscribers.)

Former Senior Pension Fellow Don Fuerst provided comments for the subscriber-only (Memphis, Tenn.) Commercial Appeal story "Pensions: [There's just something wrong when a 39-year-old can retire with a full pension](#)," part of a series examining the city's ongoing pension funding issues. "If you

only pay for 75 or 80 percent of the pension that people earn this year, what you're doing is pushing the other 25 percent onto some future generation and making them pay for it," Fuerst said. "Eventually someone has to pay for this and if you don't pay for it now, you're making your children and your grandchildren pay for it when you got the benefit of the work that those people did."

An opinion piece in the *Kansas City Star*, and reprinted by [Insurance News Net](#) and [WeatherBug.com](#), reports on the Academy's social media efforts to [raise awareness](#) of the property/casualty risks associated with extreme weather/climate-related events ahead of Earth Day. The columnist cites analysis from the Academy's *Essential Elements* paper "[Climate Change](#)," which notes that "insurers are

facing higher property and casualty insurance losses, which ultimately leads to higher costs to consumers and businesses."

Additional stories in [Canadian Underwriter](#), [Life & Health Advisor](#), [Insurance News Net](#), [Insurance Business America](#), and the French Canadian publication [Journal de L'assurance](#) cover the Academy's announcement and quote Casualty Practice Council Vice President Shawna Ackerman, who said, "Our aim is to evaluate and help manage exposure to these risks from an insurance perspective. We do that by combining an objective perspective on what current climate science is telling us with our actuarial expertise."

An AIS Health [story](#) on challenges facing the federal Small Business Health Options Program (SHOP) cites the

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Academy issue brief, [Potential Implications of the Small Group Definition Expanding to Employers with 51-100 Employees](#).

The story notes the Academy's analysis that "larger small groups will have to adhere to provisions such as essential health benefits and metal-tiering plan classifications that previously were reserved for the 1- to 50-employee segment, likely pushing plenty of the 51- to 100-worker firms to self-insure," rather than purchase coverage through the SHOP exchange.

After *Fifty Living* [republished](#) the Bankrate.com opinion piece "[Wake up! Your retirement is your problem.](#)" The story looks at retirement security risks relative to pensions and 401(k) plans, and quotes former

Senior Pension Fellow Don Fuerst's comments on recent changes to the Employee Retirement Income Security Act and the Pension Protection Act.

An opinion piece in Ireland's Belfast Telegraph [highlights](#) the March/April Contingencies feature story, "[Smoke and Mirrors](#)," about marijuana use and life underwriting. The op-ed praises the story as "an accurate and insightful article," and calls on lawmakers and industries to use a science-based approach when developing and reviewing policies concerning marijuana use.

A KPMG Institutes newsletter [reported](#) on the Academy/SOA Joint Project Oversight Group's [presentation](#) to the NAIC Life Actuarial (A) Task Force on the

development of the 2014 VBT tables, 2017 CSO tables, and PBR margins.

The Pension Practice Council and Multiemployer Subcommittee [letter](#) to the PBGC regarding the implementation of partitions and mergers, as well as benefit suspensions, under the Multiemployer Pension Reform Act of 2014 was [highlighted](#) by *BenefitsLink Retirement Plans Newsletter*.

A (Crystal Lake, Ill.) *Northwest Herald* [story](#) exploring options for closing a funding gap in local police pensions cites analysis from the Academy issue brief, [The 80% Pension Funding Standard Myth](#). The story was also published in [MySuburbanLife.com](#).

An Academy issue brief, [Potential Implications of the Small Group Definition Expanding to Employers with 51-100 Employees](#), was the subject of a [blog post](#) by a law firm. The post cites the Academy's analysis to help readers understand the effect of this change in definition by the Affordable Care Act on the health insurance landscape.

On March 30, Academy Assistant General Counsel Sheila Kalkunte spoke to an audience of approximately 150 at the MassMutual Actuarial Gathering in Chicopee, Mass., on professionalism issues particularly related to qualifying for new/emerging practice. To request a speaker on actuarial professionalism for your event, [click here](#). ▲

▲ PROFESSIONALISM COUNTS

Working Under a Credentialed Actuary? You May Still Need to Meet the U.S. Qualification Standards.

A question that arises particularly for in-house actuaries who report up the chain is whether the "junior" actuaries still need to be qualified under the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS)*.

The starting point is to ask if you provide Statement of Actuarial Opinions (SAO) in the United States while doing your work. The definition of an SAO in the USQS is fairly broad and not just intended to mean the well-known statutory annual statement opinions with which most actuaries are familiar.

What, then, constitutes an SAO? Although most SAOs are written, they may also be oral. The key to determining whether any particular communication is an SAO is whether it expresses an actuarial opinion, is based on actuarial considerations, and is intended to be relied upon.

Some communications are clearly SAOs, such as NAIC Annual Statement Opinions, expert testimony, ratemaking opinions, and tax issue opinions. Others are clearly not an SAO, for instance, a statement that contains data but does not contain actuarial advice or an actuarial opinion. But some communications are not so clear-cut. An internal communication may be an

SAO, depending on whether it expresses an actuarial opinion and whether it is intended to be relied upon.

Deciding whether a draft report is an SAO can also be tricky, but the same three criteria apply. A draft actuarial opinion that has not been given to the principal is not an SAO. But a draft actuarial opinion that has been given to the principal is an SAO—unless it is clearly marked that it should not be relied upon. However, if the principal is likely to rely on the draft regardless of the actuary's intent, the draft is, in fact, an SAO. In addition, if the principal does not receive a final report within a reasonable time frame, the draft will be considered an SAO.

In some instances, the actuary may send the principal a draft report that clearly states it should not be relied upon, and the actuary and the principal agree that a final report will not be issued. In this case, the draft report is not an SAO. (For more examples of what types of communications are SAOs, please see Appendix 1 of the USQS.)

To sum up, if you issue a communication that is based upon actuarial considerations, contains an actuarial opinion, and is intended to be relied upon, you are issuing an SAO and must meet all the qualification requirements of the USQS—even if your work is supervised by a credentialed actuary. ▲

Nominate an Actuary Who Has Demonstrated the Spirit of Service

BY MARY D. MILLER, PRESIDENT, AMERICAN ACADEMY OF ACTUARIES

OVER THE YEARS, the Academy has recognized your outstanding colleagues and mentors within the actuarial profession with its highest awards, the [Robert J. Myers Public Service Award](#) and the [Jarvis Farley Service Award](#). With nominations for this year's awards now open, I urge you to nominate Academy members whose service reflects the spirit of these awards and who meet our eligibility criteria.

The prestigious Robert J. Myers Public Service Award honors a member actuary who has made an exceptional contribution to the common good, specifically through a single noteworthy public service achievement or a career devoted to public service.

Robert J. Myers was the chief actuary for the Social Security Administration from 1947 to 1970. He was instrumental in the design and funding of the Social Security system. In recognition of his many years of extraordinary public service, the Academy created the Robert J. Myers Public Service Award in 1994.

What type of service captures the spirit of the Myers Award? I'd offer as examples the most recent honorees, Ronald Gresch (2014), senior health actuary at the Office of Personnel Management, and Stephen Goss (2013), chief actuary at the Social Security Administration. Gresch was recognized for his 30 years of public service and excellent management, negotiation, and analytical skills, while Goss was honored for his tireless efforts to provide impartial, nonpartisan advice to the Social Security Administration's commissioners, boards of trustees, other executive branch officials, and Congress. Please review the award [eligibility requirements](#) and nominate a colleague [online](#) or [by mail](#) now before the deadline for submissions.

The esteemed Jarvis Farley Service Award annually honors a member actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service. Jarvis Farley was a



charter member of the Academy and an invaluable resource for the profession. He served on Academy committees from 1972 until his death in 1991. His untiring volunteer work for the Academy epitomized the caliber of service honored by the award.

The service of our most recent Farley Award honorees embodies that spirit. Stephen Kellison (2014) was recognized for his contributions to the actuarial profession through his numerous volunteer efforts that include service on Academy boards and committees for nearly 25 years; his dedication as Actuarial Standards Board chairperson from 2008 to 2010 especially stands out. Ethan Kra (2013) joined the Academy in 1979, serving in numerous Academy

volunteer positions over 20+ years and making a significant positive impact on pension regulation through his profound knowledge of pension policy. Please review the award eligibility requirements and nominate a colleague [online](#) or [by mail](#).

If you know an Academy member who deserves the Academy's highest recognition as we present these awards at our 50th anniversary year Annual Meeting and Public Policy Forum in Washington, Nov. 12-13, please take a few minutes to nominate him or her now. ▲

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- ➔ **Randy Tillis**, actuary at PricewaterhouseCoopers LLP in Chicago, **Katie Cantor**, principal at Oliver Wyman in New York, and **Michael Lockerman**, principal at PricewaterhouseCoopers LLP in New York, have joined the Financial Reporting Committee.
- ➔ **Brandon Dwyer**, director and actuary at New York Life Insurance Co. in New York, has joined the Solvency Committee.
- ➔ **William Schwegler**, actuary at Aegon USA, Inc. in Cedar Rapids, Iowa, has joined the Financial Regulatory Task Force.

Register Now for the LHQ Seminar

REGISTER NOW for the 2015 Life and Health Qualifications Seminar, to be held Nov. 9-12 in Arlington, Va. (metropolitan Washington, D.C.). See why so many of your peers find this seminar the most succinct and effective way to acquire the required basic education and continuing education to assist in being qualified to sign NAIC annual statement life and health actuarial opinions.

This seminar is the primary source of instruction for actuaries who wish to be qualified to issue actuarial opinions for either the NAIC Life and A&H Annual Statement or the NAIC Health Annual Statement but may not have met the basic education requirements set forth in Section 3.1.1 of the U.S. Qualification Standards (USQS).

[Register early](#)—Seats are limited and will fill up quickly. ▲

Addressing the Issues of an Aging Population

THIS YEAR, as Social Security turns 80, both Medicare and the Older Americans Act turn 50, and the 6th White House Conference on Aging is convened, the issues of an aging population are in the spotlight. The Academy on April 8 sponsored a Capitol Forum [webinar](#) on the topic. Leslie Fried, senior director for the National Council on Aging's (NCOA) Center for Benefits Access, offered an overview of the NCOA, discussed the importance of focusing on policy issues that have implications for an aging population, and highlighted some of the work the NCOA is doing on issues ranging from long-term care to economic security to benefits access. ▲

40th Annual Enrolled Actuaries Meeting

THE ACADEMY AND THE CONFERENCE OF CONSULTING ACTUARIES jointly hosted the 40th annual Enrolled Actuaries Meeting from April 12 to 15 in Washington. The meeting offered a variety of panels and workshops, covering a wide range of topics and issues relevant to the more than 800 enrolled actuaries (EAs) and other pension professionals in attendance, as well as exhibits of products and services.

Academy President Mary D. Miller kicked off the meeting at the “Washington Update” session, one of the three general sessions. She discussed the Academy’s public policy work in the area of retirement security, including the *Retirement for the AGES* initiative and a cross-practice initiative on aging. She concluded her remarks by inviting attendees to the Academy’s own 50th anniversary Annual Meeting and Public Policy Forum, to be held November 12-13 in Washington.

Also at the “Washington Update” session, former Congressman Earl Pomeroy highlighted recent and forthcoming legislative activity affecting pension actuaries, specifically the reform of multiemployer plans, 4062(e) modifications, pension smoothing, and PBGC premium increases. The reform of multiemployer plans and 4062(e) modifications was a rushed process, eventually landing in an omnibus spending plan that took just a few legislative days from its introduction to being enacted, leaving little time for debate. Congressman Pomeroy further described the complexities of society and employee benefits in a time of “ideological rationalization,” which he said makes agreements of any kind much more difficult to achieve.

One of the more interesting topics from this session was discussion of the new plan design being worked on by Congressman Paul Ryan, chairman of the House Ways and Means Committee. Ryan’s plan would be a hybrid between defined benefit and defined contribution plans and would not include individual accounts; benefits would fluctuate while maintaining annuities and mortality tables.

The EA meeting offered several sessions on professionalism



Academy President Mary D. Miller addresses the crowd at the 40th Enrolled Actuaries Meeting

topics. At a pre-meeting seminar, “Professional Standards and Ethical Dilemmas,” Patrick McDonough, executive director of the Joint Board for the Enrollment of Actuaries likened his job to that of the Maytag repairman: The EA field is so compliant with regulations, he doesn’t have any allegations of misconduct to investigate, adding, “Your clients are all satisfied.” Sheila Kalkunte, Academy assistant general counsel and staff liaison for the Council on Professionalism, spoke about elements of actuarial professionalism. “One of the differences between a job and a profession is a code”—in the case of actuaries, the Code of Professional Conduct.

In a lively dialogue to close the seminar, attendees watched role-playing scenarios and then discussed hypothetical ethical problems in play. Bob Rietz, former chairperson of the Actuarial Board for Counseling and Discipline, portrayed an actuary whose long tenure working with BigCo lands his firm a contract serving the actuarial needs of BigCity ... with all the attendant ethical dilemmas that come with such a contract. In all, attendees engaged in a spirited discussion about three such scenarios and the ethical implications thereof.

The summer 2015 issue of *Enrolled Actuaries Report* will offer more details on specific sessions from the EA meeting. ▲

Academy Raises Awareness of Growing Climate- and Weather-Related Risks

AHEAD OF EARTH DAY (APRIL 22), the Academy used social media messages to help bring attention to the risk of extreme weather/climate-related events and their incidence. The effort followed the release of an *Essential Elements* paper on [Climate Change](#) earlier this year and the Academy’s ongoing work with other North American actuarial organizations on a project to assess the frequency and severity of such events.

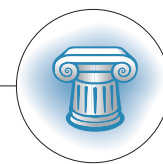
“The Academy hopes to enhance understanding among policymakers and the public at large of the increasing risks from extreme weather incidents,” said Shawna Ackerman, vice president of the Casualty Practice Council. “Our aim is to evaluate and help manage exposure to these risks from an insurance perspective. We do that by combining an objective perspective on what current climate science is telling us with our actuarial expertise.”

From the drought in the West to record snowfalls in the Northeast and high-intensity, high-impact hurricanes making landfall on the Atlantic and Gulf coasts, natural disasters are taking an increasing human toll, including costing Americans more, either directly or through their insurers, which face increasing property and casualty

losses. According to the National Oceanic and Atmospheric Administration, there were 80 U.S. weather-related events that cost more than \$1 billion each between 2004 and 2013. During the previous decade, there were only 46 such events. The costs have been compounded over the course of years by increased building along coasts and rivers. Wildfires in drought-ridden areas and other increasingly frequent extreme events are also behind the mounting costs.

The Academy is part of a group of North American actuarial organizations jointly developing the Actuaries Climate Index, which will focus on measuring the frequency and intensity of extremes in key climate indicators based on controlled observational data of temperature, precipitation, drought, wind, sea level, and soil moisture in the United States and Canada. The Actuaries Climate Risk Index, a second stage of this project, will include socioeconomic data to reflect the risk to populations and capital due to climate change.

Learn more about the Academy’s efforts to bring attention to the issues of climate change by visiting the [Climate Change Resources](#) page on the Academy website. ▲



Academy Continues Its Professionalism Outreach With the NAIC

ACADEMY PRESIDENT **MARY D. MILLER**, along with representatives of the Actuarial Standards Board (ASB), the Actuarial Board for Counseling and Discipline (ABCD), and the Committee on Qualifications (COQ), addressed the three primary actuarial task forces in connection with the NAIC Spring 2015 National Meeting, March 28-31 in Phoenix. Miller updated regulators on the previously discussed proposed qualifications validation process. It is being developed in the form of an easy-to-use online attestation, which members may voluntarily use to illustrate and document their compliance with the U.S. Qualification Standards for issuing NAIC annual statement actuarial opinions for life, health, and property and casualty.

The Academy's outreach at the NAIC continued with its popular regularly scheduled dialogue and breakfast with regulators, providing an in-person forum for regulators around the United States to have candid discussions about their actuarial professionalism concerns with representatives from the Academy's professionalism bodies including the ABCD, the ASB, and the COQ. The discussion ranged from further review and comments on the proposed Academy attestation and other actuarial qualification issues, to statistics from the newly released [ABCD 2014 Annual Report](#).

LIFE BRIEFS

- ➔ **Randall Stevenson**, consulting actuary at INS Consultants, Inc. in Philadelphia, and **Cande Olsen**, vice president at Actuarial Resources Corp. in Chatham, N.J., have joined the PBR Review Procedures Work Group.
- ➔ **Dave Sandberg**, Academy past president and vice president and corporate actuary at Allianz Life Insurance Co. of North America in Minneapolis, has joined the Stress Testing Work Group.
- ➔ **Frank Edwards**, vice president and chief life/health actuary at INS Consultants, Inc. in Philadelphia, has joined the PBR Review Procedures Work Group.
- ➔ **Vikas Sharan**, manager at Ernst & Young LLP in Philadelphia, has joined the ARWG Fixed Payout Annuities Subgroup.
- ➔ **Paul Donahue**, corporate counsel at MetLife in New York, has joined the ARWG Deposit Fund Subgroup.
- ➔ **Vy Ho**, actuary at Prudential Financial in Hartford, Conn., has joined the Annuity Reserves Work Group.
- ➔ **Linda Lankowski**, vice president, administration, at Prudential Financial in Hartford, Conn., is now co-chairperson of the Stress Testing Work Group.

Applicability Guidelines Updated to Reflect New Medicaid ASOP

WITH THE RELEASE of the most recent comprehensive revision of the [Applicability Guidelines \(AGs\) for Actuarial Standards of Practice](#) in October 2014—when the AGs were first made available in convenient Excel form—the Council on Professionalism committed to keeping the guidelines up to date. Accordingly, the Applicability Guidelines have been updated to include the new

[ASOP No. 49, Medicaid Managed Care Capitation Rate Development and Certification](#).

The ASOP was developed to establish guidance for actuaries preparing, reviewing, or giving advice on capitation rates for Medicaid programs, including those certified in accordance with 42 CFR 438.6(c), and takes effect for opinions and certifications issued on or after Aug. 1, 2015. ▲

ABCD's Behrens Speaks on Ethics at Temple University

ABCD MEMBER **NANCY BEHRENS** spoke to the undergraduate "Casualty Contingencies" class in Temple University's actuarial science program about "Professionalism and Ethics" on April 13. "This class has focused on various aspects of property/casualty insurance. Our first topic was ethics. Nancy's presentation was extremely enlightening, and the students had many questions. It was very helpful to have such a knowledgeable speaker," said Storm Wilkins, Fox School of Business assistant professor of risk management, who instructs the class. ▲

PROFESSIONALISM BRIEFS

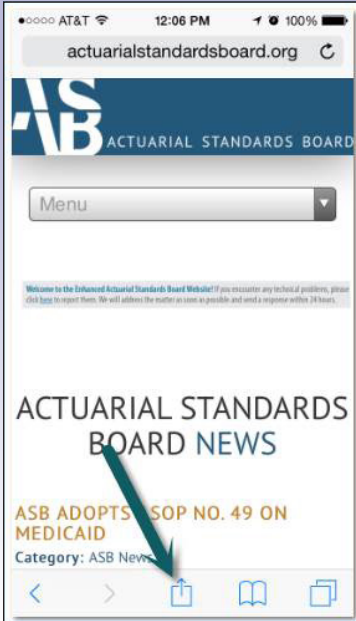
- ➔ **Karin Wohlgemuth**, director of actuarial services at Arch Mortgage Insurance Co. in Walnut Creek, Calif., is now chairperson of the Committee on Professional Responsibility.
- ➔ **Hal Tepfer**, principal at Savitz Organization, Inc. in Newton, Mass., is now vice chairperson of the Committee on Qualifications.



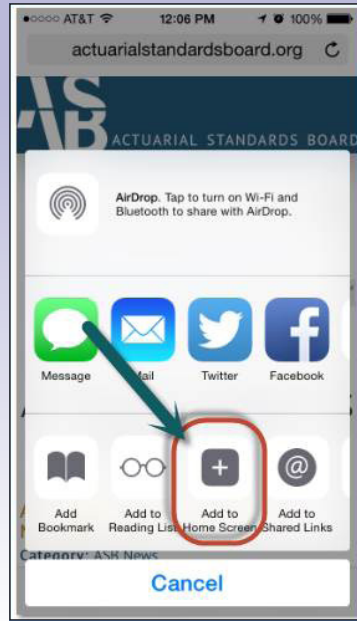
Access the Enhanced ASB Website From Any Device

LAST MONTH the Academy premiered the [enhanced website](#) of the Actuarial Standards Board, which is completely accessible on all mobile devices and tablets. Users can add an icon to their device's home screen for convenient access to the mobile site. To add the ASB icon to your home screen, please follow the below instructions

Apple iOS:



1. Click on the icon of a box with an arrow pointing up at the bottom of the screen.

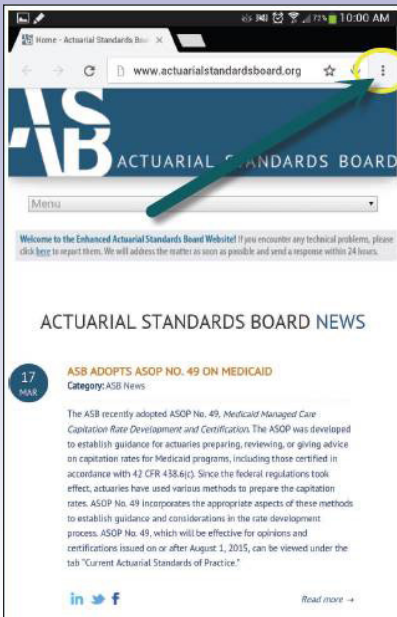


2. Click the icon marked "Add to Home Screen."

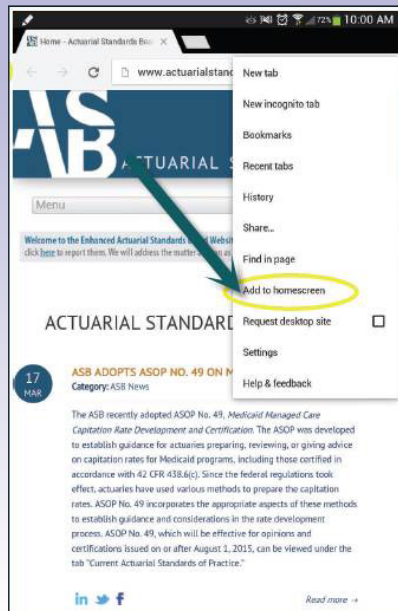


3. A page will pop up titled "Add to Home." Simply click "Add" and the icon will be added to your home screen.

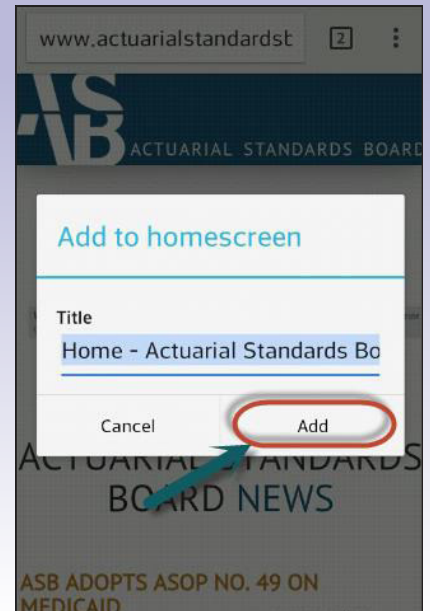
Android OS:



1. Click on the three-dot icon next to the URL bar at the top of your browser.

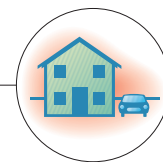


2. A drop-down menu will appear. Click on the option "Add to homescreen."



3. A pop-up box will ask you to confirm. Click "Yes," and the icon will be added to your home screen.

If you have any questions about the enhanced ASB website, including how to add an icon to your home screen, please email troubleshoot@actuarialstandardsboard.org.



Two Letters to the NAIC's Casualty Actuarial and Statistical Task Force

THE CASUALTY PRACTICE COUNCIL submitted a [letter](#) to the NAIC's Casualty Actuarial and Statistical Task Force (CASTF), in response to the task force's request, on the CPC's process for approving Academy members' qualifications in connection with signing NAIC Property and Casualty Statements of Actuarial Opinions (SAOs).

The letter outlines the "specific and comprehensive process by which it assesses the qualification of Academy members" to sign SAOs, and adds:

The CPC's process involves comprehensive evaluation of each individual candidate's qualifications in accordance with the requirements imposed by the USQS. No single candidate or category of candidates is qualified by the CPC as having fulfilled the USQS basic education requirements by virtue of any specific educational background alone.

Separately, the Price Optimization Task Force submitted a [comment letter](#) to CASTF on its draft price optimization white paper. The task force suggests several edits to make the white paper more consistent and useful.

The letter also addresses the subject of certification as a method by which regulators could supplement the review process, suggesting that language be added defining a "Qualified Actuary" as either "1) A mem-

ber in good standing of the Casualty Actuarial Society, or 2) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries." ▲

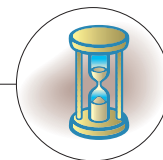
CASUALTY BRIEFS

➔ **Mary Frances Miller**, Academy past president and consulting actuary at Select Actuarial Services in Nashville, Tenn., and **Robert Weber**, consulting actuary at Weber Consulting in Irvine, Calif., have joined the Opinion Seminar Subcommittee.

SAVE THE DATE

The American Academy of Actuaries' 2015 Annual Meeting and Public Policy Forum
November 12-13 | Washington, DC

The Academy turns 50 in 2015—please join us in celebrating at a special gala dinner. Don't miss the opportunity to engage directly with policymakers and thought leaders from all practice areas as the Academy marks its Golden Jubilee.



Post-NAIC Webinar; AG on Indexed Universal Life Illustrations

THE LIFE PRACTICE COUNCIL held a [post-NAIC National Meeting update webinar](#) on April 17. Moderator Dave Neve, chairperson of the Academy Life Reserves Work Group, led a discussion of topics covered at the spring NAIC meeting.

Speakers included Mike Boerner, chair of the NAIC's Life Actuarial (A) Task Force (LATF); Mark Birdsall, chair of the NAIC's Life Risk-Based Capital (E) Working Group; and Jerry Holman, co-chairperson of the Academy's C1 Work Group.

The Life Illustrations Work Group sent a [comment letter](#) to LATF on a proposed actuarial guideline for indexed universal life illustrations.

The work group offered several suggested changes to the actuarial guideline, including eliminating a section that may "cause confusion regarding actuarial professionalism." The letter underscores actuarial standards of practice as the standards that govern actuarial work:

Actuarial Standards of Practice are the best place to define professional standards and may be updated to reflect changes in regulatory practices and professional standards, as appropriate. If standards of practice exist in more than one location, it becomes more difficult to update these standards when necessary.

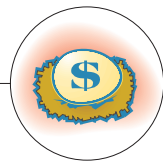
The letter concludes by suggesting the NAIC work with the Academy on matters of professionalism "outside of the particular context of one Actuarial Guideline." ▲

LIFE BRIEFS

➔ **Christopher Conrad**, senior actuary at Transamerica Capital Management in Cedar Rapids, Iowa, has joined the ARWG Deposit Fund Subgroup and the Stress Testing Work Group.

➔ **Mark Birdsall**, chief actuary at the Kansas Insurance Department in Topeka, Kan., has joined the Life Reinsurance Work Group and PBR Review Procedures Work Group.

➔ **Richard Dailak**, Academy regular director and vice president for risk management at Swiss Re America Holding Corp. in Armonk, N.Y., **John MacBain**, consulting actuary at Actuarial Resources Corp. in Clearwater, Fla., and **Jeffrey Johnson**, assistant vice president and actuary at Forethought Financial Services, Inc. in Indianapolis, have joined the PBR Strategy Subgroup.



Addressing the Multiemployer Pension Reform Act of 2014

Actuarial Update

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THE PENSION PRACTICE COUNCIL and Multiemployer Pension Plans Subcommittee sent a [comment letter](#) to the IRS/Department of the Treasury regarding the implementation of benefit suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA).

The letter focuses on “areas where guidance might have the greatest impact, and where there is an actuarial component to the issue raised.” In underlining the need for expediency, the PPC and subcommittee state, “It is important that critical and declining plans that need to implement benefit suspensions in order to remain solvent are able to take this action as soon as possible.”

Separately, the PPC and Multiemployer Pension Plans Subcommittee sent a [comment letter](#) to the Pension Benefit Guaranty Corporation regarding the implementation of partitions and facilitated mergers, as well as benefit suspensions, under the MPRA.

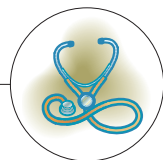
The PPC and subcommittee suggest that the

PBGC should be transparent about the application process for mergers and partitions:

The most helpful guidance would describe all of the information that plan sponsors need to submit to the PBGC with the application for mergers and partitions in order for the application to be complete. In particular, we recommend that the guidance include the details that will be required with respect to needed actuarial projections and reports. ... It would also be helpful if the PBGC is able to provide, as best it can, its evaluation criteria for determining whether to consider and approve an application for partition or facilitated merger. Trustees are reluctant to commit resources that could otherwise be used to pay benefits in preparing lengthy and complex applications that are unlikely to get serious consideration.

The letter concludes with an invitation to engage with the Academy as the PBGC deliberates about how best to implement the MPRA. ▲

HEALTH NEWS



Letter on MLR Annual Reporting, and a Webinar With CCIIO

THE HEALTH PRACTICE COUNCIL'S Risk Sharing Work Group submitted a [letter](#) to the Division of Regulations Development of the Centers for Medicare & Medicaid Services with comments on the 2014 medical loss ratio (MLR) annual reporting form.

The letter suggests the use of estimated final cost-sharing reduction (CSR) payments is more appropriate than advance CSR payments as a deduction to incurred claims, stating, “The advance CSR payments can differ significantly from the actual

CSR reimbursement determined during the reconciliation because advance payments are based on pricing assumptions and actual experience may be very different than pricing assumptions.”

Rate review and disclosures under the ACA: Panelists from the Center for Consumer Information and Insurance Oversight (CCIIO) answered members' pressing questions about rate review and disclosure under the Affordable Care Act, specifically the Unified Rate Review Template and Actuarial Memorandum, at a [webinar](#) on April 10. ▲

Actuarial eLearning Center, continued from Page 1

and document your comprehension of the course topic when you have satisfactorily completed and passed the multiple-choice final examination; and

- ➔ Seamless and secure access to the Actuarial eLearning Center with a single login to the Academy membership webpage.

For an affordable charge of \$125, you can take the first course and receive your certificate while

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The Academy plans to add more modules and related materials over time, with the goal of making the Actuarial eLearning Center the premier source for U.S. credentialed actuaries' online CE opportunities. Future content will cover the latest professionalism topics and trends, as well as current legislative and public policy initiatives. ▲