



# The Academy Year in Review

THE 2016 RECORD



AMERICAN ACADEMY of ACTUARIES

*Objective. Independent. Effective.™*

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# Letter From the President



Tom Wildsmith  
Academy President 2015-2016

The American Academy of Actuaries is stronger today than ever before. This isn't because of numbers or dollars—though membership is steadily growing and our finances are strong—but because of the role that the Academy plays in serving the American public on behalf of the profession. That role is both unique and vital. It's also one that the Academy has spent a half-century growing into.

Creating and maintaining the professionalism infrastructure for the U.S. actuarial community is at the heart of the Academy's role. The Academy was established in 1965 to professionalize the U.S. actuarial community by providing the standards and disciplinary process necessary to be recognized as a self-regulating profession—to ensure that U.S. actuaries serve the public with the professionalism that it needs and deserves.

We have come a long way since then. Our Code of Professional Conduct binds Academy members to the highest standards of conduct, recognizing that each of us has a moral responsibility to all the many people who may depend on our work. Through the Actuarial Standards Board (ASB), the Academy has promulgated 50 actuarial standards of practice covering all areas of actuarial practice. Through the Actuarial Board for Counsel and Discipline (ABCD), we provide the basic disciplinary framework for the profession. Building this infrastructure was a slow, deliberate process—the Academy spent its first 25 years putting it into place. But we now have a framework of mature institutions that allows us to be a truly self-governing profession. Because of this, membership in the Academy is widely recognized at both the state and federal levels as the credential necessary for an actuary to practice in the United States.

In this year's edition of *The Record* you will see the work of the ASB and the ABCD. These two bodies are integral parts of the Academy, and their activities are central to our professionalism mission. In addition, you will see the Academy's other professionalism outreach and education activities. Taken together, this work represents the Academy's ongoing commitment to ensuring the professionalism of the U.S. actuarial community.

The Academy is also the voice of the U.S. actuarial profession to the nation. This role flows naturally from our professionalism mission—we serve the *public* interest ... on *behalf* of the actuarial profession. We cannot truly serve the public interest if we approach it in a self-serving manner. Unlike a trade association or union, we do not represent the narrow commercial interests of our members or the industries they work in. Washington is full of competing voices representing competing interests—the Academy stands out through objectivity, independence, and nonpartisanship.

The information and advice we provide is valued because we have a proven track record as a credible, nonpartisan resource. Because of that track record—and the half-century of dedicated work that went into building it—the Academy today enjoys a reputation for independence and objectivity that most other organizations can only dream of.

The only way to maintain a reputation for being impartial, nonpartisan, and unbiased is to truly *be* impartial, nonpartisan, and unbiased. Washington is full of groups that claim the mantle of impartiality while actively lobbying on behalf of a special-interest agenda—and it's also full of folks who are very skilled at seeing through that sort of thing. Impartiality has to be real, or it won't work. Maintaining the credibility is hard work, requiring constant discipline.

I am very proud of the way the Academy has built that discipline into our policies, processes, and volunteer culture. All Academy volunteers are required to acknowledge our Conflict of Interest Policy and attest to compliance with continuing education requirements. Every Academy document that is published goes through not only peer review, but a legal review, a policy review, and a communications review to ensure that it is accurate, unbiased, nonpartisan, and effective. This is why legislators, regulators, and journalists turn to the Academy as a trusted, reliable source of independent, objective insights on critical public policy issues such as Medicare and Social Security. The Academy has faithfully spoken in the public interest, on behalf of the profession, for more than a half-century. Over those decades, it has developed a voice that is truly powerful—a voice that is heard in the halls of Congress, in federal agencies, and in state capitals, departments of insurance, and newsrooms across the nation.

This year's *Record* describes the wide range of public policy activities coming out of the Academy's various practice councils. These activities—letters to Congress, practice notes, issue briefs, and policy papers—represent all of the many different areas of actuarial practice, and they address some of the most critical policy issues facing the nation today. The Academy's efforts also touch a variety of audiences, including Congress, federal regulators, state regulators, international standards-setting bodies, and the American public.

Events over the last few years, along with our recent 50<sup>th</sup> anniversary, created both the need and the opportunity for Academy leadership to reflect in a focused way on our history and purpose. As many of you are aware, our profession has gone through a period of conflict among the various U.S.-based actuarial organizations. The Academy did not seek these conflicts, and I'm glad to say that we are on much better terms with the other organizations now than we were just a few years ago. But make no mistake—the tensions were real, the issues involved were important, and the disputes were a serious distraction for all of the U.S.-based organizations.

We are stronger because these conflicts forced us to articulate the Academy's purpose—what makes the Academy's role in the profession unique—more clearly and forcefully than we had been accustomed to. The Academy was created for a very specific reason: to provide the infrastructure, the standards, and the disciplinary process necessary for the U.S. actuarial community to be recognized as a self-regulating profession. This mission will remain not just relevant, but vital, as long as there are actuaries practicing in the United States. It's a role, and a need, that's simply not going away.

It's also a role that's unique to the Academy. We have a fundamentally different mission than that of any other U.S.-based organization, and we serve the public in a particularly direct way. The qualification standards, code of conduct, standards of practice, and discipline process all help protect the interests of those who rely on our work. Our public policy work directly serves the public good. The other U.S.-based organizations have different but equally important roles. The founders of those organizations recognized that the public benefits from an actuarial profession that is well educated and intellectually rigorous, and that has a growing body of tools and techniques available—just as the public benefits from advances in economics, architecture, or medicine.

I believe that the recent organizational conflicts were driven by two root causes. The first was a failure by some leaders of the profession to recognize that the missions of the various U.S.-based actuarial organizations are fundamentally different. The second was a tendency of many to measure the success of their organizations in commercial terms. As a result, they came to view the relationship between the various U.S.-based actuarial organizations in terms of commercial competition.

Let me be very clear: The Academy is not in commercial competition with any other actuarial organization.

Why am I making such a point of this issue? Because I'm convinced that this approach is not just mistaken, it has also proved to be deeply harmful to the profession.

The Academy is not a commercial enterprise. It is a nonprofit, tax-exempt professional association. You will see in *The Record* many activities that may seem similar in form to the activities of other organizations, such as publishing magazines, holding committee meetings, sponsoring research, and presenting webinars. These similarities are superficial and mechanical; the purpose is different because our mission is different. All of our activities are intended to support the Academy's professionalism and public policy missions. The purpose is never to engage in commerce or to maximize revenues.

The Academy is not a commercial enterprise, and neither are the other U.S.-based actuarial organizations. They are all tax-exempt nonprofits. Prior generations of leaders saw the role of the various organizations they served through the lens of service to the profession and, ultimately, the public. This isn't because they were too naïve to understand the realities of leading a successful professional organization. These are the men and women who built the profession we have today.

I believe that one reason relations between the different actuarial organizations have begun to improve is that today's leaders are beginning to recapture that vision of public service. This is not an abstract issue. The recent focus by some on commercial success, as if we were business enterprises, was bad for the profession. It led to needless conflict and rancor. Instead of producing increased efficiency, it proved to be a tremendous distraction to leadership from all of the major U.S.-based actuarial organizations. More important, it took the focus away from the profession that we are all dedicated to serving. Our strategies must never place more emphasis on growing our own organizations than on the health of the actuarial profession. The lesson of the recent past is that if we lose our focus, we will lose our way—and the profession will suffer.

The greatest source of the Academy's strength is our members and volunteers. You'll see that membership has risen to over 19,000, with over 1,200 active volunteers. This represents the U.S. actuarial community's shared commitment to professionalism and public service. We should all be proud of that commitment.

I would also like to recognize the contributions of Academy staff. Their dedication to supporting the actuarial profession—even though most are not actuaries themselves—is another source of strength. We simply could not achieve our mission without their help.

Other actuarial organizations preserve and expand the technical and intellectual capital—the tools and techniques—that makes what we do a science. The Academy has a different role. The Academy was founded so that the U.S. actuarial profession could earn the public's trust. Our mission is to ensure that U.S. actuaries—both individually and collectively—provide the public with the professionalism it deserves. Flowing from this is our dedication to provide legislators, regulators, and the public with impartial actuarial analysis and insights into the toughest public policy questions facing our nation. Put more simply, the Academy serves the public in two ways. We look outward, beyond the profession, to provide independent and impartial actuarial analysis of important public policy issues. We also look inward, at ourselves, to ensure that we as actuaries provide the public with the professionalism that it needs and deserves.

Thanks to the efforts and dedication of prior generations of actuaries, the Academy has been doing this on behalf of the profession since 1965. Each of us, as members and volunteers, has a role to play in preserving that legacy for future generations of actuaries.

# SECTION 1

The Academy continued its mission of serving the public and the U.S. actuarial profession in 2016, culminating in several high-impact initiatives.

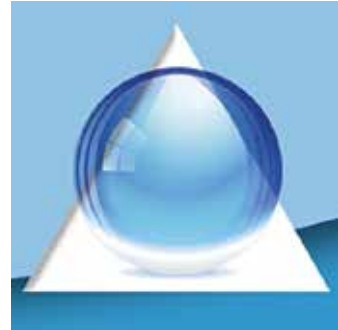
A graphic featuring the year '2016' in a light blue font. A dark blue checkmark is drawn over the '0'. To the left of the year is a large, light green letter 'L'. The background consists of overlapping circles in shades of green and yellow.

## Key Academy Developments



## Attestation Form

The Academy announced the release of its U.S. Qualification Standards Attestation Form in January 2016. The Attestation Form was developed to help actuaries voluntarily demonstrate how they meet the U.S. Qualification Standards (USQS) specific requirements for signing NAIC annual life, health, and property & casualty statements of actuarial opinion (SAOs).



The Academy initiated the development of the Attestation Form as a first step toward providing greater information and demonstrating accountability to regulators and the public regarding relevant actuarial qualifications.

[In a column](#) in *Actuarial Update*, Past President Mary D. Miller pointed to the team effort that brought this initiative across the finish line. “As we worked through the development of the online attestation, we sought feedback from regulators and our volunteers to ensure the final version of the Attestation Form was intuitive and useful and contained no new qualification provisions or requirements,” Miller wrote. “This team approach, in which all stakeholders were brought together to define this important initiative, has given us a tool that all members can use. Furthermore, it allows an actuary to give confidence to regulators and the public that the actuary is truly qualified to do the work he or she is undertaking.”

The Academy continued to engage with regulators at the NAIC regarding the Attestation Form, including at well-regarded “regulators only” breakfasts hosted by the Academy and its professionalism bodies at each national NAIC meeting.

## 2016 Election Guides: Making Issues Count

The Academy prepared [a series of guides](#) focusing on key issues facing the nation to help voters become better informed during the 2016 elections. These guides offered information on select campaign topics on which actuaries have expertise. The Academy urged candidates for higher office to provide details on their proposals to address the challenges addressed by these guides and the positions they will support as duly elected public officials. The guides covered issues related to [Social Security, Medicare, health care, long-term care, and climate risk](#).



## Longevity Illustrator Launched

We released the [Actuaries Longevity Illustrator](#) in May, an easy-to-use online tool developed with the assistance of the Society of Actuaries (SOA) to calculate longevity risk. The illustrator, available to everyone, provides the user with the likelihood of living various lengths of time, through which individuals and couples can better understand the risk of outliving their retirement income.



Life expectancy is a single number coming from a single set of assumptions, and individuals may outlive that estimate. The Actuaries Longevity Illustrator provides a range of outcomes illustrating the uncertainty of longevity risk, and the Academy and SOA note that there is a significant financial risk involved in living longer. They note that retirement planning should include a range of situations and risks that may be encountered.

Within two weeks of its release in early May, the illustrator—which was widely publicized by news stories in a host of media publications including [Time magazine](#), [MarketWatch](#), the [Huffington Post](#), and [Money Talks News](#)—had logged about 25,000 visits by users.

## Research Task Force Created

In an effort to sponsor and obtain research focused on significant public policy issues, the Academy created the Research Task Force. The task force, a presidential committee, is a cross-practice body that oversees the Academy's research functions.



## Highlighting the Profession for Women

As the national association for actuaries who practice in the United States, the Academy works to encourage a more diverse profession. To that end, the Academy created a short video, "[A Great Career for a Man?](#)" that opens with the experiences of Past President Mary D. Miller and highlights the views and attitudes of some of the women who have served or are serving in Academy leadership positions and features several female presidents of the Academy. The movie is now featured in the Academy's [Newsroom](#) archive.

## Actuarial Climate Index Measures Changes in Extreme Weather Events and Sea Level



The Academy, along with other North American actuarial organizations—the Canadian Institute of Actuaries (CIA), the Casualty Actuarial Society (CAS), and the Society of Actuaries (SOA)—launched the [Actuaries Climate Index](#) (ACI), which provides a quarterly measure of changes in extreme weather events and sea levels.

The index looks at the continental United States, Alaska, and Canada, with higher index values indicating an increase in the occurrence of extreme weather events. Based on historical data drawn from scientific sources, the latest Actuaries Climate Index values confirm a sustained increase in the impact of extreme effects from climate risk, such as high winds, heavy precipitation and drought.

The ACI is measured in standard deviations relative to the average readings during the reference period of 1961–1990. The data is from neutral, scientific sources, generating objective, evidence-based results on extreme weather events. According to the data analysis, 1.02 is the current five-year moving average value for the ACI. The index value remained below 0.25 during the reference period, reached a value of 0.5 in 1998, and first reached 1.0 in 2013. These values indicate a sustained increase in the frequency of extreme weather occurrences and changes in sea levels.

Updates for values will be posted quarterly on [www.ActuariesClimateIndex.org](http://www.ActuariesClimateIndex.org) as data for each meteorological season becomes available.

The organizations are also developing a second index, the Actuaries Climate Risk Index (ACRI), which will measure correlations between changes in the frequency of extreme events as measured by the ACI and economic losses, mortality, and injuries.

## Actuarial Challenge Sought Approaches to Reform Health Care



The Academy helped to promote and coordinate a collaborative [Actuarial Challenge](#), which was conducted by the Robert Wood Johnson Foundation in conjunction with Milliman Inc. The challenge was for actuaries to provide innovative ideas and proposals to increase stability in the individual health insurance market.

## Annual Meeting and Public Policy Forum

The Academy's very successful [Annual Meeting and Public Policy Forum](#) took place Nov 3–4 in Washington, where [Bob Beuerlein](#) became the Academy's 52nd president, succeeding Tom Wildsmith. The meeting and forum encompassed a day and a half of [plenary and breakout sessions](#) covering all aspects of actuarial practice. With more than 40 experts on hand, attendees took in sessions on casualty, health, life, and pension issues, and heard five distinguished [keynote and plenary session speakers](#) on public policy topics ranging from financial security to the Affordable Care Act (ACA).

- Former Sen. Christopher Dodd described, with vivid and personal details, the U.S. economy's financial crisis that came to a head shortly before the 2008 presidential election and led to federal government's Troubled Asset Relief Program (TARP) and eventually the Dodd-Frank financial reform law.
- Andy Slavitt, acting administrator of the Centers for Medicare & Medicaid Services, gave a straightforward and comprehensive look at the effects of and challenges facing the ongoing ACA implementation.
- Oregon Insurance Commissioner Laura Cali provided perspective on and the approach of the NAIC Big Data (EX) Working Group—which she chairs—established to identify regulators' concerns and needs about the type and uses of Big Data across practice areas, and participated in a professionalism panel discussion on the laws, standards, and ethical challenges actuaries face in working with Big Data.
- Pension Benefit Guaranty Corporation (PBGC) Director Tom Reeder clearly identified the financial picture for single and multiemployer defined benefit pension plans, and expressed great appreciation for the Academy's new issue brief on the difficult choices ahead for multiemployer plans.
- Congressional Budget Office (CBO) Director Keith Hall discussed the pivotal role the CBO, as a nonpartisan, objective legislative branch agency, plays in providing budget estimates and scoring existing and proposed legislation for Congress in the annual federal budgeting process.

Attendees were entertained at Thursday's gala dinner by the Capitol Steps, the Washington-based political musical satire troupe.

The Academy livestreamed select portions of the event, which it then posted on its [Facebook page](#). The event also received prominent media coverage, including mentions by [C-SPAN](#), [The Hill](#), [Politico](#), the *CMS Blog*, [Bloomberg BNA](#), [Roll Call](#), [Transport Topics](#), and [Health Exec](#).

Attendees were able to earn up to 12 hours of organized activity CE credits, depending upon their area of practice, as well as 1.8 professionalism CE credits. Pension actuaries were able to earn up to 1.8 continuing professional education (CPE) credits for “non-core subject matter” under the Joint Board for the Enrollment of Actuaries (JBEA) rules for each of the pension breakout sessions, for a total of 5.4 “non-core” CPE credits for attending all three sessions. (The JBEA makes the final determination about what constitutes core, non-core, ethics, or non-ethics CPE and the number of CPE credit hours allocated.)

## Beuerlein Becomes Academy's President; Vice Presidents, Regular Directors Join Board

Bob Beuerlein became the Academy's 52nd president, succeeding Tom Wildsmith.

In his [farewell remarks](#), Wildsmith gave a brief history of the Academy's founding, and spoke to the importance of its professional and objective voice on key policy issues to national and state policymakers. After receiving the presidential medal from Wildsmith, Beuerlein delivered his [inaugural address](#), underscoring the lifelong charge for actuaries to acquire and enhance a continuously changing set of professional skills. “As some skills become perfected, other new skill requirements will appear,” he said. “I believe this means





Bob Beuerlein became the Academy's 52nd president, succeeding Tom Wildsmith.

recognizing that the era of actuary as mere technician is over," Beuerlein said. "More than ever, actuaries need to apply advanced business skills and deep understanding of current developments—not just technical expertise—in dealing with clients, stakeholders, and the public."

He also challenged actuaries to become "more like thermostats than thermometers"—with the ability to change the temperature as needed, rather than merely gauge it. "We have the ability to be like thermostats in our business environment," he said. "By understanding complex issues, we can choose to influence the environment regarding these issues and thus

impact the outcome of situations. We must avoid being like thermometers that understand the issues but do not influence the environment with this understanding."

Also during the leadership transition, several new Academy officers and Board members were recognized:

- Tom Campbell, as secretary/treasurer;
- Rade Musulin, as vice president of the Casualty Practice Council;
- Shari Westerfield, as vice president of the Health Practice Council;
- Joeff Williams, as vice president of the Council on Professionalism;
- April Choi, as regular director;
- Stuart Mathewson, as regular director;
- Bob Rietz, as regular director; and
- Lisa Slotznick, as regular director.



## Volunteer, Service Award Recipients Honored

The Academy presented its prestigious annual service and volunteer awards at the Annual Meeting and Public Policy Forum, with Academy President Tom Wildsmith bestowing the honors.

Robert Meilander received the Jarvis Farley Service Award for making significant contributions in the life and risk management and financial reporting practices, at the international level, and on the Actuarial Standards Board's ongoing work related to public pension plan issues.

Joan Weiss received the Robert J. Myers Public Service Award in recognition of her extraordinary contributions to the public good as a dedicated public servant at the Pension Benefit Guaranty Corp., and as a volunteer on various Academy committees. Both Meilander and Weiss stressed the value and benefits of their years-long volunteer work, both for themselves and for those who have relied on their work.

Donna Claire, Barbara Klever, and Kathleen Odomirok were recognized with Outstanding Volunteerism Awards, which honor Academy volunteers who have made a single, noteworthy volunteerism contribution in the previous year that is above and beyond what is reasonably expected of an Academy volunteer.



Robert Meilander received the Jarvis Farley Service Award.



Joan Weiss received the Robert J. Myers Public Service Award.



Donna Claire received the Outstanding Volunteerism Award.



Barbara Klever received the Outstanding Volunteerism Award.

# SECTION 2

The Academy in 2016 maintained its efforts to support actuarial professionalism in the United States.

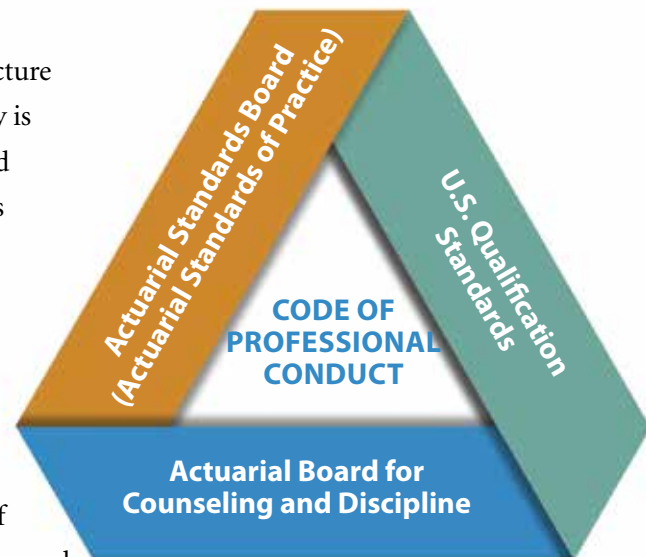
## Professionalism



## The Academy and the Web of Professionalism

In a four-part series in *Contingencies*, Academy President Tom Wildsmith examined the infrastructure of actuarial professionalism and how the Academy is instrumental in supporting that infrastructure and the U.S. actuarial profession. Wildsmith terms this infrastructure a “web of professionalism,” and the series explores how the Academy developed these foundational documents and bodies to provide the professionalism framework for the profession:

- The [Code of Professional Conduct](#) binds Academy members to the highest standards of conduct, recognizing that all members have a moral responsibility to all the many people who may depend on their work.
- The [U.S. Qualification Standards](#) provide actuaries with the guidance needed to meet the ethical obligation to practice competently and responsibly.
- Through the [Actuarial Standards Board](#), the Academy has promulgated 50 actuarial standards of practice covering all areas of actuarial practice.
- Through the [Actuarial Board for Counseling and Discipline](#), the Academy provides the basic disciplinary framework for the profession.



“The Academy was founded so that the U.S. actuarial profession could earn the public’s trust,” Wildsmith wrote. “Our primary mission is to ensure that U.S. actuaries—both individually and collectively—provide the public with the professionalism it deserves.”

## Regulator-Specific Outreach

The Academy continued our regulator-focused outreach in 2016, answering questions and making in-depth presentations at well-attended regulator-only breakfasts at the three NAIC national meetings with representatives from the Actuarial Standards Board (ASB) and Actuarial Board for Counseling and Discipline (ABCD). The U.S. Qualification Standards Attestation Form, released in 2016, was a topic of great interest to regulators, and had been developed to address their needs.

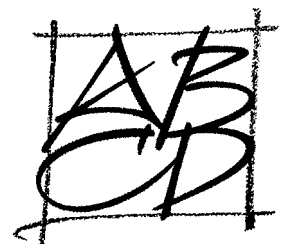
In addition to seeking regulator input at the NAIC meetings, the ASB had surveyed and developed a list of Academy members who are also regulators in an effort to build a resource list of government actuaries to serve as a sounding board and a specific source for feedback relating to actuarial standards of practice (ASOPs) in which regulators may have an interest. The response to this request for input was robust. Regulators' desire to be involved is a testament to their support of the Academy's professionalism mission and their interest in being a part of the standards-making process.

## Actuarial Board for Counseling and Discipline

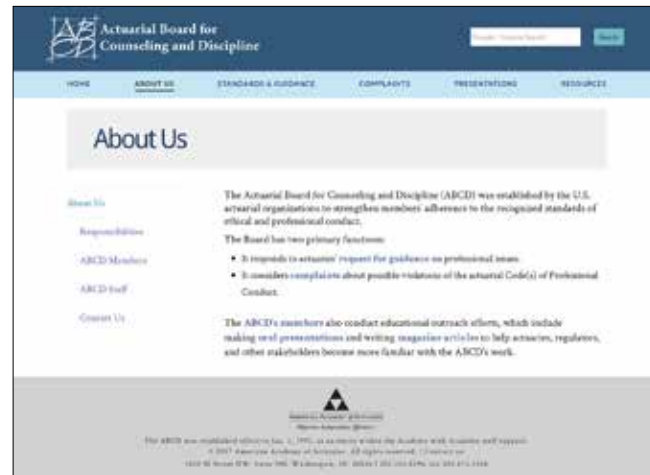
The Actuarial Board for Counseling and Discipline (ABCD) had a very busy 2016. The ABCD handled 141 cases, comprised of 108 requests for guidance (RFGs) and 33 inquiries. It provided guidance in response to the 108 RFGs and closed 14 inquiry cases. The 108 RFGs mark another record high. This level of activity demonstrates the increasing desire to seek guidance from experts on actuarial standards of practice and the Code of Professional Conduct in ethically challenging situations. It is a testament to the ABCD's significant value to the profession that it is increasingly being used by practitioners to obtain guidance in real practice issues in real time.

The ABCD continued its popular "Up to Code" series in *Contingencies* magazine. Topics in 2016 were:

- "[Doing the Right Thing](#)"—January/February 2016
- "[Because I Said So](#)"—March/April 2016
- "[No Fee, No Foul?](#)"—May/June 2016
- "[Whose Assumptions Are They?](#)"—July/August 2016
- "[Test Your Professionalism IQ](#)"—September/October 2016
- "[The Dog Ate My Homework, and Other Justifications](#)"—November/December 2016



The ABCD unveiled a newly designed website, upgraded to provide a more user-friendly experience, including information about guidance, requests for speakers, and the ABCD complaint process. The site includes information on the ABCD's leadership and members, recent "Up to Code" columns from *Contingencies* magazine, and more. The ABCD issued an informative and expanded Annual Report, [available here](#), with a comprehensive snapshot of its work.



## Actuarial Standards Board

The Actuarial Standards Board (ASB) continued its drafting, refining, and promulgating actuarial standards of practice (ASOPs) in 2016. The ASB approved six drafts for exposure:

- A revision to ASOP No. 5, *Incurred Health and Disability Claims* (February 4, 2016);
- A second exposure draft of proposed ASOP, *Property/Casualty Ratemaking* (February 4, 2016);
- A second exposure draft of a proposed new ASOP titled *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions* (July 27, 2016);
- A third exposure draft of a proposed new ASOP titled *Modeling* (July 27, 2016);
- A proposed new ASOP titled *Capital Adequacy Assessment for Insurers* (September 26, 2016); and
- A proposed new ASOP titled *Settling Assumptions* (December 6, 2016).



As financial audits, financial reviews, and financial examinations have evolved significantly in the past 10 years, the ASB also adopted a final revision of ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations*, which had been promulgated in 2004. (November 8, 2016).

In addition to the quarterly *Boxscore* issues that provide calendars and status on all the ASB's work, the ASB's annual report, [available here](#), sums up the prior year's work for the profession.

### **Task Force Report Results Identify Options for ASB to Strengthen Pension Plan-related ASOPs**

The ASB released the [report](#) of its Pension Task Force (PTF), which began work in 2014 to consider the standards implications of many proposals for change related to public pension plans. After extensive discussion of the PTF's suggestions, the ASB directed its Pension Committee to draft appropriate proposed modifications, in accordance with ASB procedures. The proposed modifications would be applicable to both public and private-sector plans, and are part of a comprehensive, ongoing effort by the ASB in recent years to strengthen pension-related ASOPs.

### **ASB Boxscore**

To keep the profession and the public apprised of its standards-setting activities, the ASB continued publishing *ASB Boxscore*, its quarterly newsletter, in [February](#), [April](#), [August](#), and [November](#).



## Professionalism Continuing Education and Resources

### Actuarial eLearning Center

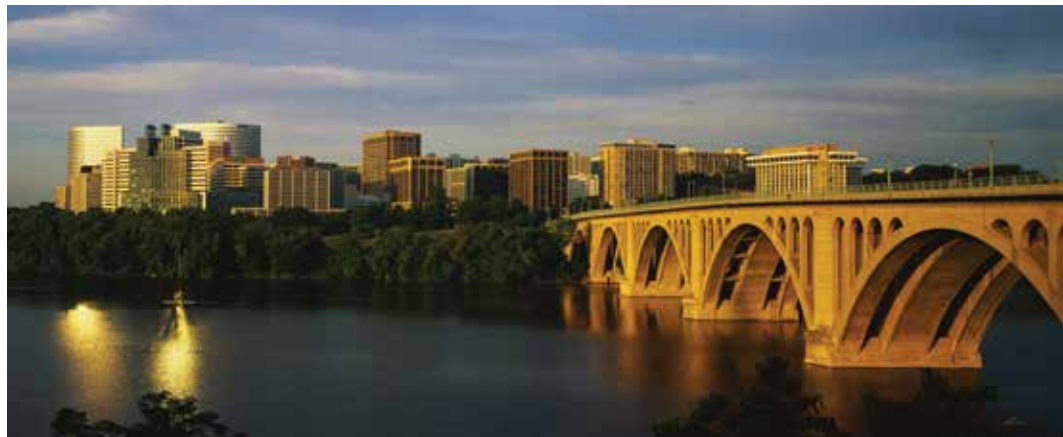
The Academy added its second digital learning course—“Addressing Ethical Concerns” is the latest addition to

**Actuarial eLearning Center**

the Academy’s Actuarial eLearning Center. This thought-provoking [course](#) takes a deeper, more interactive look at the [ethics survey](#) report presented by the Council on Professionalism in 2015, focuses on the top perceived ethical concerns facing actuaries in the profession, and provides a decision-making framework for addressing them from the perspective of maintaining the high standards of the actuarial profession.

### Seminar: Life & Health Qualifications

The Academy’s well-attended [Life and Health Qualifications Seminar](#) was held in November in Arlington, Va. The seminar is the most efficient way for actuaries to acquire required basic education and continuing education (CE) to be qualified to sign statements of actuarial opinion (SAOs) for NAIC Life and Health annual statements, and a popular way to earn CE credits under the U.S. Qualification Standards for those who already have the basic education needed to issue SAOs.



## Professionalism Webinars

The Academy continued its popular series of quarterly webinars, which offer a convenient way for members to earn necessary professionalism continuing education credit.

- [“Questions and Answers: The U.S. Qualification Standards”](#)—In this interactive webinar, participants suggested their own answers to commonly asked questions about specific qualification standards, SAOs, continuing education, and other topics related to qualifications, and then learned how the Academy’s Committee on Qualifications (COQ) has answered them. (March 17, 2016)
- [“Big Data and Actuarial Professionalism: What Actuaries Need to Consider”](#)—Presenters used examples of Big Data in the life, health, and property & casualty practice areas and explore how actuaries can apply the Code of Professional Conduct, actuarial standards of practice, and other professionalism tools to issues that may arise when working with Big Data. More than 2,000 people attended this well-received webinar. (June 28, 2016)
- [“An Overview of Cross-Practice Standards”](#)—Nearly 2,000 people attended an overview of the value and challenges of cross-practice standards, which are intended to create a baseline for appropriate actuarial practice. (October 19, 2016)
- [“Can You Hear Me Now? Actuarial Communications Under ASOP No. 41”](#)—Actuarial Board for Counseling and Discipline (ABCD) members Jan Carstens and Rick Block discussed ASOP No. 41, *Actuarial Communications*, through the lens of their experiences on the ABCD for an audience of more than 2,000. (December 21, 2016)



Actuarial Standards Board (ASB) Chairperson Maryellen Coggins, left, and ASB Vice Chairperson Beth Fitzgerald present at the October webinar.

## Professionalism Webinars

Estimated Audience  
Reached: 7,000

7,000

Slides and audio of archived webinars are available to members without charge on the Academy’s webinar page.

## Professionalism Counts

Our monthly column in *Actuarial Update* provides timely, pertinent discussion of professionalism topics affecting actuaries' daily practice.

- January: "[USQS Resources: Am I Qualified? Where to Find Answers to Your Questions on Qualification](#)"
- February: "[First Impressions of U.S. Actuarial Professionalism](#)"
- March: "[Objectivity and Independence: It's Who We Are](#)"
- April: "[Making Sense of the 'Look in the Mirror' Test of Qualifications](#)"
- May: "[There Is an 'I' in Integrity](#)"
- June: "[Dive In to the Academy's Webinar Treasure Trove](#)"
- July: "[From Zero to 1: Principles Behind Principle-Based Actuarial Standards of Practice](#)"
- August: "[ASOP No. 1 and Professional Judgment](#)"
- September: "[Continuing Education: Are You on Track?](#)"
- October: "[A Critical Element of Actuarial Self-Regulation](#)"
- November: "[Creating a Culture of Professionalism](#)"
- December: "[A \(New\) Year's Worth of Professionalism Resources at the Academy](#)"



## Professionalism Quiz on Academy's Social Media Accounts

In September 2016, the Academy posted an interactive quiz on actuarial professionalism on its Facebook and Twitter pages. More than 450 people across those two platforms took the quiz, which tested members on questions of actuarial qualifications, discussion papers from the Council on Professionalism, and who is bound by the Code of Professional Conduct.



## Qualifications and Standards of Practice

- The Committee on Qualifications added a question on qualifications to issue statements of actuarial opinion with respect to long-term care policies to its [frequently asked questions](#) (FAQs) on the U.S. Qualification Standards (USQS). (May 20, 2016)
- The Council on Professionalism updated two sections of the 2004 [discussion paper](#), *Structural Framework of U.S. Actuarial Professionalism—Concepts on Professionalism*. The two sections, “U.S. Actuarial Standards of Qualification” and “U.S. Actuarial Standards of Practice” were updated to reflect developments that have occurred in those areas since the original date of publication. (July 1, 2016)



- The Committee on Professional Responsibility (COPR) of the Academy’s Council on Professionalism released a new discussion paper, [Considerations of Professional Standards in International Practice](#). As actuarial work crosses national borders, actuaries are becoming exposed to a variety of laws and professional standards from different jurisdictions. Consequently, questions frequently arise about the professional requirements that apply in international situations. This discussion paper identifies and explores some of these issues. (July 8, 2016)



## Professional Outreach

The Academy was active both domestically and abroad, sharing insights regarding how the Academy supports actuarial professionalism in the United States. Academy representatives spoke at actuarial clubs, for private employers, and at actuarial students associations, reaching an estimated 4,000 attendees.

<b>Actuarial Clubs</b> Actuarial Society of New York, 11/9/16 Actuarial Students National Association (Canada), 1/9/16 Actuaries Club of Boston, 11/9/16 Actuaries' Club of Hartford/Springfield, 11/10/16 Actuaries Club of Philadelphia, 5/10/16 Actuaries Club of the Southwest, 6/17/16 Buckeye Actuarial Continuing Education (Cincinnati), 9/8/16 Casualty Actuaries of the Southeast, 9/26/16 Chicago Actuarial Association, 1/11/16 Cincinnati Actuarial Club, 6/29/16 Columbus Actuarial Club, 9/21/16 Iowa Actuaries Club, 11/29/16 Michigan Actuarial Society, 1/20/16 Mid Atlantic Actuarial Club (2 meetings), 5/17/16, 1/10/16 Nebraska Actuaries Club, 1/20/16 Southeastern Actuaries Conference, 6/22/16 Tri-State Actuarial Club (Indiana, Kentucky, Ohio), 9/19/16 Twin Cities Actuarial Club (Minneapolis), 10/11/16  <b>Estimated Audience Reached: 2,700</b>	<b>Employers and Employer Organizations</b> 2016 DI and LTC Insurers' Forum, 9/23/16 Delta Dental, 4/27/16 MetLife global conference, 11/16/16  <b>500</b> <b>Estimated Audience Reached: 500</b>
<b>University Actuarial Science Programs</b> Columbia University, 2/16/16 Penn State, 10/6/16 Temple University (2 meetings), 3/11/16 and 10/21/16  <b>Estimated Audience Reached: 700</b>	<b>Governmental Entity</b> New York City Office of the Actuary, 5/16/16  <b>100</b> <b>Estimated Audience Reached: 100</b>

# SECTION 3

Through its public policy work, the Academy seeks to address pressing issues that require or would benefit from analytical input based on actuarial principles. The Academy provides unbiased actuarial expertise and advice to public policy decision-makers and stakeholders at the state, federal, and international levels in all areas of actuarial qualifications.

In emerging or evolving areas of actuarial interest—such as Big Data, predictive analytics, autonomous vehicles, and the like—the Academy is instrumental in addressing the public policy and professional issues that arise.

## Public Policy

## Academy Alerts

In early 2016, as is done every year as a service to its members, the Academy released its 2015 year-in-review Alert. The review is a comprehensive summary of the significant regulatory and legislative events during the last year at the state, federal, and international levels that were of interest to the U.S. actuarial profession, and recaps the Academy's efforts in addressing these key areas.

In 2016, the Academy sent out a total of 77 alerts, broken down by practice area as follows:



To sign up to receive alerts in one or more practice area, or to change your preferences, log in to the [member area](#) of the Academy's website and click "Subscribe" under "Alert subscriptions."

## StateScan/*StateScan Quarterly*

The Academy launched a new service and publication in 2016 by providing StateScan, which offers a look at state legislative and regulatory reports on key topics.



Each legislative report shows legislation in all 50 states on a selected topic, including a short bill summary, legislative status, and sponsor information. All reports automatically update the status of listed bills. Each regulatory report shows regulations in all 50 states on a selected topic, including status, description, and text of the regulation.

To supplement the launch of StateScan, the Academy launched *StateScan Quarterly*, which highlights state legislation across the country that may be of interest to Academy members.

## Casualty Initiatives, Statements, and Resources

In 2016, the Casualty Practice Council and its work groups examined several areas of new or emerging interest, including price optimization, managing risks in cyberspace, and flood insurance.

### Committee on Property and Liability Financial Reporting

In 2016, the Committee on Property and Liability Financial Reporting (COPLFR):

- Submitted [comments](#) to the NAIC/IAIABC Joint (C) Working Group on the *2015 Workers' Compensation Large Deductible Study* draft. (January 19, 2016)
- Submitted [comments](#) to the NAIC's Statutory Accounting Principles (E) Working Group on the proposed *Treatment for Fees Incurred for Salvage/Subrogation Recoveries*. (February 3, 2016)
- Submitted [comments](#) to the NAIC's *Actuarial Opinion (C) Working Group on the Actuarial Opinion Instructions*. (February 12, 2016)
- Sent a comment [letter](#) to the NAIC noting certain inconsistencies in the instructions for certification of loss reserves for international insurers. (July 7, 2016)
- Along with the Financial Reporting Committee, sent a [comment letter](#) to the Securities and Exchange Commission on its concept release on the modernization of certain disclosure requirements in Regulation S-K. (July 21, 2016)
- Along with the Casualty Practice Council, submitted a [letter](#) to the Actuarial Standards Board, commenting on the third exposure draft of the proposed actuarial standard of practice (ASOP) for modeling. (July 21, 2016)

## Extreme Events

In 2016, the P/C Extreme Events Committee, along with the Casualty Practice Council, sent letters to [members of the U.S. House of Representatives](#) and to [members of the U.S. Senate Banking, Housing and Urban Affairs Committee](#) commenting on HR 2901, *The Flood Insurance Market Parity and Modernization Act*, concerning expansion of the role of private insurers in the flood insurance marketplace.

## P/C Risk-Based Capital

In 2016, the Property and Casualty Risk-Based Capital Committee:

- Submitted a [report](#) to the NAIC's Property/Casualty Risk-Based Capital (E) Working Group providing a detailed update of property and casualty risk-based capital underwriting factors. (October 27, 2016)
- Along with the Health Solvency Subcommittee, jointly submitted to the NAIC's Operational Risk Subgroup a comment [letter](#) on proposed changes to the operational risk factor in risk-based capital formulas for property/casualty and health. (December 19, 2016)

## Other Casualty Activities

Also in 2016:

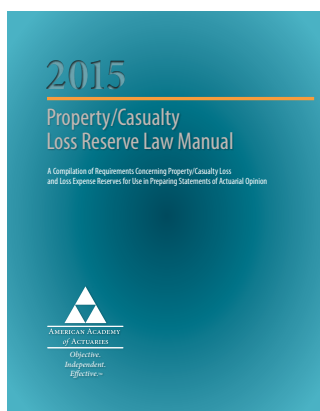
- Senior Property/Casualty Fellow Jim MacGinnitie submitted [comments](#) to the NAIC/IAIABC Joint (C) Working Group on the *2015 Workers' Compensation Large Deductible Study* draft. (February 5, 2016)
- The Price Optimization Task Force submitted [comments](#) to the NAIC's executive committee on changes made to the proposed *Price Optimization White Paper*. (March 14, 2016)
- The Casualty Practice Council submitted [comments](#) to the Actuarial Standards Board on the second exposure draft of the proposed actuarial standard of practice (ASOP), *Property/Casualty Ratemaking*. (April 21, 2016)



Senior Property/Casualty Fellow Jim MacGinnitie.

## Casualty Resources

- **Webinar:** "[Keeping Current: Changes to the 2015 SAO P/C Loss Reserves Practice Note](#)" — [This webinar, jointly sponsored with the Casualty Actuarial Society](#), was designed to help signers of statements of actuarial opinion (SAOs) keep up to date with the latest NAIC instructions. (January 14, 2016)



- **Law Manual:** [P/C Loss Reserve Law Manual](#)—This indispensable annual law manual is designed to help appointed actuaries comply with NAIC Annual Statement requirements for a statement of actuarial opinion. (January 12, 2016)
- **Webinar:** [“Driverless Cars Are Here: Implications for Policy and Insurance”](#)—We are moving closer to driverless cars and trucks, with more autonomous features added to vehicles each year. But many questions remain to be resolved. How much safer will highways become? And when things go wrong, who or what is responsible? (July 27, 2016)
- **Webinar:** [“P/C Post-NAIC Update”](#)—This webinar was dedicated to reviewing property and casualty issues discussed at the NAIC Summer 2016 National Meeting. The webinar reviewed discussions of top P/C issues, including an account of the Casualty Actuarial and Statistical (C) Task Force and other key meetings. (September 13, 2016)
- **Seminar:** Casualty Loss Reserve Seminar—This annual seminar, jointly sponsored with the Casualty Actuarial Society, helps attendees stay current with key industry developments and learn from expert analysis of innovation in reserving. (September 2016)
- **Seminar:** Seminar on Effective P/C Loss Reserve Opinions—This two-day seminar, held annually, is designed to deepen attendees’ expertise on the latest regulations and standards with reviews of actuarial qualification standards and interactive case studies. (December 2016)
- **Practice Note:** *Statements of Actuarial Opinion on P/C Loss Reserves* practice note—This annual practice note provides information to actuaries on current practices in which their peers are engaged related to signing a Property and Casualty Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary (AOS) as required by the NAIC. (December 27, 2016)
- **Essential Elements:** The Academy released or updated three Essential Elements papers on casualty issues.
  - [“Plugging Holes in U.S. Flood Insurance”](#) (July 2016)
  - [“Managing the Risks in Cyberspace”](#) (December 2016)
  - [“Climate Change”](#) (December 2016)





## Health Initiatives, Statements, and Resources

The health care landscape was again in the national spotlight in 2016—and the Health Practice Council (HPC) and its work groups once again provided timely, thoughtful analysis of the pressing issues of the day. From proposals to modify the Affordable Care Act, to long-term care insurance, to Medicare and Medicaid, the HPC supplied an objective, nonpartisan actuarial perspective to lawmakers and regulators.

### Capitol Hill Outreach

With the 2016 presidential election campaign in full swing, members of the HPC made their annual visit to Capitol Hill on March 10–11 to talk about relevant public policy issues relating to health care. Eighteen Academy volunteers met with staff from 42 congressional offices and government agencies, discussing topics ranging from ongoing Affordable Care Act (ACA) implementation to long-term care reform and health care delivery challenges in rural areas.



Members of the HPC briefed staffers on Capitol Hill.

### Affordable Care Act

Many Academy groups were active in 2016 on issues related to the Affordable Care Act (ACA):

- The Health Solvency Subcommittee sent a [letter](#) to the NAIC's Health Risk-Based Capital (E) Working Group with comments on Proposal 2016-01-H's individual premiums and claims footnote. (March 28, 2016)
- The Risk Sharing Subcommittee published an [issue paper](#) that reviewed the first year of experience under the ACA's risk adjustment program with a focus on experience in the individual market. (April 12, 2016)
- The Individual and Small Group Markets Committee released an issue brief, [Drivers of 2017 Health Insurance Premium Changes](#), which provided an overview of the general factors underlying premium rate setting and highlights the major components driving premium changes for 2017 under the ACA. (May 9, 2016)
- Academy Senior Health Fellow Cori Uccello and Karen Bender, chairperson of the Academy's Individual and Small Group Markets Committee, submitted [testimony](#) on the general factors underlying premium rate setting and the major components driving premium changes for 2017 under the ACA to a U.S. House Ways and Means Committee hearing on rising health care premiums. (July 12, 2016)



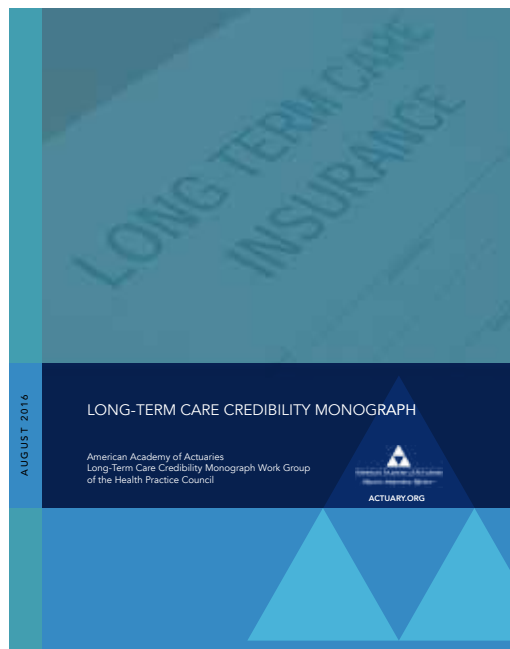
Senior Health Fellow  
Cori Uccello.

- The Health Practice Council sent [letters](#) to both the U.S. House and Senate on potential adverse consequences of legislation to weaken the ACA's individual mandate. (September 22, 2016)
- The Health Practice Council sent letters to both the [U.S. House](#) and [Senate](#) on potential adverse consequences of repealing provisions of the ACA without having a replacement approach in place, and the challenges faced by eliminating the reimbursements to insurers for cost-sharing reduction subsidies. (December 7, 2016)

## Long-Term Care

Academy groups also were active on issues related to long-term care (LTC) in 2016:

- The LTC Principle-Based Reserves Work Group sent its [final report](#) on a principle-based approach model to the NAIC's Long-Term Care Actuarial Working Group. (January 21, 2016)
- The LTC Principle Based Reserves Work Group [presented](#) its final report to the NAIC's Long-Term Care Actuarial Working Group (B); the LTC Credibility Monograph Work Group [presented](#) an update to the working group. (April 5, 2016)
- The LTC Reform Subcommittee submitted a [comment letter](#) to the Maryland Insurance Administration Public Hearing on Long-Term Care Insurance. (April 28, 2016)
- The LTC Reform Subcommittee published an [issue brief](#) providing an overview of premium rate increases on private long-term care insurance policyholders. (June 2, 2016)



- The LTC Credibility Monograph Work Group published a [monograph](#) on increasing the awareness of the applicability of credibility procedures to work related to long-term care insurance (LTCI), providing information on current practices, and outlining considerations and suggestions for advancing actuarial practice in LTCI. (August 17, 2016)
- The LTC Credibility Monograph Work Group presented an [update](#) to the NAIC on its monograph. (August 25, 2016)
- The LTC Criteria Work Group published an [issue brief](#) examining the essential criteria that should be used to analyze LTC financing reform proposals. (November 29, 2016)



- Laurel Kastrup, the chairperson of the Academy's Health Financial Reporting and Solvency Committee, [testified](#) at a U.S. House Subcommittee on Government Operations hearing on the federal long-term care insurance program. (November 30, 2016)



Kastrup testifies before a U.S. House subcommittee on the federal LTC insurance program.

## Medicare/Medicaid

Academy activities on issues related to Medicare and Medicaid included:

- The Medicare Subcommittee sent a [letter](#) to the Senate Finance Committee with comments on the Bipartisan Chronic Care Working Group's Policy Options Document. (January 26, 2016)
- The Risk Sharing Subcommittee sent a [letter](#) to the Centers for Medicare & Medicaid Services (CMS) with comments on its recent discussion paper, HHS-Operated Risk Adjustment Methodology, that addressed partial-year enrollment, use of pharmacy data, use of a concurrent versus prospective model, high-risk enrollee pooling, recalibration of the model, and the transfer formula. (April 22, 2016)
- The Medicare Subcommittee published an issue brief, "[Medicare's Financial Condition: Beyond Actuarial Balance](#)," on significant concerns about Medicare's long-term financial health. (June 24, 2016)
- The Medicare Part D RBC Subgroup published a [report](#) recommending RBC risk factors for Medicare Part D coverage based on analysis of detailed carrier experience, which followed up on an initial report released in 2014. (August 24, 2016)

## Other Health Activities

Also in 2016:

- The Premium Review Work Group sent a [letter](#) to CCIIO with comments on the 2017 unified rate review template (URRT) and instructions. (March 30, 2016)
- The Risk Sharing Subcommittee [presented](#) an update to the NAIC's Health Actuarial (B) Task Force on its report about the risk adjustment program. (April 5, 2016)
- The Cancer Claim Cost Table Work Group [presented](#) to the NAIC's Health Actuarial (B) Task Force on its progress in updating the 1985 cancer claim cost tables. (April 5, 2016)

- The Health Care Receivables Factors Work Group sent its [recommendation](#) on credit risk factors for health care receivables to the NAIC's Health Risk-Based Capital (E) Working Group. (April 15, 2016)
- The Cancer Claims Cost Tables Work Group published a [report](#) on developing a new set of valuation tables for use with cancer insurance policies in order to aid actuaries with their pricing and reviewing product filings by providing analysis on the initial data provided by the industry. (August 25, 2016)
- The Risk Sharing Subcommittee and Premium Review Work Group submitted a [letter](#) to the U.S. Department of Health and Human Services (HHS) regarding the proposed rule for the 2018 benefit and payment parameters. The comments addressed proposed changes to the risk sharing mechanisms, market reforms, and rate review provisions. (October 6, 2016)
- The Stop Loss Factors Work Group sent a [report](#) to the NAIC's Health Risk-Based Capital (E) Working Group (E) reviewing the RBC formulas currently used for medical excess of loss business. (November 14, 2016)
- The Property and Casualty Risk-Based Capital Committee and the Health Solvency Subcommittee jointly submitted to the NAIC's Operational Risk Subgroup a comment [letter](#) on proposed changes to the operational risk factor in risk-based capital formulas for property/casualty and health. (December 19, 2016)
- The GASB 74 Implementation Work Group of the Retiree Benefits Subcommittee submitted [comments](#) on the GASB 74 implementation guide exposure draft that addresses financial reporting for postemployment benefit plans other than pension plans. (December 19, 2016)

## Health Resources

- **Webinar:** "[An International Discussion on Risk Adjustment](#)"—The Academy's Health Practice International Committee and the International Actuarial Association Health Section (IAAHS) offered a webinar that provided members with a look at the information coming out of the European Risk Adjustment Network, an informal annual gathering of risk adjustment experts from several European countries and Israel that meets to exchange ideas on the latest research in applied risk adjustment. (January 27, 2016)
- **Webinar:** "[CMS Discussion of National Health Spending in 2014](#)"—During this webinar, panelists from the Centers for Medicare and Medicaid Services (CMS) discussed their recent findings regarding national health spending. (February 4, 2016)

- **Webinar:** “[A Conversation with CCIIO on 2017 Rate Filings](#)”—Representatives from the Center for Consumer Information and Insurance Oversight (CCIIO) discussed the changes to the 2017 unified rate review template and instructions. CCIIO demonstrated these changes by filling out a template during the live webinar, providing a brief explanation of the expected entry for each cell as the input is entered. (March 30, 2016)
- **Webinar:** “[Exploring Global Health Care Cost Drivers: Hong Kong and Taiwan](#)”—This webinar took a look at health care systems in Hong Kong and Taiwan, with a focus on health care cost trends. (August 25, 2016)
- **Webinar:** “[Exploring Global Health Care Cost Drivers: France and U.K.](#)”—Another in the series of international comparative analysis, this webinar provided a unique opportunity to learn about the successes and challenges that both France and the U.K. have experienced as they have worked to identify and address particular cost drivers. (October 5, 2016)

## Life Initiatives, Statements, and Resources

The Life Practice Council (LPC) was busy in 2016, continuing the work to help actuaries prepare for principle-based reserving, advance the scope of risk-based capital, and engaging with the NAIC on complex regulatory matters.

### Principle-Based Reserving

Several LPC work groups were active on issues related to principle-based reserving (PBR) in 2016, just before PBR took effect:

- John Miller, chairperson of the Annuity Reserves Work Group, provided a non-variable annuity PBR [update](#) to the NAIC’s Life Actuarial Task Force’s VM-22 Subgroup. (August 24, 2016)
- The Tax Work Group submitted [comments](#) to the NAIC’s Statutory Accounting Principles (E) Working Group in response to the Issue Paper No. 15X concerning PBR implementation. (October 6, 2016)
- Academy Senior Life Fellow Nancy Bennett made a [presentation](#) to the National Conference of Insurance Legislators National Meeting that provides an update and background on the implementation of PBR. (November 18, 2016)



Senior Life Fellow  
Nancy Bennett.

- The Principle-Based Reserves Model Governance Practice Note Subgroup of the Principle-Based Reserves Strategy Subgroup released a [draft](#) model governance practice note to provide additional information for practicing life actuaries seeking to better understand models, model risks, model governance, and related issues, as these actuaries implement PBR. (December 1, 2016)
- The Principle-Based Reserves Checklist Subgroup of the Model Governance Work Group released a model governance [checklist](#), which is offered as a resource for practicing life actuaries involved in actuarial model governance. (December 1, 2016)
- John Miller and Chris Olechowski, co-chairpersons of the Annuity Reserves Work Group, provided a non-variable annuity PBR [update](#) to the NAIC's Life Actuarial Task Force's VM-22 Subgroup. (December 8, 2016)

In addition, the Academy published four issues of *PBA Perspectives*, which provides regulatory, legislative, and Academy updates surrounding the implementation of the principle-based approach (PBA) for life insurance.



Attendees learned from experts at the PBR Boot Camp.

To help members prepare for PBR implementation, the Academy held two well-attended and -regarded “PBR Boot Camps” in 2016—one in Chicago in June, the other in Orlando in September. Topics for the boot camps included modeling and model governance; stochastic, deterministic, and net premium reserves; setting mortality assumptions and other liability assumptions; determining assets to back PBR reserves and setting asset assumptions; reinsurance; experience studies and pricing considerations; reporting; regulatory and auditing reviews; and PBR checklists and other helpful sources of information.

## Life Risk-Based Capital

LPC work groups were also active on issues around risk-based capital (RBC) in 2016:

- The Life Operational Risk Work Group sent [comments](#) to the NAIC's Operational Risk (E) Subgroup on how operational risk, including a prospective growth charge, might be better reflected in the life RBC formula. (July 27, 2016)
- The C1 Work Group sent [comments](#) to the NAIC's Investment Risk-Based Capital Working Group in response to the "Proposal for Life Bond Granularity and Related Issues" dated Sept. 6, 2016. (October 5, 2016)
- The C1 Work Group sent [comments](#) to the NAIC's Investment Risk-Based Capital Working Group on proposed RBC factors for fixed-income securities for the NAIC's life RBC formula. (October 17, 2016)
- The Life Operational Risk Work Group sent [comments](#) to the NAIC's Operational Risk (E) Subgroup on proposed operational risk factors and growth charge for the life RBC formula. (October 31, 2016)
- The AG 43/C-3 Phase II Work Group provided [comments](#) to the Variable Annuities Issues (E) Working Group on the exposed proposal to revise Actuarial Guideline 43 (AG 43) and C-3 Phase II. (November 14, 2016)
- Tricia Matson, chairperson of the Academy's Longevity Risk Task Force, gave an [update](#) to the NAIC's Life Actuarial Task Force on the Academy's task force's work, including creating a methodology for recognizing longevity risk in statutory reserves and RBC, and reviewing regulatory and company approaches to longevity risk. (December 8, 2016)
- Nancy Bennett, Senior Life Practice Council Fellow, and Rich Owens, member of the Academy C1 Work Group, presented an [update](#) on portfolio adjustments to the C1 factors for corporate bonds to the NAIC Investment Risk-based Capital Working Group. (December 11, 2016)
- The Life Operational Risk Work Group sent [comments](#) and an [appendix](#) to the NAIC's Operational Risk (E) Subgroup on proposed operational risk factors and growth charge for the life risk-based capital (RBC) formula. (December 19, 2016)

## Other Life Activities

Also in 2016:

- The Actuarial Guideline 43/C-3 Phase II Work Group submitted [comments](#) to the NAIC on the variable annuities blanks proposal exposed on Nov. 19. (January 29, 2016)
- The Life Illustrations Work Group submitted comments to various NAIC working groups over the course of the year:
  - [Comments](#) to the NAIC's Life Insurance and Annuities (A) Committee on the new working group formed to explore disclosures required in Model #580 and #582. (January 29, 2016)
  - [Comments](#) to the NAIC's IUL Illustration (A) Subgroup on revisions to Actuarial Guideline XLIX (March 14, 2016) and [comments](#) regarding the extension of Actuarial Guideline XLIX to all inforce life insurance illustrations (August 1, 2016).
  - [Comments](#) to the Actuarial Standards Board on revisions to Actuarial Standard of Practice No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. (September 29, 2016)
- The SVL Interest Rate Modernization Work Group submitted comments to the VM-22 Subgroup of the NAIC's Life Actuarial Task Force (LATF) on:
  - [Statutory regulations](#) regarding the determination of statutory valuation interest rates. (February 23, 2016)
  - [Questions and answers](#) in response to statutory regulations regarding the determination of statutory valuation interest rates. (April 25, 2016)
  - [The determination](#) of statutory valuation interest rates. (July 15, 2016)
  - Non-jumbo and jumbo [sample calculations](#) on valuation interest rates. (September 21, 2016)
  - [An exposure draft](#) on the VM-22 maximum valuation interest rates for income annuities. (November 2, 2016)
  - [Valuation rate buckets](#) in the exposure draft on the VM-22 maximum valuation interest rates for income annuities. (November 2, 2016)

- The Role of the Actuary Subgroup submitted comment letters to the LATF:
  - [On revisions](#) to the Corporate Governance Guidance Appendix, Section VM-G, of the Valuation Manual applicable to qualified actuaries for clarification and consistency with the SVL. (March 10, 2016)
  - [On revisions](#) to Section VM-31 of the Valuation Manual applicable to qualified actuaries for clarification and consistency with the SVL. (March 25, 2016)
  - [On recommendations](#) made in amendment proposal forms regarding VM-G of the Valuation Manual. (May 6, 2016)
  - [On combined revisions](#) regarding VM-G of the Valuation Manual. (June 3, 2016)
  - [On Section 4](#) of the Valuation Manual-G. (June 10, 2016)
  - [On the consolidated ACLI and Academy Amendment Proposal Form](#). (June 22, 2016)
- The Joint Academy Life Experience Committee and SOA Preferred Mortality Oversight Group:
  - Submitted [comments](#) to the LATF on the removal of the provisions for unisex rates as applied to reserves. (March 17, 2016)
  - Provided an [update](#) on guaranteed issue and preneed mortality to the LATF. (June 16, 2016)
  - Presented an [update](#) on the new joint initiative of the Academy and the SOA in formulating a work group to address a LATF request for information on accelerated underwriting mortality under VM-20. (December 9, 2016)
- The Life Reserves Work Group (LRWG) engaged with the LATF:
  - Sent [comments](#) on exposed amendment proposal forms on term and universal life insurance with secondary guarantees, and also [regarding](#) exposed amendment proposal forms on net premium reserves. (April 25, 2016)
  - Submitted [comments](#) on the Minnesota Department of Commerce Amendment Proposal Form (APF) on post-level term profit assumptions. (May 18, 2016)
  - Submitted [comments](#) on the exposed NAIC staff Amendment Proposal Form (APF) on VM-20 product aggregation. (July 5, 2016)
- The Life Practice Council submitted [comments](#) to the LATF on the qualified actuaries' responsibilities to the interests of the company versus the commissioner. (June 30, 2016)
- The Lifetime Income Risk Joint Task Force submitted a [comment letter](#) to the

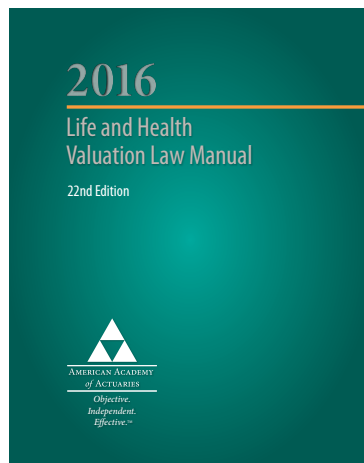


Department of Labor concerning proposals for increasing retiree income options, with a focus on additional safe harbors that encourage delivering lifetime income.

(August 19, 2016)

- Art Panighetti, a member of the Academy's Longevity Risk Task Force, presented an [update](#) to the LATF on the Academy task force's work, including creating a working definition of "longevity risk," analyzing U.S. mortality tables, and reviewing regulatory and company approaches to longevity risk. (August 24, 2016)
- Mary Bahna-Nolan, chairperson of the Life Experience Committee, presented an [update](#) on guaranteed issue and preneed mortality table to the LATF. (August 24, 2016)
- The Life Products Committee submitted [comments](#) to the Actuarial Standards Board on the proposed actuarial standard of practice that applies to the pricing of life insurance and annuity products. (August 24, 2016)
- The Nonforfeiture Modernization Work Group submitted [comments](#) to the LATF with regard to potentially updating standard nonforfeiture laws. (September 28, 2016)
- The Stress Testing Work Group submitted [comments](#) to the NAIC's Stress Testing (E) Subgroup on providing assistance to help meet its charge. (September 28, 2016)
- The Longevity Risk Task Force gave a presentation to the [Federal Reserve Insurance Policy Group](#) and to the [Financial Stability Oversight Council](#) (FSOC) Nonbank Designations Committee on longevity risk in annuity and life insurance. (November 1, 2016)

## Life Resources



**Law Manual:** The Academy released the 2016 Life and Health Valuation Law Manual, designed to help appointed actuaries comply with the requirements of the NAIC model Standard Valuation Law (SVL) and the Model Actuarial Opinion and Memorandum Regulation. (January 27, 2016)

**Webinar:** "[Life Post-NAIC Update](#)"—This webinar provided an overview of the NAIC Spring 2016 National Meeting. (April 1, 2016)



**Essential Elements:** The Academy released an Essential Elements [paper](#), “Principle-Based Reserving: A New Way to Insure for Life.” (June 2016)

**Webinar:** “[A Demonstration of the LTC PBR Model](#)”—This webinar examined the LTC Principle-Based Reserves Work Group’s final report, Principle-Based Reserve (PBR) Modeling for Long-Term Care (LTC) Insurance, which demonstrated the feasibility of one modeling method and provided resources for future modeling investigation on principle-based valuation of liabilities as applied to LTC insurance. (June 30, 2016)

**Webinar:** “[Life Post-NAIC Update](#)”—This webinar provided an overview of the NAIC Summer 2016 National Meeting. (September 15, 2016)

## Pension Initiatives, Statements, and Resources

The Pension Practice Council (PPC) engaged with national lawmakers and regulators on many topics of retirement policy, including Social Security, multiemployer and public plans, and pension fund accounting.



Academy Senior Pension Fellow Ted Goldman.

### Pension Policy Outreach

Academy Senior Pension Fellow Ted Goldman spoke on [retirement issues](#) at a National Retirement Planning Week panel discussion on Capitol Hill. He illustrated the difference between longevity and life expectancy, and challenged attendees to consider not just longevity risk, but other unknowns when shaping retirement policy, such as:

- Your ability to work (for income) during retirement;
- Your ability to rely on family to pick up any shortfall;
- The performance of your investments while you are retired;
- Your health (including whether you and/or your spouse may need long-term care);
- Your ability to make sound financial (and other) decisions during retirement; and
- The rate of inflation.

For help in understanding longevity risk and other factors in retirement planning and public policy, Goldman referred audience members to resources developed as part of the Separately, PPC Vice President Bill Hallmark represented the Academy at a daylong expert panel convened by the Government Accountability Office (GAO) on the state of retirement in America. The purpose of the panel discussion was to provide information to the GAO, which is likely to issue a report on the topic next year. (Nov. 15, 2016)

## PPC Weighs In on Personal Discount Rates

The Pension Practice Council submitted [comments](#) to the Department of Defense in April expressing concerns regarding the use of a personal discount rate as the basis for converting certain monthly pension benefits to a one-time lump sum payment that a pensioner could elect. The methodology, included in the National Defense Authorization Act for Fiscal Year 2016, could result in the use of higher discount rates than those used in private pensions, resulting in lower lump sum payments to the pensioner.

The letter points out that:

“Personal discount rates,” as we understand the term, also include a non-actuarial element of individual preference or utility. Consequently, personal discount rates are not explicitly condoned by Actuarial Standards of Practice; and there are no generally accepted actuarial principles or practices for selecting or utilizing personal discount rates.

Regardless of the discount rate used, the council encourages full disclosure to the participant, which “will help to ensure that participants are informed of any shortfall that exists between the lump sum amounts they are being offered and the generally accepted financial value of the annuity benefits they would be giving up.”

The letter received national media attention, including citations in [BenefitsPro](#) and U.S. military-focused outlets such as [Military Times](#).

## Enrolled Actuaries Meeting

The Academy jointly hosted the annual Enrolled Actuaries (EA) Meeting in Washington in April with the Conference of Consulting Actuaries. The meeting was attended by more than 800 enrolled actuaries and pension professionals.

Academy President Tom Wildsmith gave an opening address, and Academy volunteers and staff, including Ken Kent, vice president of the Council on Professionalism; Ted Goldman, senior pension fellow; Brian Jackson, Actuarial Board for Counseling and Discipline staff attorney; and volunteers on the Actuarial Standards Board and its committees all participated in robust discussions and sessions.



Academy President Tom Wildsmith gives an opening address at the Enrolled Actuaries Meeting.

## Pension Assistance List

The Pension Assistance List (PAL) is an American Academy of Actuaries program that serves the public. It is intended to provide professional services to consumers who have questions about their pension plans. The PAL program has been featured in a number of publications, including most recently *The New York Times* and *Forbes* in 2016. More than 70 individuals requested and received important information on their pension plans from the dedicated volunteers of the PAL.

## Social Security

- The Social Security Committee released an [issue brief](#) on the 2016 Social Security Trustees Report that examines the social insurance program's long-term solvency issues and recommends that Congress should act soon to improve the long-term financial outlook of the program. (June 27, 2016)
- The Social Security Committee released an [issue brief](#) that explores possible design changes to Social Security addressing issues faced by a growing part of the U.S. population who may attain advanced ages and lack adequate resources. (June 30, 2016)

## Public Plans

- The Public Plans Subcommittee submitted [comments](#) to the Governmental Accounting Standards Board on the exposure draft, Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73. (February 12, 2016)
- Following the reintroduction of the Public Employee Pension Transparency Act (PEPTA) in the U.S. House of Representatives, the American Academy of Actuaries [announced in a press release](#) that it welcomes a discussion of meaningful disclosures for public employee pension plans and points to Academy materials that can help inform discussion around this issue. (March 23, 2016)

## Multiemployer Plans

Many groups and individuals representing the Academy were active on issues around multiemployer plans in 2016:

- Senior Pension Fellow Ted Goldman submitted [comments](#) to the Senate Finance Committee on its hearing, “The Multiemployer Pension Plan System: Recent Reforms and Current Challenges.” (March 17, 2016)
- The Pension Committee submitted a [comment letter](#) to the Pension Benefit Guaranty Corporation (PBGC) expressing appreciation for proposed regulations providing a reduction or partial waiver of the penalty due upon the late payment of premiums to the single employer and multiemployer insurance programs. (June 22, 2016)
- The Multiemployer Subcommittee released a [comment letter](#) on the Pension Benefit Guaranty Corporation’s (PBGC) proposed rule on mergers and transfers between multiemployer plans. (August 5, 2016)
- The Pension Committee submitted [comments](#) to U.S. Senate Special Committee on Aging Chairman Susan Collins on efforts to encourage open multiple employer plans (September 1, 2016).
- The Pension Committee released an [issue brief](#) that explores risk transfers by defined benefit pension plans from the perspectives of plan sponsors, beneficiaries, and policymakers. (October 11, 2016)
- The Pension Practice Council (PPC) released an [issue brief](#) that examines the PBGC’s multiemployer pension program, which could exhaust its assets in less than 10 years and be forced to cut benefits to retirees receiving PBGC support unless changes are made. (October 20, 2016)
- The Pension Committee, Multiemployer Plans Subcommittee, and Public Plans Subcommittee submitted [comments](#) to the Actuarial Standards Board (ASB) on a draft actuarial standard of practice (ASOP) on risk assessment and disclosure. (October 31, 2016)

## Retirement Policy

Academy groups engaged in topics around retirement policy in 2016:

- Senior Pension Fellow Ted Goldman submitted [comments](#) to the Senate Finance Committee on its hearing, “The Multiemployer Pension Plan System: Recent Reforms and Current Challenges.” (March 17, 2016)
- The Pension Committee submitted [comments](#) to the IRS regarding the proposed regulations for nondiscrimination relief for closed defined benefit plans. (April 29, 2016)
- The Pension Committee submitted a [comment letter](#) to the Pension Benefit Guarantee Corporation (PBGC) expressing appreciation for proposed regulations providing a reduction or partial waiver of the penalty due upon the late payment of premiums to the single employer and multiemployer insurance programs. (June 22, 2016)
- The Pension Committee released a [comment letter](#) on the decision by the IRS to limit pension actuaries’ ability to interact with IRS actuaries and other experienced employee-benefits personnel. (July 15, 2016)
- The Lifetime Income Risk Joint Task Force submitted a [comment letter](#) to the Department of Labor concerning proposals for increasing retiree income options, with a focus on additional safe harbors that encourage delivering lifetime income. (August 19, 2016)
- The Pension Committee submitted [comments](#) to U.S. Senate Special Committee on Aging Chairman Susan Collins on efforts to encourage open multiple employer plans. (September 1, 2016)

## Other Pension Activities

Also in 2016:

- The Pension Committee released an [exposure draft](#) of a practice note, *Selecting Investment Return Assumptions Based on Anticipated Future Experience*. (April 25, 2016)
- The Pension Accounting Committee submitted [comments](#) to the Financial Accounting Standards Board on its exposure draft on changes to the disclosure requirements for defined benefit plans. (April 25, 2016)
- The Pension Committee submitted a [comment letter](#) to the IRS and Treasury requesting that the 2017 Applicable Mortality Tables be issued as soon as possible. (June 10, 2016)
- The Pension Committee submitted [comments](#) to the Actuarial Standards Board (ASB) on the third exposure draft of a proposed actuarial standard of practice (ASOP) on modeling. (October 21, 2016)
- The Pension Cost Work Group released an [issue brief](#), *Alternatives for Pension Cost Recognition—Implementation Approaches Using Bond Models*, that explores potential approaches for determining pension costs. (December 30, 2016)

## Pension Resources

- Webinar: “[Alternative Pension Cost—An Update and Review of Implementation Issues](#)” — This webinar advanced the discussion of alternative/granular expense methodologies presented in the 2015 Academy issue brief, [Alternatives for Pension Cost Recognition](#). This webinar, featuring leaders from the Academy’s Pension Committee and Pension Practice Council, focused on the approach known as the “spot rate method.” (November 16)
- The Intersector Group released notes from several meetings with key federal agencies:
  - Its [March 2016 meeting](#) with the PBGC;
  - Its [March 2016 meeting](#) with the Treasury Department and IRS;
  - Its [September 2016 meeting](#) with the PBGC; and
  - Its [September 2016 meeting](#) with the Treasury Department and IRS.

## Risk Management and Financial Reporting Initiatives, Statements, and Resources

The Risk Management and Financial Reporting Council continued its work in providing objective technical expertise to policymakers and regulators on issues involving risk management and financial reporting.

### Enterprise Risk Management / Own Risk and Solvency Assessments

Academy work groups were active on issues related to enterprise risk management (ERM) and Own Risk and Solvency Assessments (ORSA):

- The ERM/ORSA Committee [released](#) a public policy overview on the role of regulatory actuaries in reviewing Own Risk and Solvency Assessment reports, *ORSA and the Regulator*. (February 1, 2016)
- The Risk Exposures Subgroup of the ERM/ORSA Committee released a [practice note](#), *Quantifying Risk Exposures for Own Risk and Solvency Assessment Reports*. (March 7, 2016)
- The ERM/ORSA Committee's Risk Exposures Subgroup released a [practice note](#) on quantifying risk exposures for ORSA reports. (June 27, 2016)
- The ERM/ORSA Committee provided a [presentation](#) to the NAIC's ORSA Implementation (E) Subgroup on the committee's recently released *ORSA and the Regulator* policy paper and an ORSA risk exposures practice note. (August 10, 2016)
- The ERM/ORSA Committee submitted [comments](#) to the NAIC's National Treatment and Coordination (E) Working Group on its *Draft Form A Review Best Practices* exposure document. (August 17, 2016)
- The ERM/ORSA Committee submitted [comments](#) to the NAIC's Group Solvency Issues (E) Working Group on the *Form F Guidance Manual* exposure draft. (December 5, 2016)



## Systemic Risk

Academy work groups addressed issues related to systemic risk in 2016:

- The Financial Regulatory Task Force submitted [comments](#) to the Federal Reserve Board on its proposed rule on enhanced prudential standards for systemically important insurance companies. (August 17, 2016)
- The Academy released “[New Risk Regulators and Regulations](#),” an Essential Elements report that highlights many of the new state, federal, and international regulators and oversight efforts that have emerged in the wake of the 2008-09 global recession. (August 25, 2016)
- The Financial Regulatory Task Force submitted [comments](#) to the Federal Reserve Board on its proposed rule, *Capital Requirements for Supervised Institutions Significantly Engaged in Insurance Activities*. (September 16, 2016)

## Financial Reporting / International Accounting

Various Academy groups were active on issues related to financial reporting and international accounting in 2016:

- The Short-Duration Contracts Work Group released a new [white paper](#), *Challenges and Issues Implementing the FASB Short-Duration Contract Disclosures*, for exposure comments. (February 17, 2016)
- The Financial Reporting Committee (FRC) submitted [comments](#) to the Financial Accounting Standards Board (FASB) on its proposed accounting standards update, *Fair Value Measurement (Topic 820): Disclosure Framework*. (February 18, 2016)
- The Financial Reporting Committee and the Committee on Property and Liability Financial Reporting sent a [comment letter](#) to the Securities and Exchange Commission on its concept release on the modernization of certain disclosure requirements in Regulation S-K. (July 21, 2016)
- The Financial Reporting Committee released a new [white paper](#) on considerations for actuaries in implementing the FASB short-duration contract disclosures. (December 9, 2016)
- The Financial Reporting Committee (FRC) submitted [comments](#) to FASB on its proposed accounting standards update, *Targeted Improvements to the Accounting for Long-Duration Contracts (Topic 944)*. (December 14, 2016)

## Solvency Committee

In 2016, the Solvency Committee:

- Submitted [comments](#) to the International Association of Insurance Supervisors (IAIS) on the *Non-traditional Non-insurance Activities and Products* public consultation document dated Nov. 25, 2015. (January 25, 2016)
- Sent [comments](#) to the NAIC's Investment Risk-Based Capital (E) Working Group on its "Way Forward" exposure document. (May 19, 2016)
- Submitted [comments](#) to the NAIC's Operational Risk (E) Subgroup on its "Operational Risk 2016 Factors" exposure document. (June 6, 2016)
- Provided [comments](#) to the IAIS on the *Risk-based Global Insurance Capital Standard Version 1.0* public consultation document dated July 19, 2016. (October 19, 2016)
- Submitted [comments](#) to the NAIC's Group Capital Calculation (E) Working Group on its *NAIC Staff Memo – Inventory Method Items with Questions* exposure draft. (October 24, 2016)

## Risk Management and Financial Reporting Resources

- **Webinar:** "[ORSA: A Short-Duration Health Perspective](#)"—This webinar provided a perspective on how actuaries can add value to an Own Risk and Solvency Assessment (ORSA) and show Operational Risk Management practices. A perspective on how regulators approach ORSA was also presented, along with a regulatory standpoint on insights from the ORSA pilot and feedback. (January 25, 2016)
- **Webinar:** "[Use of ORSA by the Regulator: Considerations for Actuaries](#)"—This regulator-only webinar provided regulatory actuaries who are reviewing ORSA reports with background information regarding the enterprise risk management process and what information might be included in an ORSA report. (March 25, 2016)
- **Webinar:** "[Putting a Price on Risk: Quantifying Risk Exposures for ORSA Reports](#)"—This webinar featured an overview of the released practice note, *Quantifying Risk Exposures for Own Risk and Solvency Assessment Reports*. Members of the ERM/ORSA Committee's Risk Exposures Subgroup walked through the practice note, which provided actuaries and regulators with information on the approaches used to quantify risk exposures that may be included in section 2 of an ORSA report. (July 20, 2016)

# SECTION 4

As of Dec. 31, 2016, Academy  
membership numbered

19,043

## Volunteering and Membership Statistics

### Academy Membership by Practice Area

Casualty:

3,933

Health:

4,977

Life:

4,574

Pension:

3,388

Risk Management &  
Financial Reporting:

863

Other:

530

None Specified:

778

In 2016, the Academy's **1,200-plus** active volunteers produced significant work that touched every practice area and many aspects of the actuarial profession.

In 2016, close to 600 members completed the annual volunteer survey, indicating how they wished to offer their time, talent, and expertise to advance numerous Academy projects. To assist members in choosing volunteer opportunities that match their needs as well as the expectations of Academy groups, the survey gave participants access to information such as time commitment, travel, and required/desired skills for each group included on the survey.

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 policymakers 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 requirements of the U.S. Qualification Standards. Individuals who serve as interested parties must formally acknowledge the Academy's COI policy as well.

In accordance with the Academy's policy, 57 volunteers and interested parties were removed in April 2016 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 those who serve on an Academy committee. In total, 95.5 percent of the 1,270 volunteers and interested parties who serve on Academy committees affirmatively acknowledged compliance with this policy.

Alberto A Abalo	Kenneth S Birk	Ioannis Chatzivasiloglou	Kathryn I Dominguez	Bruce A Friedland	Tara J Hansen	William R Jones
Steven B Abbs	Carolyn A Bittner	Cindy X Chen	Paul J Donahue Esq.	Carl A Friedrich	Laura A Hanson	Jac Joubert
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Olukemi I Akinyemi	Vincent L Bodnar	Kevin J Christy	Colleen O Driscoll	Roger J Gagne	Robert W Hastings	Laurel A Kastrop
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Barnet N Berin	Michael V Carstens		Mark A Friederich		Warren R Jones	Jacqueline B Lee
Daniel C Berry	John S Cathcart					
David A Berry	Grady C Catterall					
Thomas S Berry Jr.	Patrick J Causgrove					
Eric B Best	Lauren J Cavanaugh					
Robert M Beuerlein	Ronald Scott Cederburg					
Raji R Bhagavatula	Michael R Celichowski					
Philip J Bieluch	Thomas Q Chamberlain					
Jeremy A Bill	Steven C Chamberlin					
Mark E Billingsley	Matthew P Chamblee					
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# SECTION 5



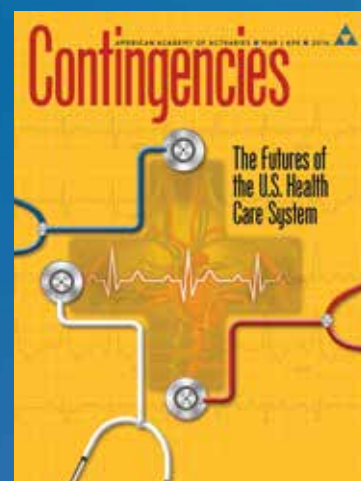
## Communications



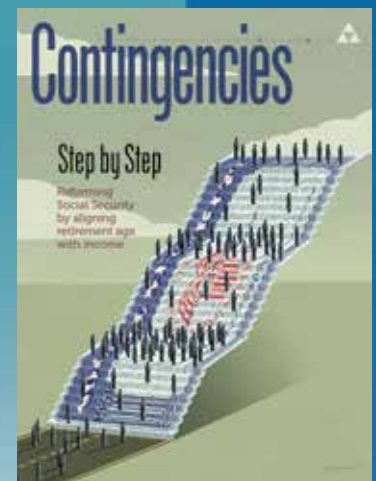
## Contingencies

The Academy continued to publish its award-winning bimonthly magazine, *Contingencies*, in 2016:

- Features in [the January/February 2016 issue](#) include “The 3 R’s: A Checkup”—With one full year of data collected, let’s check on these vital risk-sharing mechanisms of the Affordable Care Act; “Fluid Dynamics: Laboratory Testing and Life Underwriting”—A look at the present and future of the lab tests that life underwriters use in assessing risk; “Calculating Doomsday: Earthquakes, Tsunamis, Catastrophe Risk Modeling—and Running for Your Life in the Pacific Northwest”—How actuaries are informing the discussion around the risks associated with the Cascadia Subduction Zone. Also in this issue, new Academy President Tom Wildsmith investigates what it means to be a “professional,” and an examination of how the actuarial profession is responding to the preponderance of “Big Data.”
- Feature in [the March/April 2016 issue](#) include “The Futures of the U.S. Health Care System,” about how a practice from the business world called scenario planning can help actuaries describe how potential futures may unfold; “The Real Goal of American Pension Legislation,” which investigates why U.S. law seems to lead to a disconnect between stated goals and realized outcomes; and “Fed Up,” which looks at what the Federal Reserve’s move to raise its benchmark interest rate means for financial companies’ bottom lines? Plus an actuary’s perspective on economic inequality and why it’s important.



- Features in [the May/June 2016 issue](#) include “Help Them Get Home,” about how predictive modeling can improve outcomes in child welfare cases; “The Specter of Antiselection,” which explores how the increase in nondisclosure from applicants threatens the viability of life insurers; and “Mortality Experience of Hollywood Actors”—the media coverage of high-profile deaths of famous actors may suggest a “Live fast, die young” trend, but a deep study of the data offers some intriguing findings. Plus a provocative look at risk ranking as it pertains to kidney donation, the trillion-dollar marketplace of credit risk-sharing transactions, and the first puzzle in our new Crossword department.
- The cover story of [the July/August 2016 issue](#), “Step by Step,” offers a practical reform for Social Security that aligns retirement age with income. Other features investigate risk management in moviemaking, and applying game theory to assess the impact of integrated health care delivery models. Also, a new department examines the structures of actuarial professionalism, beginning with the Code of Professional Conduct.
- The cover story of [the September/October 2016 issue](#), “In the Red Zone,” discusses concussions in the NFL and other sports and their long-lingering aftermath. Other features investigate when pension plan solvency is important, and how plan sponsors can adjust over time to maintain sustainability; a look at the nascent field of cryonics; and a possible partnership between the actuarial and earth sciences to aid in offshore oil drilling.



- The cover story of [the November/December 2016 issue](#), “Generational Shift,” discusses how aging Millennials will challenge U.S. health and retirement systems—and transform them in the process. Other features investigate the risk considerations of New York’s new paid family leave program; a look at the opportunities and challenges of accelerated underwriting; plus an exploration of how the Actuarial Standards Board helps support the infrastructure of U.S. actuarial professionalism. Other Academy Publications

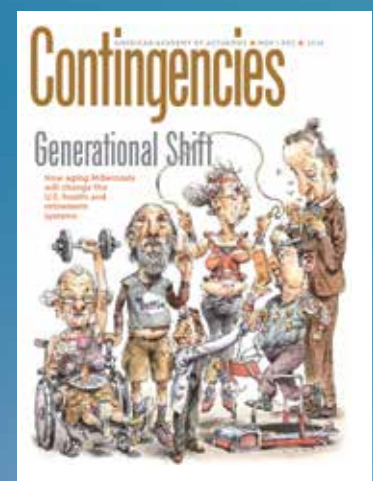
The Academy continued offering general and practice-area-specific newsletters that offer deeper analysis of issues of interest to actuaries:

- [Actuarial Update](#)
- [Enrolled Actuaries Report](#)
- [HealthCheck](#)
- [PBA Perspectives](#)
- [Retirement Account](#)
- [This Week](#)



## Academy Seeks, Posts Actuarial Clubs Information

At our members’ suggestion, the Academy began in September 2016 to assemble a list of U.S. actuarial clubs as a way for members to connect with local actuaries. At [actuary.org/clubs](http://actuary.org/clubs), members can find information on various clubs’ location, practice areas, and frequency of meetings. We invite club leaders to submit information at that same link, or a club’s president or equivalent leader may contact the Academy at [clubs@actuary.org](mailto:clubs@actuary.org).



# SECTION 6

The American Academy of Actuaries is the national association in the United States, setting qualification, practice, and professionalism standards for actuaries who practice [here](#). It is part of our mission to represent the U.S. profession globally, and we serve as the unique voice of the U.S. actuarial profession in international forums.

We continued this important part of our mission in 2016 in several high-impact ways.

## International



## Academy Addresses Education Syllabus at IAA Meetings

The Academy sent representatives to the International Actuarial Association (IAA) meeting in St. Petersburg, Russia, in late May to ensure that the interests of the U.S. profession were fully reflected in this critical international forum. The Academy presented the U.S. profession's perspective on topics such as pensions and retirement, health care, insurance accounting and regulation, and professionalism. One topic of continuing concern to the Academy, as well as other associations worldwide, is a proposal to revise the IAA Education Syllabus.

The criteria for actuarial associations to become members of the IAA have, for many years, included guidelines to ensure that each IAA member association has an education requirement for its own member actuaries that meets a reasonable minimum standard. The guidelines used to assess an organization's own education requirements have included an IAA syllabus, which was developed in 1998 and last updated in 2012. This syllabus was intentionally designed to be flexible enough to accommodate the diversity of actuarial practice around the globe.

The most recently proposed revisions to the IAA syllabus took a fundamentally different approach. The proposed syllabus was both very detailed and highly prescriptive, and would significantly limit the ability of IAA member associations to tailor their educational systems to meet local needs. If fully implemented, the proposed revisions would fundamentally change the relationship between the IAA and its member associations, effectively turning the IAA into a global regulator of the actuarial profession.

The Academy sent a number of letters to IAA leadership addressing the general role and scope of the syllabus. The Academy specifically explained the importance of having a national actuarial association make the decision to professionalize these practitioners to the benefit of the profession and public interest. Delegates discussed concerns with the proposed syllabus revisions during the IAA Council meeting, as well as several other relevant forums during the course of the conference. As a result of the Academy's exploration of these issues, other IAA member organizations have agreed that the proposed syllabus raises significant questions about the authority and governance of the IAA, and the relationship between the IAA and its member associations. IAA leadership established a task force to review the governance issues we and others have raised.

The issue of governance and the education syllabus came up again at the IAA meeting in November, held in Cape Town, South Africa. The Academy again sent representatives to this meeting. Among the key issues discussed at the meeting, perhaps the most controversial centered on the role of the IAA in the governance of the global regulatory profession. In the area of standards, the Academy and other representatives of the U.S. delegation have agreed that the efforts to develop model actuarial standards of practice through the IAA are primarily for the benefit of those associations who lack the resources to establish their own actuarial standards of practice.

The IAA's proposed education syllabus was debated at committee meetings and at the council meeting on the final day of the conference, with Academy President Bob Beuerlein articulating the position that the newly detailed and prescriptive IAA education syllabus should not be imposed on full member associations as a condition of membership.

## New Paper on Professional Standards in International Practice

The Committee on Professional Responsibility of the Academy's Council on Professionalism in July released a new [discussion paper](#), *Considerations of Professional Standards in International Practice*.

As actuarial work crosses national borders, actuaries are becoming exposed to a variety of laws and professional standards from different jurisdictions. Consequently, questions frequently arise about the professional requirements that apply in international situations. This discussion paper identifies and explores some of these issues.

## Academy Presents at Canadian Students Association Conference

The Academy was invited by Canada's Actuarial Students National Association (ASNA) to participate in its 2016 convention in Niagara Falls, Ontario, in January 2016. ASNA has existed for over 30 years, and more than 600 students attended the convention.

Academy President Tom Wildsmith and Academy staff gave a presentation on "What You Need to Know About Qualifications in the United States"; Senior Policy Analyst Claire Mickelson gave the same presentation in French, a gesture that was well received by the bilingual audience. The Academy representatives answered questions on the Academy's essential role as the U.S. national association in establishing standards of conduct, practice, and qualification for actuaries practicing in the United States. They also encouraged students interested in practicing in the United States to be aware of the need to comply with applicable U.S. standards, and hosted an exhibit booth where Wildsmith and staff answered questions and provided information and materials about the Academy and membership.



## NAAC Meeting in Mexico

Academy leadership representatives attended the North American Actuarial Council (NAAC) meeting hosted by the Mexican Association of Actuaries April 22–24 in Guanajuato, Mexico. Participants shared and discussed how they address a wide range of issues in order to share information that may yield collective insights valuable to each organization in NAAC (the five U.S.-based organizations, the Canadian Institute of Actuaries, and three Mexican organizations).



## Liaising With the Actuarial Association of Europe

The Academy attended the Actuarial Association of Europe's (AAE) meetings in Barcelona, Spain, in late September. Jeffrey Schlinsog, vice president of the Risk Management and Financial Reporting Council, represented the Academy at AAE's meetings, accompanied by Craig Hanna, the Academy's director of public policy. In addition to its General Assembly, AAE's meetings included its Standards, Freedoms, and Professionalism Committee; Education Committee; Pensions Committee; Insurance Committee; and Investment and Financial Risk Committee.



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