SEP 2018

Actuarial UPDATE

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Annual Meeting to Feature Election Insight, Big Data, Professionalism Plenary Sessions

JUST A MONTH REMAINS until the Academy's 2018 [Annual Meeting and Public Policy Forum](), to be held Nov. 1–2 in the nation's capital. At the event, the Academy will present its annual service awards (see story, below). And if you need help making sense of the current political climate, Charlie Cook, editor and publisher of the highly respected *Cook Political Report*, will offer his analysis in a keynote address just four days before the fall midterm elections. Don't miss out on this timely opportunity to hear firsthand from, and ask questions of, Cook at our Nov. 2 lunchtime plenary session.

In addition to high-profile plenary-session speakers and practice-area breakout sessions, the Academy's premier annual event will include a plenary session on Big Data, a professionalism "game show" plenary session, and the Nov. 1 dinner entertainment at Washington's historic Mayflower Hotel will be a "whodunit" themed murder mystery, with optional audience participation and Prohibition-era dress.

SEE **ANNUAL MEETING,** PAGE 9

Annual Meeting Highlights

- **CHARLIE COOK**, editor and publisher of *The Cook Political Report*, will give an insightful overview of the U.S. political landscape just days before the fall midterm elections.
- **GENE DODARO**, U.S. comptroller general and head of the Government Accountability Office, will give a plenary address offering his expert perspective on current and emerging retirement security issues.
- **PRESTON RUTLEDGE**, assistant secretary of labor for the Employee Benefits Security Administration, will give the opening plenary address.
- A Big Data plenary session will feature **PATRICK McPHARLIN**, chair of the NAIC's Innovation and Technology Task Force, and **CARA LaPOINTE**, senior fellow at Georgetown University's Beeck Center for Social Impact and Innovation.

Academy Announces Winners of Farley, Myers, Volunteerism Awards

THE ACADEMY ANNOUNCED the recipients of its two highest awards, the [Jarvis Farley Service Award]() and the [Robert J. Myers Public Service Award](), will be Geoffrey Sandler and Elise Liebers, respectively. The awards will be presented at the Academy's Annual Meeting and Public Policy Forum Nov. 1–2 in Washington, D.C.

The Farley award honors an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession. Sandler is receiving the award in recognition of his prolific contributions spanning health practice, professionalism, and other issues, including his previous service as both the vice president of professionalism and the vice president of health for the Academy.

The Myers award honors an actuary who has made an exceptional contribution to the common good, either for a single noteworthy public service achievement or a career devoted to public service. Liebers is receiving the award in recognition of her extraordinary contribution to the public good through an impressive array of accomplishments related to the development of the NAIC risk-based capital formula, building insurance expertise at the


Liebers


Sandler

SEE **AWARDS,** PAGE 10

OCTOBER

17 Professionalism Webinar: The Anatomy of the ASOPs

25 Capitol Forum Webinar: CBO's Health Insurance Simulation Model

NOVEMBER

1–2 Annual Meeting and Public Policy Forum, Washington, D.C.

4–8 Life and Health Qualifications Seminar, Arlington, Va.

9 Webinar: Catastrophe Modeling (DATE CHANGED)

DECEMBER

6–7 Seminar on Effective P/C Loss Reserve Opinions, Chicago

For a list of all previous and upcoming Academy events, please visit the Academy's Events Calendar.

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

Academy NEWS Briefs

Representing the U.S. Profession Internationally

JEFF SCHLINSOG, former Academy vice president, risk management and financial reporting, and Academy Director of Public Policy Craig Hanna represented the Academy Sept. 20–21 in Utrecht, The Netherlands, attending committee meetings and the general session at the invitation of the Actuarial Association of Europe.

Board Election Concluded

THANK YOU to the Academy members who cast their votes in the online election that ended in early September for four candidates to fill open regular director positions on the Academy Board of Directors. The new directors will be Lauren Cavanaugh, Andy Ferris, Tim Geddes, and Kenneth Kasner. All of the new directors' terms will begin after the Academy's Annual Meeting of the membership on Nov. 1.

Recently Released

IN THE SEPTEMBER/OCTOBER ISSUE of *Contingencies*, the cover story, "A Policy for Fluffy," explores pet insurance, which currently occupies only a relatively small niche of the marketplace—but many observers believe it's poised for big growth in the United States. Other features include "Flu Review"—Just in time for flu season, a brief history and analysis of influenza risk, and how actuaries fit into insurance companies' strategic plans to deal with outbreaks; and "Taking Aim"—Actuarial professionalism and the challenge of engagement. Also, a President's Message on the Academy as the fulcrum of self-regulation; insights from health care systems in Africa and the Middle East; and an exploration of core values and the ASOPs.

In the Fall *Casualty Quarterly*, Travel Insurance Task Force Chairperson Daniel Roth offers a Q&A on the task force's new travel insurance monograph. Also in this issue, the Academy presented at the Casualty Loss Reserve Seminar and at a Capitol Hill cybersecurity panel, and a roundup of the latest state and federal legislative and regulatory activity.

The latest *ASB Boxscore* covers the ASB's adoption of the new Actuarial Standard of Practice (ASOP) No. 54, *Pricing of Life Insurance and Annuity Products*; a revision of ASOP No. 17, *Expert Testimony by Actuaries*; notes that this year marks 30 years of ASB standards-setting work; and previews the ASB's upcoming meetings.

The September *HealthCheck* covers the Individual and Small Group Markets Committee's comments to the Centers for Medicare & Medicaid Services and the Department of Health and Human Services (HHS) on a proposed rule regarding the adoption of methodology for the HHS-operated permanent risk adjustment program. Also covered: the committee's issue brief, *Auto-Enrollment Into Individual Market Health Insurance Coverage*; and state and federal legislative and regulatory actions.

The fall *StateScan Quarterly* highlights state legislation and regulation in the past quarter including casualty issues related to auto insurance and autonomous vehicles, flood and insurance and climate risk, medical professional liability and workers' compensation; health issues including the individual market, Medicaid, long-term care, and prescription drugs; life insurance issues including principle-based reserving; public pension plans; and cross-practice issues. For a comprehensive review, log in to *StateScan*, the legislative and regulatory portal free for Academy members.

Academy NEWS

Update on Petition to Change Rules Governing Participation of Guests at Academy Committee Meetings

AS DISCUSSED in the August *Actuarial Update*, some Academy members have been asked to sign a petition in support of a membership vote on changing the Academy's rules governing the participation of guests in meetings of the Actuarial Standards Board (ASB) and of the Academy's various committees. Following that update, a petition was presented to the Academy on Sept. 13, which has been determined to be insufficient to trigger a membership vote for three principal reasons—not enough signatures; names not linked to the proposal; and a lack of clarity in the proposal itself. Read more here.

President's Message on Composition of the Academy's Selection Committee

ON SEPT. 4, the Academy's Board of Directors, after careful deliberation, voted to amend the Academy's Bylaws to change the composition of the Academy's Selection Committee.

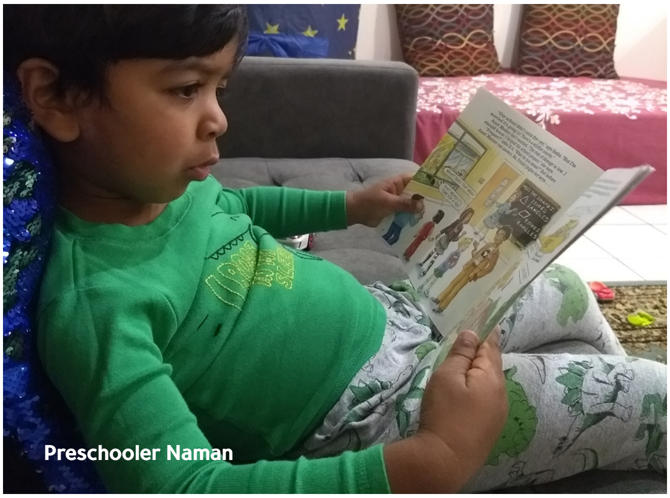
Read Academy President Steve Alpert's Sept. 7 letter to members.

Limited Space Remains for Life and Health Qualifications Seminar

A HANDFUL OF SPOTS remain for the Academy's annual Life and Health Qualifications Seminar, to be held Nov. 4–8 in Arlington, Va., located near the Washington, D.C. metro area. Don't delay and miss out—make sure to secure your space. Oct. 19 marks the last day for online registration, as well as the last day to receive the Academy's special rate at the Key Bridge Marriott. Register today.

Share Your Photos of 'Magic School Bus' Readers

HAVE YOU GIVEN A COPY of the Academy's "Magic School Bus" book to young readers in your life? Share a photo of them enjoying the book and help us promote interest in the actuarial profession among school-age children. Send your photos to MSB@actuary.org and we'll share them in the Magic School Bus photo album on the Academy website (along with as much, or as little, information about your young reader as you're comfortable with)—and be sure to check out the latest additions to the photo album.



Preschooler Naman

First-grader Adalyn

Register for the Oct. 17 Professionalism Webinar, 'The Anatomy of the ASOPs'

REGISTRATION IS OPEN for the Academy's professionalism webinar, "The Anatomy of the ASOPs," which will dissect and examine key issues related to the ASOPs promulgated by the Actuarial Standards Board (ASB). Presenters will be ASB Chairperson Beth Fitzgerald, ASB Vice Chairperson Kathy Riley, and ASB member Cande Olsen. The webinar will be held on Wednesday, Oct. 17, from noon to 1:30 p.m. EDT. Register today.

Professionalism Outreach

COMMITTEE ON QUALIFICATIONS member Keith Passwater delivered a professionalism presentation Sept. 17 to an audience of about 150 at the Tri-State Actuarial Club's meeting in Columbus, Ohio.

On Sept. 26, Actuarial Standards Board General Committee and Academy Health Practice Council member Susan Pantely provided an update on recent developments with health-related actuarial standards of practice to 40 health actuaries attending a Centene off-site meeting in Tempe, Ariz.

Webinar Looks at Practical Considerations in Completing and Using Form F

THE ACADEMY HOSTED a Sept. 28 webinar, "Practical Considerations in Completing and Using Form F Efficiently and Effectively." Presenters offered perspectives on Form F's role in the regulation of insurers and provided practical considerations in completing and using Form F.

David Heppen, vice chairperson of the Academy's ERM/ORSA Committee moderated, and panelists included Bruce Jenson, senior manager over solvency monitoring in the Financial Regulatory Services Division of the NAIC; Michelle Young, a life actuary with more than 10 years of experience in reinsurance, including pricing, valuation, and risk management, and a member of the Academy's ERM/ORSA Committee; and Navid Zarinejad, senior vice president and the head of risk & regulatory reporting at Sompo International and a member of the Academy's ERM/ORSA Committee. Slides and audio are available free to members.

Heppen

IN THE NEWS

Steve Vernon, a presenter at the Pension Practice Council's retirement policy forum, "Modernizing the U.S. Retirement System—Aligning Policy With Reality," discussed key takeaways from the event in a *CBS News* story on fixing the U.S. retirement system. The story was reprinted by *MSN* and *MSN Money*.

Senior Health Fellow Cori Uccello's comments from an Academy news release on short-term, limited-duration insurance were cited in a *Think Progress* story. In an *AIS Health* story, Uccello discussed the modest average premium increases projected for 2019 and how they are unlikely to cause large shifts in enrollment numbers. An *Advisory Board* daily briefing spotlighting an ongoing legal challenge to the Affordable Care Act quoted Uccello on some of the potential consequences of the law being struck down.

A subscriber-only *Pensions & Investments* story cited comments from Bruce Cadenhead, vice chairperson of the Pension Committee, on how the corporate tax rate reduction in the Tax Cuts and Jobs Act created incentives for plan sponsors to make contributions. A Pensions & Investments opinion piece noted the Actuarial Standards Board's soon-to-be effective Actuarial Standard of Practice No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions.*

In a *Plan Adviser* story, Senior Life Fellow Nancy Bennett discussed factors that are considered when pricing an annuity.

PolitiFact cited the Medicare Subcommittee's issue brief, *Medicare's Financial Condition: Beyond Actuarial Balance*, and the Academy's 2018 Medicare election guide.

JD Supra and *Healthcare Finance News* cited Academy analysis to CMS on risk adjustment data validation and error calculation methodology.

In an *Eagle Tribune* (Mass.) Q&A of candidates for Massachusetts' third congressional district, Mike Mullen, the independent candidate, cited results from the Academy's Social Security Game in discussing Social Security's financial challenges.

A *Nasdaq* and an *Investopedia* story cited the Academy's issue brief, *The 80% Pension Funding Standard Myth*.

A *Broker World Magazine* article on retirement planning cited Academy research on longevity risk.

ASOPs and the Exposure Process: A Question of Integrity

By Kathleen Riley, Vice Chairperson, Actuarial Standards Board

PRESIDENT DWIGHT EISENHOWER once said: "The supreme quality for leadership is unquestionably integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office." President Eisenhower left office five years before the Academy was created and nearly three decades before the Actuarial Standards Board (ASB) was established within the Academy for the purpose of drafting, exposing, promulgating, and publishing actuarial standards of practice (ASOPs). Yet, in my view, with respect to the leadership that the ASB must provide in setting standards of appropriate actuarial practice that are binding guidance on U.S. actuaries, Ike got it exactly right: To be successful, the ASB must lead with integrity by following standard-setting procedures that allow the contents of the ASOPs themselves to be of unquestionable integrity.

While the ASB follows many procedures to achieve this end, the exposure process for proposed ASOPs is one of the most critical. When the Academy's Standards Implementation Committee (SIC) was called upon to develop a structure for a standard-setting body in the early 1980s, the SIC recommended that proposed standards should be "exposed to the profession for scrutiny and comment."[1] This is why, from the outset of its operations, the ASB has exposed drafts of proposed standards to the profession and other interested parties and carefully considered comments received during the exposure process before adopting any final standard.

A robust and transparent exposure process is necessary to develop ASOPs that serve both the profession and the public. The Code of Professional Conduct requires actuaries "to adhere to high standards of… practice…thereby supporting the actuarial profession in fulfilling its responsibility to the public."[2] The ASB's goal, in turn, is "to set standards for *appropriate practice* in the United States."[3] In doing so, the ASB "seeks the input of the actuarial profession and other interested parties . . . on the *effect* that the proposed ASOP would have *on the level of practice*."[4] In other words, the exposure process is not a popularity contest or an opinion survey; it is one means to the end of establishing standards that serve the public interest.

The ASB follows well-established procedures in conducting the exposure process, which are described in the ASB Procedures Manual. In addition to setting timeframes and specifying methods of delivering comments, the procedures reflect ASB policy decisions aimed at making the exposure process transparent. For example, the ASB will not accept anonymous comments or comments that are not directed to the ASB in accordance with designated procedures (such as comments posted on electronic bulletin boards) because doing so might risk undermining the transparency of the exposure process and its credibility.[5] Preserving the transparency of the exposure process bolsters public confidence in the integrity of the process.

Comments are posted on the ASB website and are "given due and impartial consideration by the standing committee or task force."[6] Due and impartial consideration means just that. The ASB committee responsible for drafting the standard is obliged to consider all of the comments received in accordance with ASB procedures and to address the major issues raised in them in an appendix to any subsequent exposure draft or final version of the ASOP. The committee's response "should include the extent to which the comments were incorporated and the rationale"[7] for doing so. After a further revised exposure draft or proposed final standard is submitted by the committee to the ASB, the Board goes through every comment to ensure that it is properly taken into account and that an appropriate response is included in the appendix. You can visit the ASB website to see for yourself how public comments have been handled for both current and past exposure drafts.

President Eisenhower was probably not our most glamorous president. And, I confess that the details of the ASB exposure process may not be glamorous stuff. But, in my view, promoting and protecting the integrity of the ASB's standard-setting process is a key to the successful promulgation of standards for appropriate actuarial practice, and that requires the ASB to maintain a well-managed, transparent, and effective exposure process. I agree with Ike: It is a question of the ASOPs' unquestionable integrity and the exposure process is an important key to the ASB's success.

Footnotes

1 Tom Wildsmith, *The Academy and the Web of Professionalism*, p. 17

2 *Code of Professional Conduct*, introduction

3 ASOP No. 1, Section 1; emphasis added

4 ASOP No. 1, Section 3.1.1, emphasis added

5 *ASB Procedures Manual*, pp. 11–12

6 Ibid, p. 12

7 Ibid, p. 28

'Laws of Nature' and the Insurance Multiverse

By Rade Musulin

READERS WHO FOLLOW science reporting may recall recent coverage of the concept of the "multiverse," a prediction of string theory that states there exist many other universes, each having its own laws of nature. The concept addresses a conundrum in physics that certain conditions must be *just right*—such as the mass of the Higgs boson (elementary particle in physics) or the relative strength of electromagnetism—for the universe as we know it to exist. For example, if the value of something known as Sommerfeld's constant (the measure of the strength of the electromagnetic force that governs how electrically charged elementary particles [e.g., electron, muon] and light [photons] interact, equal to the numeric value of 0.00729735257) were slightly different, stars could not form. In a multiverse, ours would be just one random outcome among many, making it easier to accept that all these things just happen to be right in the only universe we can observe—but things could be different elsewhere.

The concept of multiple systems having different "laws of nature" is useful in helping us to understand various types of insurance frameworks.

Insurance actuaries who have been trained and spent their careers in the private-sector insurance universe, have worked under generally accepted "laws of nature," including insurers must have sufficient premium, capital, and reinsurance in place before an event to pay potential claims; premiums from a group of policyholders have to reflect the expected claims, expenses, and the full cost of risk transfer; or that significant cross-subsidies among classes of risks are difficult to maintain in a competitive market. There are well-understood actuarial standards and financial accounting rules that govern this universe. But many mistakenly believe that it is the only universe in the insurance ecosystem, or that its laws must apply broadly to all.

Yet there also exists a government program insurance universe in which many "laws of nature" of the private-sector insurance universe fail to apply. For example, government entities generally do not prefund losses, do not charge policyholders the full cost of expected claims or risk transfer, and can have large cross-subsidies. In fact, some programs provide coverage without charging any upfront premium at all (the federal terrorism risk program and many state guaranty funds are examples), something that would be as impossible in the private sector as time running backward is in our known universe.

Many of these differences arise because governments, for public policy reasons, can violate several key private-sector "laws of nature." They can run large deficits (negative surpluses wherein liabilities exceed assets) because they have sovereign power to compel future policyholders to pay taxes (sometimes called surcharges or assessments) for past claims. In fact, they can force one group of people pay such charges to cover claims from another group of people. We see this when a property wind pool pays claims in coastal areas and places assessments on inland policyholders. We also saw this when Congress forgave tens of billions of dollars in debt held by the National Flood Insurance Program (NFIP) in 2017 following huge losses from several hurricanes, notably Harvey, effectively transferring losses from NFIP policyholders to taxpayers.

Unlike the cosmic multiverses, which cannot observe each other, parts of the private-sector and government insurance universes are not only observable to one another but also interact—or even compete—with each other, sometimes leading to strange phenomena. In the 1990s, for example, there was concern that Florida's Property Joint Underwriting Association (JUA) might act as a black hole, consuming the private market due to its competitive premiums and with its assessments only being applied to private-sector policyholders. The Florida Legislature acted to stop this by mandating its premiums not be reduced-priced (they were set by law at the highest among the top 20 insurers by county) and that its assessments apply to all, regardless of whether they were in the private market or the JUA.

In 2012 the Academy published a public policy special report, *Actuarial Soundness*, which in part discussed the "laws of nature" of actuarial science. It covered major concepts applicable to both private insurers and government programs, but its focus was mostly on private systems, noting that government programs often have special considerations.

In 2018 the Casualty Practice Council is undertaking a project to specifically examine the government insurance universe, including how various actuarial "laws of nature" may need to be adapted to the different realities of government programs. We expect to produce a report by the end of the year, and this topic is one of our casualty breakout sessions at the Academy's Annual Meeting & Public Policy Forum in November. We hope you will attend both the meeting and this session.

Rade Musulin, MAAA, ACAS, is vice president, casualty, of the Academy.

Travel Insurance Monograph Released

THE CASUALTY PRACTICE COUNCIL'S Travel Insurance Task Force published a monograph, *Travel Insurance: An Actuarial Perspective*, outlines information on the manner in which travel insurance is designed, filed, priced, sold, and serviced.

As airlines, hotels, tour organizers, and other travel service providers have increased their low-cost nonrefundable options, they also have promoted the purchase of travel insurance. Consumers have become more aware of this product and travel insurance questions now come up with greater frequency.

State regulators and legislators have recently published suggested new guidelines for how travel insurance may be regulated. The monograph seeks to provide sufficient background and understanding of how travel insurance works in the marketplace, including explanations of how travel insurance differs from other forms of insurance, so that all parties to these continuing efforts remain well informed.

See the fall *Casualty Quarterly* for a Q&A with Daniel Roth, chairperson of the Academy's Travel Insurance Task Force, on the monograph. ▲

Fall P/C Public Policy Webinar

THE P/C Public Policy Update—Fall 2018 webinar, held on Sept. 25, covered property/casualty issues from the NAIC Summer 2018 National Meeting and other P/C public policy topics of interest, including catastrophes (floods, hurricanes, etc.); qualifications/credentials for casualty actuaries; travel insurance; and large-deductibles workers' compensation. Presenters were Casualty Vice President Rade Musulin and Kay Cleary, chairperson of the P/C Extreme Events and Property Lines Committee.

Musulin noted that retained risk has been getting more scrutiny lately, both in the context of workers' compensation plans and in non-NAIC financial reporting. Cleary talked about the cycle of draught, fire, rain and mudslide that has been experienced lately in California and noted several regulatory and legislative initiatives that may change insurance company exposures. She also discussed the ongoing volcanic eruption in Hawaii, saying that volcanoes are "a complicated peril" that create damage that is local and immediate but may have global and long-term impacts as well.

Slides and audio are available free to members. ▲

Academy Presents on Capitol Hill Cybersecurity Panel


Douglas

EDMUND DOUGLAS provided an actuarial perspective in mid-September at a Congressional Cybersecurity Caucus panel discussion on Capitol Hill about insuring cyber risks. Douglas, chairperson of the Academy's Cyber Risk Task Force, noted that this line of business is constantly changing, and observed there is significant potential for aggregation of risk due to the amount of interconnection in cyberspace. Representatives from about two dozen congressional offices attended the panel discussion. ▲

CLRS Sessions Feature Academy Presentations


Jeana Holewinski of the Ohio Bureau of Workers' Compensation Insurance visits the Academy's booth at CLRS

SEVERAL ACADEMY REPRESENTATIVES gave presentations at the Casualty Loss Reserve Seminar (CLRS), held in early September in Anaheim, Calif., and co-hosted by the Academy and the Casualty Actuarial Society. A number of Academy volunteers were on the faculty for the CLRS program. Kathy Odomirok, chairperson of the Academy's Committee on Property and Liability Financial Reporting (COPLFR), presented at a Sept. 5 workshop on "Effective P&C Opinions," and Academy Committee on Qualifications member Chad Wischmeyer spoke Sept. 6 at a panel discussion on "Business Skills and Our ASOPs" (actuarial standards of practice). ▲

Auto-Enrollment Issue Brief Released

A NEW INDIVIDUAL AND SMALL GROUP MARKETS COMMITTEE issue brief, *Auto-Enrollment Into Individual Market Health Insurance Coverage*, offers insight on the potential and challenges of using auto-enrollment in the individual health insurance market. In particular, the issue brief details current uses of auto-enrollment and the measures that would be needed to implement auto-enrollment in the individual market.

An auto-enrollment mechanism will need a way to identify eligible uninsured individuals and their eligibility for premium subsidies, to assign the individual to a particular health plan and collect any required premiums, and to provide consumer communication and opt-out mechanisms.

The issue brief notes that:

- If the logistical challenges can be overcome, auto-enrolling uninsured individuals into individual market coverage has the potential to help improve the risk pool and put downward pressure on premiums.
- Auto-enrollment is likely to be more effective if individuals can be enrolled into coverage that is no additional cost to them.
- An effective auto-enrollment program for the individual market would increase insurance participation rates among those who are healthy.

Capitol Forum Webinar Set

JOIN THE ACADEMY on Oct. 25 for the latest webinar in our "Capitol Forum: Meet the Experts" series for an inside look at how the Health Insurance Simulation Model (HISIM) is being updated. Our speakers—Jessica Banthin, deputy assistant director of the Congressional Budget Office's (CBO) Health, Retirement, and Long-Term Analysis Division (HRLD), and Alexandra Minicozzi, the unit chief of health insurance modeling for the division—will provide an overview of HISIM, which is used to generate estimates of health insurance coverage and premiums for the U.S. population under age 65. CBO analysts use the model to develop baseline projections and to simulate the effects of proposed changes to policies involving health insurance coverage. Academy Senior Health Fellow Cori Uccello will moderate. Register today.

Committee Comments on Risk Adjustment

THE INDIVIDUAL AND SMALL GROUP MARKETS COMMITTEE and its Risk Sharing Subcommittee submitted comments on the Centers for Medicare & Medicaid Services' and Department of Health and Human Services' Aug. 10 proposed rule regarding the adoption of methodology for the HHS-operated permanent risk adjustment program.

"We view the reissuance of the previously published rule for the 2018 benefit year with the additional clarifications as a positive development," the letter states. "We also approve of the risk adjustment methodology being budget-neutral. This is especially true in the absence of continuing appropriations guaranteed for the full amount of any possible shortfall between the amounts received from issuers with lower-risk enrollees and the amounts owed to issuers with higher-risk enrollees. Without the certainty of ongoing and full appropriations for risk adjustment, a non-budget-neutral risk adjustment methodology would create uncertainty for issuers as to whether full risk adjustment transfers will be paid. This uncertainty would impact pricing decisions and provide incentives for issuers to avoid higher-risk enrollees."

Uccello Named to CBO Health Insurance Panel

ACADEMY SENIOR HEALTH FELLOW Cori Uccello was named to the Congressional Budget Office's (CBO) Technical Review Panel for the Health Insurance Simulation Model. CBO Director Keith Hall announced the panel's members on Sept. 6. The panel will provide feedback on the next generation of CBO's health insurance simulation model, which is being developed and tested. CBO uses the model to generate estimates of health insurance coverage and premiums for the population under age 65 and as part of a process to analyze proposed changes in policies that affect health insurance coverage.

U.S. Comptroller General Gene Dodaro, head of the U.S. Government Accountability Office, will be a keynote speaker, and Patrick McPharlin, chair of the NAIC's Technology and Innovation Task Force, will give a plenary address on the NAIC's involvement in addressing regulatory and public policy concerns associated with the evolution of Big Data. Joining McPharlin as a keynote Big Data session speaker will be Cara LaPointe, senior fellow at the Beeck Center for Social Impact and Innovation at Georgetown University, who has spent her career focused on the intersection of leadership, technology, policy, and ethics. LaPointe will share her perspective on the ethical and governance implications of Big Data and emerging technologies for public policy.

Breakout sessions will explore top public policy issues in each practice area, giving you opportunities to learn from and discuss critical issues with peers, regulators, and public policy officials. Multiple networking sessions will give you opportunities to meet your fellow actuaries. See the [online agenda] for more information.

The meeting and forum will be held at the Washington Marriott Georgetown Hotel—a four-star hotel in the vibrant West End neighborhood—and the room block will remain open through Tuesday, Oct. 9. [Register today to secure your room].

The Nov. 1 dinner entertainment will be a 1920s-era Murder Mystery 'Whodunit'

'Whodunit' Murder Mystery Dinner Theater

Dinner entertainment is a highlight at the Academy's Annual Meeting and Public Policy Forum. To be held at Washington, D.C.'s historic Mayflower Hotel, this year's dinner will feature an entertaining "Whodunit" caper conducted by the Murder Mystery Co. dinner theater troupe.

Set in the 1920s, you can watch the entertainment unfold before you or, if you like, dress up in Prohibition-era attire such as pinstriped suits and fedoras, or fringed dresses and feathered boas, to help solve the mystery and participate in the evening's fun. Participants will work in teams, by table, with their fellow dinner guests, to solve the mystery, guided by the troupe. The actors will reveal the perpetrator and present gag awards to the different tables at dinner's end.

As it did last year, the reception and dinner will also feature a fun photo booth—choose your election or 1920s motif—for a memento of the evening.

Life News

Life Practice Council Groups Offer Input to NAIC

TWO LIFE PRACTICE COUNCIL GROUPS submitted Academy input to the NAIC in September.

RBC Guidance Document

The Risk-Based Capital (RBC) Tax Reform Work Group submitted [comments](#) on the interpretation of life RBC results in light of the 2017 *Tax Cuts and Jobs Act*. The purpose of the communication was to assist regulators in interpreting the results of year-end 2018 life risk-based capital calculations in light of tax reform.

Amendment Proposal Form

The Life Reserves Work Group submitted a [revised amendment proposal form](#) to the NAIC on the aggregation of mortality segments for the purpose of determining credibility.

LIFE BRIEFS

- Connie Tang is chairperson of the AG43/C3 Phase II Work Group and a member of Life Practice Council and Life Valuation Committee.
- Larry Bruning, Derek Farmer, and Adam Williams have joined the Life Financial Reporting Committee.
- Kenneth Ray Fisher, Ouling Lu, Mikkel Matsoukas, Tian Tian, and Josh Windsor have joined the Longevity Risk Task Force.
- Daren Gravlin, Roland Rose, Grace Senat, Rachel Slader, and Adam Williams have joined the Life Reserves Work Group.
- Dorothy Andrews, Michael Dossett, Michael Dubois, Leon Langlitz, and Rachel Slader have joined the Law Manual Review Subgroup.

Pension News

Pension Cost Recognition Practice Note Released

THE PENSION COMMITTEE released a [public policy practice note](#) covering topics related to the implementation of the spot rate approach to determining benefit obligations, service cost, and interest cost under accounting standards and other granular approaches.

The practice note covers the following topics:

- Implications of common simplifications to pension cost methodology;
- Adjusting interest calculations to reflect assumed timing of benefit payments;
- Roll-forward of benefit obligations vs. adjusting cash flows;
- Understanding the gain/loss related to changes in the yield curve; and
- Projecting service cost.

Lump-Sum Practice Note Released for Exposure

THE ACADEMY'S PENSION COMMITTEE released an exposure draft of a new practice note, [*Valuing Benefits Payable as a Lump Sum*](#). The purpose of the practice note is to provide information to actuaries on current and emerging practices in the development of liabilities and cost estimates for pension plans, with benefits paid as a lump sum.

Many pension plans offer benefits in the form of a single, lump-sum payment. In recent years, as plan sponsors have looked to manage risk, lump-sum payments have become more common. The practice note discusses the valuation of lump-sum benefits for financial accounting purposes, and utilizes a number of concepts related to interest theory.

PENSION BRIEFS

- Rachel Barnes has joined the Pension Committee.

AWARDS, continued from page 1

Federal Reserve Bank of New York, and as a leading U.S. voice at the International Association of Insurance Supervisors.

Outstanding Volunteerism Awards

The Academy will also honor four exceptional volunteers with the annual [Outstanding Volunteerism Award](#):

- Karen Bender, chairperson of the Individual and Small Group Markets Committee.
- Lauren Cavanaugh, chairperson of the Property and Casualty Risk-Based Capital Committee.
- Jason Russell, chairperson of the Multiemployer Plans Committee; and
- Wayne Stuenkel, chairperson of the Life Capital Adequacy Committee.

Join your colleagues at the Annual Meeting to honor their achievements.

Groups Comment to Congress, NAIC

TWO RISK MANAGEMENT AND FINANCIAL REPORTING COUNCIL committees and an Academy presidential task force sent comments this month to Congress and the NAIC.

Big Data Task Force Submits Comments Ahead of FinTech Hearing

The Big Data Task Force—an Academy presidential committee—submitted comments ahead of the U.S. Senate Committee on Banking, Housing, and Urban Affairs' hearing, "Fintech: Examining Digitization, Data, and Technology." The comment letter cited the Big Data Task Force's new monograph, *Big Data and the Role of the Actuary*, which was released in June and examines how Big Data is providing actuaries with powerful new analytical tools and opportunities to work with data, focusing on current and emerging practices, regulatory considerations, and professionalism. The Academy's Annual Meeting and Public Policy Forum will include a Friday, Nov. 2, Big Data plenary session.

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Group Capital Calculation

The Solvency Committee submitted comments to the NAIC's Group Capital Calculation (E) Working Group on scope and non-insurance testing. The committee reiterated its agreement with the objective stated in the fourth paragraph on page 1 of the exposure draft that the Group Capital Calculation (GCC) "should consider risks that originate within the Insurance Group along with risks that emanate from outside the Insurance Group but within the Broader Group."

ERM/ORSA Committee Comments on ORSA Review

The ERM/ORSA Committee submitted comments to the NAIC's Financial Regulation Standards and Accreditation (F) Committee on the ORSA Analysis Timing Guidelines exposure.

Regulators need sufficient time to complete review of ORSA Summary Reports, which at times may be quite lengthy, and may be faced with many reports being submitted at once, near the end of the year. On the other hand, the letter outlines there is the need for the lead state to share relevant information regarding a company with other involved regulators when an ORSA Summary Report is submitted on a group level, as well as the need to provide regulator feedback to the companies within a reasonable timeframe.

The committee said it believes that a four-month timeframe to complete analysis on Summary Reports may present a challenge for some states, particularly if the state has a large number of ORSA filers, receive most or all of the reports around the same time, and face resource constraints. It recommended consideration of extending the timeframe to account for such circumstances, while noting that due to the pressure such a timeframe may put on non-lead states, the committee may decide an extension is not feasible.

HEALTH BRIEFS

- Brent Bish, Neil Kelsey, and Paul Schultz have joined the Individual and Small Group Markets Committee.
- Mick Diede, Jacob Epp, Kyle Hall, Julia Lerche, Robert Lynch, Marilyn McGaffin, Jim Meidlinger, Daniel Pribe, James Rowe, Karan Rustagi, Colby Schaeffer, Chris Schmidt, and Lori Weyuker have joined the Health Care Delivery Committee.
- Jinn Lin, Tony Piscione, and Alisa Swann have joined the Financial Reporting and Solvency Committee.
- Emily Bartel, Simon Lo, Karan Rustagi, and Devin Streur have joined the AV/MV Work Group.
- Kurt Giesa, Jason Karcher, Sasha Musat, Geoffrey Sandler, Devin Streur, and Rod Turner have joined the Risk Sharing Subcommittee.
- Jennifer Carioto, Brandon Flowers, Julia Lambert, Li Lee, Marilyn McGaffin, Mary Murley, Chris Schmidt, and Maureen Tresnak have joined the Medicare Subcommittee.
- Damian Birnstihl, Manoj Bista, Jill Bruckert, Han Lu, Jim Meidlinger, Jaredd Simons, and Heather Westman have joined the Medicaid Subcommittee.
- Julia Lerche, James Rowe, and Chris Schmidt have joined the Smarter Spending Work Group.
- Mick Diede, Marilyn McGaffin, Colby Schaeffer, and Lori Weyuker have joined the Telehealth Work Group.
- Shyam Kolli and Lisa Parker have joined the Health Solvency Subcommittee.
- Lori Badgett, Seong-Min Eom, Gregory Gurlik, Mike Johnson, Bradley Rokosh, and Adam Zimmerman have joined the LTC Reform Subcommittee.
- YC Fang, Peggy Hauser, and Brian Rankin have joined the LTC Valuation Work Group.
- Kathleen Cost, Chris Lombardi, Joshua Mayhue, Adeniyi Olaiya, Frank Reynolds, and Robin Simon have joined the Retiree Benefits Subcommittee.

Actuarial Update

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EXECUTIVE OFFICE
The American Academy of Actuaries
1850 M Street NW
Suite 300
Washington, DC 20036
Phone 202-223-8196
Fax 202-872-1948
www.actuary.org

Risk Mgmt. VP Speaks at NYC Panel

LAUREL KASTRUP, Academy vice president of risk management and financial reporting, spoke on a panel discussion on regulatory pressures Sept. 24 at the Insurance Risk & Capital Americas conference of risk management professionals in New York City. She addressed potential regulatory impacts to capital management functions, highlighting the Academy's continued involvement on International Financial Reporting Standard 17 (IFRS 17), promulgated by the International Accounting Standards Board. She also reviewed the Financial Accounting Standards Board's continued updates and targeted improvements to U.S. GAAP accounting.

RISK MANAGEMENT BRIEFS

- Rich Daillak has joined the Risk Management and Financial Reporting Council.
- Susan Lynn Mateja, Frank Reynolds, and Mengting Zhou have joined the ERM/ORSA Committee.
- Ralph Blanchard, Larry Bruning, Dale Porfilio, and Yu Wen have joined the Financial Regulatory Task Force.
- Yao-Chuen Fang, Barry Koklefsky, Bryan Young Park, Grace Senat, Rachel Slader, Jeremy Starr, Randy Tillis, Jon-zeu Wu, and Navid Zarinejad have joined the IFRS 17 Work Group.

Public Employment Opportunities

THE SOCIAL SECURITY ADMINISTRATION is seeking to fill a position for deputy chief actuary for short-range actuarial estimates in the Office of the Chief Actuary. This role is responsible for planning, directing, and coordinating the development of the short-range cost estimates for all Social Security programs both under current provisions and proposed changes in law or regulations. The deputy chief actuary develops special cost analyses involving technical actuarial issues; projects short-range operations of the Trust Funds; projects expenditures under the Supplemental Security Income program; provides a variety of data services including data collection, statistical support; and prepares estimates for general fund and interprogram reimbursements. For more information and to apply, click here.

The U.S. Department of Labor's Employee Benefits Security Administration (EBSA) has a public employment opportunity for a senior actuary with a health and welfare benefit specialty. Among other duties, the actuary will provide support related to EBSA's regulation and supervision of association health plans. Position information is available by clicking here (general public) or here (qualified federal employees, veterans, or individuals with disabilities).

The Academy has long supported government employers that are seeking to hire qualified actuaries. See our Public Employment Opportunity Posting Policy for more information.