NOV 2011

ActuarialUPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

2011 Annual Meeting and Awards Luncheon

Sandberg Takes the Helm

ACADEMY 2012 PRESIDENT DAVE SANDBERG shared his vision for the upcoming year after accepting the presidential gavel from outgoing President Mary Frances Miller during the ceremonial transition at the Academy's Annual Meeting and Awards Luncheon on Oct. 24.

"My focus will be on strengthening our ability as a profession to ask the right questions and, as a result, be empowered to provide better answers," Sandberg said.

By developing stronger leadership and communications skills—often referred to as "soft skills"—actuaries will be better able to frame both the problem and the solution, Sandberg said, which will lead to a more productive and visible role for the actuarial profession.

Sandberg is a vice president and corporate actuary for Allianz Life Insurance Co. of North America. Since he joined Allianz Life's predecessor LifeUSA in 1989, Sandberg's responsibilities have included generally accepted accounting principles (GAAP) and statutory reporting, crediting rate and investment strategies, experience analysis, government relations, and reinsurance. Sandberg first served on the Academy's board of directors as a regular director from 2002 to 2005, and then as vice president of the Life Practice Council from 2005 to 2007. He also has held leadership positions at the international level, includ-

Outgoing Academy President Mary Frances Miller passes the gavel to 2012 President Dave Sandberg during the ceremonial transition at the Academy's Annual Meeting and Awards Luncheon.

➜ SEE ANNUAL MEETING, **PAGE 12**

Outstanding Volunteerism Award Debuts

STEVE ALPERT, ARNOLD DICKE, AND STUART MATHEWSON received the inaugural Outstanding Volunteerism awards at the Academy's Annual Meeting and Awards Luncheon on Oct. 24. The new award was created by the Academy board of directors earlier this year to honor Academy volunteers who have made a single noteworthy contribution above and beyond what is reasonably expected of an Academy volunteer.

"We are fortunate to have more than 1,200 Academy volunteers, and while we appreciate all their efforts, the contributions of Steve, Arnold, and Stuart stood out and captured the admiration of the Academy's leaders," said 2011 Academy President Mary Frances Miller as she presented the awards. "Their contributions were given, not in the pursuit of personal praise, but to advance the Academy's mission."

Alpert, a consulting actuary and principal in the New York Office of Mercer, was recognized for his work on the Pension Practice Council and the Pension Accounting Committee. He successfully bridged differing viewpoints to enable the Academy to present timely and balanced comments to regulators and policymakers on public pension plan issues.

Dicke, a consulting actuary and the president of New World Actuaries in Studio City, Calif., was recognized for leading a six-year effort to overhaul an Academy paper on risk classification. His work updating the decades-old *Principles Paper on Risk Classification* by drafting the *Risk Classification* monograph helped ensure that policymakers and regulators have the objective, nonpartisan information they have come to expect of the Academy.

➜ SEE VOLUNTEERISM AWARDS, **PAGE 12**

CALENDAR

NOVEMBER 2011

3–6 NAIC fall meeting, Washington

6–9 CAS annual meeting, Chicago

7–10 Life and Health Qualifications Seminar (Academy, SOA), Arlington, Va.

16–17 P/C Effective Loss Reserve Opinions Seminar (Academy), Baltimore

17–20 NCOIL annual meeting, Santa Fe, N.M.

22 Post-NAIC Update/PBA webinar

DECEMBER 2011

1 New Volunteer Orientation webinar

6 Academy Executive Committee meeting, Washington

9 Medicare Webinar: What Every Actuary Should Know About Medicare—From Structure to Reform

15 Professionalism webinar: IAA Standards Development and Its Impact on U.S. Actuaries (Academy, ASPPA, CAS, CCA, SOA)

15–16 Actuarial Standards Board meeting, Washington

JANUARY 2012

17 CUSP meeting, Washington

18 Board of Directors meeting, Washington

25–27 Actuarial Standards Board meeting, Sarasota, Fla.

FEBRUARY 2012

24–26 NCOIL spring meeting, Biloxi, Miss.

MARCH 2012

5–6 Actuarial Standards Board meeting, Washington

25–28 Enrolled Actuaries meeting, Washington

APRIL 2012

4 Executive Committee meeting, Washington

18–20 CAS Enterprise Risk Management Symposium, Washington

MAY 2012

8 CUSP meeting, Niagara-on-the-Lake, Ontario

9–10 NAAC meeting, Niagara-on-the-Lake, Ontario

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

Academy NEWS Briefs

Dues Reminder

CURRENT ACADEMY MEMBERS recently should have received information on renewing their Academy membership for 2012. The deadline for the 2012 dues is Jan. 1. You can pay online by logging in to the members-only page of the Academy website and following the instructions there. While logged into the Academy website, you can update your contact information, change your password, opt in to receiving Academy emails if you've previously opted out, or access any of the Academy's members-only content. You also can subscribe to the Academy Alerts. These timely electronic bulletins about legislative and regulatory developments keep you informed about changes in your field and are sent free to all Academy members who provide an email address.

If you have questions about your account or the website, or about how to make multiple payments in a single transaction, contact Mary McCracken, the Academy's membership database administrator, at 202-223-8196 or membership@actuary.org.

SEARCHING FOR AN ACTUARIAL JOB?

You can search the *Contingencies* Actuarial Job Bank by company, job type, location, and salary. The job bank is free, and new jobs are added to the site frequently.

POSTING A JOB?

Postings on the *Contingencies* Actuarial Job Bank are free to employers and recruiters. To get started, you'll need to register. Once you have your user ID and password, you can add as many job openings as you wish. Job listings remain active in the database for 30 days, at which point your listing will be deleted automatically unless you choose to renew it for another 30 days.

Record of the Year

The Academy's *2011 Record* is now available online. This year's *Record* provides a detailed review of the Academy's many accomplishments, demonstrating the reach and influence of the Academy's work on behalf of the profession and the public.

Volunteers Must Fulfill CE Requirements

All Academy members who are members of any Academy board, committee, subcommittee, work group, task force, etc. now must comply and attest annually to their compliance with the continuing education (CE) requirements of the U.S. Qualification Standards. The new policy was adopted by the Academy board of directors at its Oct. 28 meeting.

The Council on Professionalism recommended the policy to the board, stating that it believes that Academy work products will have more credibility if their authors are in compliance with CE requirements and if their compliance is reflected in their respective membership organization directories. Requiring volunteers to comply with CE requirements further illustrates the Academy's commitment to its mission of promoting high professionalism standards.

Academy members serving on a committee will be asked to acknowledge compliance with this policy on the annual conflict-of-interest acknowledgments sent to volunteers during the first quarter of each year. Given that 2012 will be the first year requiring compliance, volunteers will have until March 31, 2012, to attest to compliance.

It is expected that each volunteer will have completed 30 hours of CE (including six from organized activities and three from professionalism topics) in the year prior to the acknowledgment or as otherwise provided in the U.S. Qualification Standards (see http://www.actuary.org/qual-standards/qual.pdf).

Volunteers may earn CE credits, including organized activity credits, by virtue of serving on a committee, as described in Section 2.2.7 of the U.S. Qualification Standards. Committee chairpersons have the discretion to allow individuals to continue to be involved on a committee

➜ CONTINUED ON **PAGE 3**

➜ CONTINUED FROM **PAGE 2**

without being a member of that committee by deeming that person an "interested party."

Academy members can access the Council on Professionalism's quarterly webinars dating back to September 2007 and earn professionalism CE credits by reviewing those materials.

Webinar for New Volunteers

The Academy's Volunteer Resource Committee will host the first-ever orientation webinar for new volunteers on Dec. 1 to help jump-start their volunteer experience. The 90-minute webinar, which will cover issues ranging from anti-trust and conflict-of-interest policies to the tools used to get committee work done, will be recorded and available for current and potential volunteers to listen to online throughout the year. Registration information was sent to new volunteers and Academy chairpersons on Nov. 7. For more information, contact Stephanie Blanding at volunteer@actuary.org.

IN THE NEWS

CLASS Act

The Academy issued a statement following an Oct. 14 announcement by Department of Health and Human Services (HHS) Secretary Kathleen Sebelius that she could "not see a viable path forward" for implementing the Community Living Assistance Services and Supports (CLASS) Act. The Academy said that an initial review of the HHS report validates the actuaries' concerns with the program's design and benefit structure. The statement, which quotes Steve Schoonveld, the co-chairperson of the Joint Academy and Society of Actuaries CLASS Act Task Force, was referenced extensively in trade media reports, including articles by *National Underwriter Life & Health* on Oct. 18 and *Inside Health Policy* on Oct. 19.

Secretary Sebelius' announcement also prompted a hearing held by two subcommittees of the U.S. House Energy and Commerce Committee. The Academy's 2009 letter to Congress that included an actuarial analysis of the CLASS Act by a joint Academy/Society of Actuaries work group was in the spotlight during the Oct. 26 hearing, which was broadcast by C-SPAN. The Academy letter and study were cited and discussed by U.S. House Energy and Commerce Subcommittee on Health Chairman Joe Pitts (R-Pa.) and Reps. Charles Boustany (R-La.) and Phil Gingrey (R-Ga.). Video of the hearing is available in the Academy's newsroom.

Reinsurance, Risk Corridors, and Risk Adjustment

The Academy Risk Sharing Work Group's Oct. 28 comment letter to the Centers for Medicare & Medicaid Services (CMS) on the proposed rule implementing the risk-sharing mechanisms included in the Affordable Care Act was cited in a Nov. 3 Bureau of National Affairs (BNA) article. The work group wrote that despite the law's guaranteed issue requirements, "risk selection still could occur if issuers are able to use non-health status information (such as consumer data) to estimate individual health spending and to target marketing materials to those with low expected health spending relative to others." Consumer data from credit card transactions that indicate spending patterns and lifestyle choices are increasingly available to market researchers, the work group wrote. "Because risk adjustment will not be able to fully reflect the underlying risk of enrollees, CMS may wish to consider appropriate marketing restrictions or network adequacy requirements," the actuaries wrote.

Medicare and Social Security

The Academy was listed in an Oct. 28 NPR online article along with other organizations and entities that are seeking to lobby the Joint Select Committee on Deficit Reduction—better known as the "super committee." In an Aug. 31 letter, the Academy's Medicare Steering Committee urged super committee members to develop proposals to slow health care spending growth to improve the long-term solvency and sustainability of the Medicare program. The Academy Social Security Committee sent a letter to congressional leaders and the super committee on Sept. 22 that stated that now is the time to address Social Security's long-term solvency and sustainability. The actuaries said that it did not matter if such an effort were done through a recommendation by the super committee or through another congressional effort, but that it needs to be done for current and future retirees' retirement security.

Excise Tax

Reps. Joe Courtney (D-Conn.) and Tom Cole (R-Okla.) co-

➜ CONTINUED ON **PAGE 11**

PROFESSIONALISM WEBINAR:

Keeping Up Internationally—The IAA, Model International Standards, and the U.S. Actuary

Dec. 15, Noon–1.30 p.m. EST

What influence does the International Actuarial Association (IAA) have on you as a U.S.-based actuary? *More than you think.* Join the Academy's Council on Professionalism on Dec. 15 to learn more about the IAA and how its activities may affect you. Topics will include:

- IAA's structure and its role in the U.S. profession
- Activities of the IAA Professionalism Committee that affect your actuarial life—from both a company and/or consulting viewpoint
- Activities in the development of "international standards" and how you can influence their development

Click here for more information and to register.

FREE MEDICARE WEBINAR:

What Every Actuary Should Know About Medicare—From Structure to Reform

Dec. 9, Noon–1:30 p.m. EST

Join Tom Wildsmith, vice president of the Health Practice Council, and Cori Uccello, Academy senior health fellow, as they discuss Medicare's current structure and financial condition as well as options and prospects for reform. Topics will include:

- General overview and structure of the program
- Projected outlook for the program's sustainability
- Effects of the Affordable Care Act on Medicare
- Various Medicare-related debt and deficit reduction proposals and key cost, access, and quality issues associated with each

All actuaries, regardless of practice area, are encouraged to attend. This webinar also qualifies for continuing education credit. Click here to learn more.

Academy's Commitment to Service

By Mary Frances Miller

IT'S BEEN A TREMENDOUS PRIVILEGE to have worked on behalf of the profession, through the Academy, during the past two years.

When I began my term as president-elect of the Academy, I led a strategic planning initiative that resulted in revisions to the Academy's vision and mission. The vision now reflects the fundamental objective of our policy work: sound and sustainable financial systems. In addition to its obligation to serve the public through public policy and professionalism work, the mission now reflects the Academy's long-standing commitment to serving the actuarial profession itself.

On the international front, the Academy is leading the U.S. profession by speaking with a strong voice on issues such as solvency modernization, systemic risk, and international standards of actuarial practice. While international issues might not seem to affect most U.S. actuaries directly, the increasing reach—and the increasing convergence—of global finance means that we cannot isolate ourselves from international discussions.

Closer to home, the Academy conducted three professionalism webinars through the first nine months of 2011, ranging from the practical—an overview of the revised Actuarial Standard of Practice (ASOP) No. 41, *Actuarial Communications*—to the more conceptual—"The Profession's Responsibility to the Public" and "Applying the Actuarial Code of Professional Conduct in Uncertain Economic Times." Groups of actuaries, gathered at as many as a thousand web-linked sites, set aside 90 minutes from their workday to examine professionalism topics. This dedication reflects our members' commitment to professional excellence.

That commitment also guides us in the public policy arena. From implementation of health care reform to working to make longevity risk and pension risk essential components of the debate on retirement and pensions; from Medicare and Social Security sustainability to illustrating the urgent need for reauthorization of the National Flood Insurance Program, and in countless other initiatives far too numerous to list here, Academy volunteers worked throughout 2011 to ensure the actuarial perspective informs the legislative and regulatory processes.

Some of the scores of Academy public policy accomplishments in the past year may represent a months long sprint by a relatively small group of experts. Other accomplishments may reflect years of focused work by our colleagues. Still other policy work naturally is a vital part of our work year in and year out.

All the while, the Academy continues to work with state legislators, insurance regulators, and the National Association of Insurance Commissioners to generate the best possible model for individual state laws and regulations that affect our members who work under those rules.

This work could not have been done without the more than 1,200 of our colleagues who now actively volunteer for the Academy. This number has increased significantly over just the past few years under the leadership of the Academy's Volunteer Resource Committee. We've streamlined and fine-tuned the volunteer

process to ensure that volunteers who are ready and able to work are matched with genuine public policy and professionalism needs. We're creating more and better opportunities for volunteers to get involved—within their area of expertise or, increasingly, working cross-practice.

As much as we've done in 2011, I'm sure it's just a prelude for all that awaits actuaries in this coming election year. Under 2012 President Dave Sandberg, we are sure to be engaged, thoughtful, studiously objective, and working to serve the public.

It has been a positive, meaningful year for me as your Academy president to see so many actuaries take an active role in our mission to serve the public and the profession. I celebrate all that we have accomplished. And I'm grateful for your support in continuing our work on what still needs to be done.

Mary Frances Miller became the Academy's immediate past president on Oct. 28.

PROFESSIONALISM BRIEFS

- **John Morris**, managing director for PricewaterhouseCoopers in Downingtown, Pa., has been appointed chairperson of the Academy's Committee on Qualifications. **Annie Voldman**, consulting actuary in South Burlington, Vt., has also joined that committee.
- Joining the Academy's Committee on Professional Responsibility are **Lloyd Spencer Jr.**, vice president and research actuary for Hannover Life Reassurance Co. of America in Charlotte, N.C.; **Lisa Ullman**, actuary, human resource services for PricewaterhouseCoopers in Boston; and **Kimberly Hiemenz**, consulting actuary for Milliman in Brookfield, Wis.
- Joining the Academy's Committee on Actuarial Public Service are **Brett Dutton**, an actuary for Ohio Public Employees Retirement System in Columbus, Ohio; **Scott Fitzpatrick**, life and health actuary for Oregon State Insurance Division in Salem; **John Robinson**, chief actuary for Capital Region BOCES in Albany, N.Y.; and **Peter Rossi**, an actuary for the U.S. Department of Defense in Alexandria, Va.

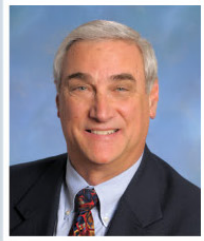
BOARD OF DIRECTORS, 2011–2012

Dave Sandberg
President
(2013)

Cecil Bykerk
President-Elect
(2014)

Mary Frances Miller
Immediate Past President
(2012)

John J. Schubert
Treasurer
(2012)



Stephen H. Rosen
Secretary
(2012)

Timothy L. Wisecarver
Vice President, Casualty
(2012)

Thomas F. Wildsmith
Vice President, Health
(2012)

Cande J. Olsen
Vice President, Life
(2013)

John Moore
Vice President, Pension
(2013)

John Gleba
Vice President, Professionalism
(2012)

Maryellen Coggins
Vice President, Risk Management and Financial Reporting (2013)

Mary Bahna-Nolan
(2014)

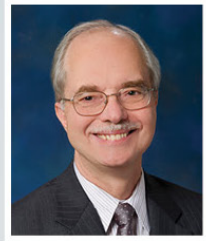
Ken Kent
(2014)

Mary D. Miller
(2012)

Catherine Murphy-Barron
(2014)

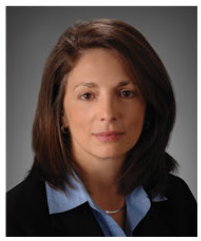
David E. Neve
(2012)

Marc F. Oberholtzer
(2013)



Jeffrey P. Petertil
(2013)

Stephen J. Preston
(2013)



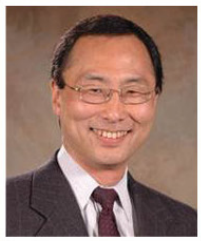
Shari A. Westerfield
(2012)

Joe Nichols
President, ACOPA
(2012)

Mark Dunbar
President-Elect, ACOPA
(2013)

Patricia A. Teufel
President, CAS
(2012)

Gary Josephson
President-Elect, CAS
(2013)



Dale Yamamoto
President, CCA
(2012)

Patricia Rotello
President-Elect, CCA
(2013)

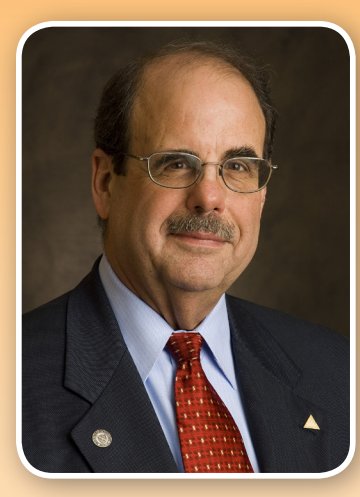
Bradley M. Smith
President, SOA
(2012)

Tonya Manning
President-Elect, SOA
(2013)

AMERICAN ACADEMY *of* ACTUARIES

NEW ACADEMY OFFICERS

The Academy's board of directors has approved the slate of 2011 Academy officers put forward by the Nominating Committee. New officers assumed their duties at the conclusion of the Academy board of directors meeting in Washington on Oct. 28. The new officers are:



CECIL BYKERK
PRESIDENT-ELECT

Bykerk served on the Academy board of directors as a regular director from 2000 to 2002 and as a special director from 2008 to 2009 during his terms as president-elect and president of the Society of Actuaries (SOA). He also served as the chairperson of the Actuarial Standards Board in 2006 and 2007. Bykerk currently is the president of the International Actuarial Association and serves on the Actuarial Foundation's board of trustees. Prior to starting his consulting firm in 2004, Bykerk was executive vice president and chief actuary at Mutual of Omaha in Nebraska. During his 25-year tenure at Mutual of Omaha, he served in various life and health actuarial positions. Bykerk will succeed Dave Sandberg as president of the Academy for 2013.

JOHN SCHUBERT
TREASURER

Schubert was re-elected to serve a third year as treasurer and will continue to oversee committees responsible for the Academy's budgetary and fiscal matters. He first served on the Academy's board of directors as a regular director from 2003 to 2005 and then as vice president of the Academy's Health Practice Council from 2006 to 2008. Schubert, an expert in the retiree health and welfare benefits field, has been a member or chairperson of more than 25 Academy committees, work groups, and task forces over the past decade. He is a specialist leader and consulting actuary in Deloitte Consulting's Chicago office. Schubert is an associate of the SOA and a certified employee benefit specialist. He also is a fellow of the CCA and currently serves on the CCA board of directors.

STEPHEN ROSEN
SECRETARY

Rosen was re-elected to a second one-year term as secretary. He will continue to oversee volunteer activities related to the Academy's membership, technology, and communications. Before becoming secretary in 2010, Rosen was a regular director on the Academy's board for two years. He also served as a special director from 2003 to 2005 while president-elect and president of the American Society of Pension Professionals and Actuaries (ASPPA). Rosen is an enrolled actuary, a certified pension consultant, a member of ASPPA, and a fellow of the Conference of Consulting Actuaries (CCA). He was a founding member and first president of the American Society of Pension Actuaries Benefits Council of the Delaware Valley. Rosen has lectured at numerous professional and actuarial conferences and co-authored several books and articles on tax issues. He founded Stephen H. Rosen and Associates in Haddonfield, N.J., in 1982.

CANDE OLSEN
VICE PRESIDENT,
LIFE PRACTICE COUNCIL

Olsen was vice chairperson of the Life Practice Council in 2007 and has served on the Academy board of directors as a regular director since 2008. A consulting actuary and vice president of Actuarial Resources Corp. in Chatham, N.J., Olsen consults on individual life, annuity, and long-term care regulatory actuarial and compliance issues. Before joining Actuarial Resources Corp., she worked in the government relations area of New York Life Insurance Co. During her 35-year career with New York Life, Olsen became an expert in the development and use of Interstate Insurance Product Regulation Commission product standards. Olsen is a fellow of the SOA and a chartered life underwriter. She succeeds Art Panighetti.

SEE **NEW ACADEMY OFFICERS**, PAGE 7

JOHN MOORE
VICE PRESIDENT, PENSION PRACTICE COUNCIL

Moore served as chairperson of the Pension Committee from 2009 to 2011 before being elected vice president of the Pension Practice Council. He has more than 20 years experience consulting on retirement plans. As the chief actuary for Aon Hewitt's retirement consulting practice in its Denver office, Moore is responsible for the firm's position on technical and professional matters. He is a member of the Academy's Committee on Professional Responsibility and the Blue, Gray, and Green Book Committee for the annual Enrolled Actuaries Meeting. Moore is a fellow of both the CCA and the SOA, and is an enrolled actuary. He succeeds Ethan Kra.

MARYELLEN COGGINS
VICE PRESIDENT, RISK MANAGEMENT AND FINANCIAL REPORTING PRACTICE COUNCIL

Coggins has been chairperson of the council's ERM Committee since 2009 and is a former chairperson of the Solvency Committee. A consulting actuary and director in PricewaterhouseCoopers' Boston office, Coggins has 25 years of insurance experience, including 21 years as a consultant to insurance companies, reinsurers, and regulators. She was a member of the core editorial team for PricewaterhouseCoopers' 2008 survey on enterprise risk management (ERM) in the insurance industry. She has co-authored several articles and presented at numerous insurance industry conferences on a variety of topics relating to ERM, solvency, and model validation. Coggins is a fellow of the Casualty Actuarial Society. She succeeds Henry Siegel.

Health Care Reform Moves Forward

AS 2014—when many of the key provisions in the Affordable Care Act (ACA) take effect—inches closer, the Academy's health care reform work groups are waiting eagerly for a look at the regulations that will detail how the provisions will be implemented. Some of their curiosity was satisfied in July with the release of two high-profile proposed regulations; one that will implement the risk-sharing mechanisms in the ACA and a second that will establish health insurance exchanges and qualified health plans.

Implementing the 3R's

In response to the proposed regulations from the Centers for Medicare & Medicaid Services (CMS) on what some have dubbed the 3R's (risk adjustment, reinsurance, and risk corridors), the Academy's Risk Sharing Work Group offered a number of general comments as well as specific observations on nearly every section of the proposed rule.

With 70 pages of material from which to choose, it's a challenge to highlight only one or two significant issues, but timing is an issue that permeated this comprehensive discussion of the technical, practical, and policy implications of the 3R's implementation. From ensuring that states have a sufficient opportunity to evaluate and finalize an alternate reinsurance or risk adjustment methodology to collecting data, calculating payments, and meeting reporting requirements, the work group stressed that timing is key.

The choice between concurrent and prospective methodologies is another fundamental decision that will have a far-reaching impact on the implementation of risk adjustment. The methodology selected will affect not only data timing but also the predictability of funds transfer, the degree to which an issuer's risk in a given year is recognized, and pricing and financial forecasting. As a result, the work group urged CMS to clarify in the final rule which approach will be used in the federal methodology. It also suggested that CMS offer guidance to states considering and/or beginning to develop alternate methodologies.

With the new guaranteed issue requirement and restrictions on rating factors in 2014, the ACA has limited the ability of issuers to select risks. The work group raised a concern that risk selection still could occur because of the increasing availability of consumer data that might be used to target marketing—for example, to individuals with lower expected costs. "Because risk adjustment will not be able to fully reflect the underlying risk of enrollees, CMS may wish to consider appropriate marketing restrictions or network adequacy requirements," the work group wrote.

Mitigating Adverse Selection

While this suggestion was echoed in the Academy Exchanges Work Group's letter to CMS on establishing the new health insurance exchanges, the work group's comments focused more on a related actuarial principle: mitigating adverse selection. In keeping with one of the Academy's key messages, the work group urged consistency between the markets inside and outside of a health insurance exchange to help reduce the degree of adverse selection. Any inconsistency in the rules related to benefits, plan designs, network adequacy, and other relevant requirements creates the opportunity for adverse selection, the work group wrote.

The staging of the initial, annual, and special enrollment periods is an important consideration for exchanges, the work group added. The time individuals have to understand their options must be balanced with the need to reduce adverse selection. The work group commented that CMS' proposed timing is reasonable, but

➜ SEE HEALTH CARE REFORM, **PAGE 11**

Miller Honored

SOME ACTUARIES ASPIRE to the profession at a young age. Others find their way into the field by happenstance. For 2011 Robert J. Myers Public Service Award winner Mary Downey Miller, it was a bit of both.

Miller first dreamed about becoming an actuary when her high school guidance counselor told her that the actuarial field was a great career for a man. Three careers later she achieved her dream when, at the age of 42, she accepted an actuarial job at a commercial lines company.

"It was not very easy to find out how to become an actuary back then so I started my first career as a high school math teacher," Miller said. "After my second career as a stay-at-home mom, I was in a graduate-level statistics course when one of my classmates said he was studying to take his first actuarial exam. So I did too. I distinctly remember him saying that if all else failed, at least he might be able to get a job as a 'government' actuary."

His fall-back job became Miller's dream career 10 years later when the company for which she was working was acquired by another firm and her job moved to North Carolina. Miller didn't want to uproot her youngest child, then a senior in high school, so she accepted a position as the first actuary for the financial regulation division of the Ohio Department of Insurance.

"I thought I would do that for a couple of years and then move on to something more interesting at another company," Miller said. "That was before I learned the 'dirty little secret' of regulatory work: It is more interesting than anything I could have ever imagined. Big companies, little companies, industry leaders, financially challenged companies—I get to see and work with them all."

Today Miller is the assistant director of the product regulation and actuarial services division at the Ohio Department of Insurance. Over the past 16 years, she has served on more than a dozen Academy committees, task forces, and work groups. She's been a regular director on the Academy board since 2009, was vice president of the Casualty Practice Council from 2004 to 2006, and served as co-chairperson of the Academy's Financial Soundness and Risk Management Committee from 2002 to 2005. Miller also is active at the National Association of Insurance Commissioners (NAIC), where she has served on numerous committees and was vice chairperson of its Casualty Actuarial and Statistical Task Force.

Academy President Mary Frances Miller (r) presents the 2011 Robert J. Myers Award for Public Service to Mary Downey Miller.

Miller said that when she first volunteered for Academy and NAIC committees, she had to persuade the state to allow her to attend meetings. But over time, her employer has come to recognize the value of the work she was doing and is now very supportive. She said that it's become easier for public actuaries from financially strapped states to volunteer because much of the committee work now is done through teleconferencing. Miller cites her work on Academy and NAIC committees as one of the most rewarding parts of her career because it has given her the opportunity to make a difference in public policy and improve regulations for future generations.

Miller called the Myers Award—which is presented each year to an actuary who has made an exceptional contribution to the common good through service to government or other public organizations—an unexpected honor.

"Most public actuaries work under the radar," she said. "It's very nice to have the Academy recognize the work of the public-sector actuary as being valuable."

PENSION BRIEFS

- **John Moore**, senior actuary for Aon Hewitt in Denver, has been appointed chairperson of the Academy's Pension Practice Council, and **Eli Greenblum**, senior vice president and actuary for The Segal Co. in Washington, has been appointed vice chairperson of that council.
- **Michael Pollack**, senior consultant and actuary for Towers Watson in Stamford, Conn., has been appointed chairperson of the Academy's Pension Committee, and **Ellen Kleinstuber**, managing consultant for The Savitz Organization in Philadelphia, has been appointed vice chairperson of that council. **Maria Sarli**, senior consultant for Towers Watson in Atlanta, also has joined the Academy's Pension Committee.
- **Andy Smith**, president of United Actuarial Services in Carmel, Ind., has joined the Academy's Multiemployer Subcommittee.
- **Melissa Algayer**, consultant to Gabriel Roeder Smith & Co. in Fort Lauderdale, Fla., has joined the Academy's Public Plans Subcommittee.
- Joining the Academy's Social Security Committee are Robert Alps, an actuary in Chicago; **Eric Atwater**, consulting actuary for The Segal Co. in Atlanta; **James Auger**, an actuary in Glastonbury, Conn.; **Timothy Leier**, actuary-consultant for TRL Consulting in St. Paul, Minn.; **Timothy Marnell**, consulting actuary for Tim Marnell Actuarial & Benefits Consulting LLC in Evanston, Ill.; **John Nylander**, product director-retirement plans for Nationwide Financial in Dublin, Ohio; **Brendan O'Farrell**, chief executive officer for Spectrum Pension Consultants in Tacoma, Wash.; and **Steven Rubenstein**, an actuary in Antioch, Tenn.

Abroe Honored with Farley Award

THE 2011 JARVIS FARLEY SERVICE AWARD was presented to Mike Abroe in recognition of his decades of service to the profession. In her comments at the annual meeting, 2011 Academy President Mary Frances Miller described Abroe as "a trusted and reliable volunteer for the profession throughout his career" whose "volunteer spirit mirrors that of Jarvis Farley."

Abroe has served as member or chairperson of more than 50 Academy committees, task forces, and work groups over the past three decades. His many notable contributions include service as vice president of the Health Practice Council from 2004 to 2006 and as a member of the Governance Review Task Force in 2010. Abroe more recently has led the Academy's efforts to work with regulators to ensure that the final rate review process under the Affordable Care Act (ACA) is administratively feasible, is based on actuarial principles, and lives up to the promise of protecting and informing consumers.

Abroe's service to the profession extends to the Actuarial Standards Board where he is the current chairperson of the General Committee and was a member of the Health Committee from 2004 to 2011. He also has served on a variety of Society of Actuaries committees and task forces and was a member of the actuarial advisory board for the State of Illinois Comprehensive Health Insurance Plan and served on the board of the State of Ohio Small Group and Individual Reinsurance Plan.

Abroe's journey to a career as an actuary may sound familiar to other actuaries of his generation. He always loved math but had never heard of the actuarial field until his junior year in college. When a fellow math major had to take an actuarial aptitude test as part of an interview process, Abroe decided to take the test too. His high score led to a job offer from Bankers Life and Casualty, where he eventually became a vice president and health actuary. Abroe joined Milliman's Chicago office in 1985, where he currently is a principal and consulting actuary.

Looking back on his career, Abroe cites several high points, including being elected vice president of the Health Practice Council and becoming a full partner at Milliman.

Academy President Mary Frances Miller presents the 2011 Jarvis Farley Service Award to Mike Abroe.

"The Farley Award is the biggest of all," Abroe said, "because it is awarded by my peers."

Abroe said he was especially touched to receive the award a year after it was posthumously awarded to his good friend and mentor Daniel J. McCarthy.

"Dan was a brilliant actuary," Abroe said. "It is a real honor to share something so special with someone I greatly admired. I am proud to be an actuary, to be part of a group of people who really care about their profession and are willing to volunteer their time to serve its interests."

Policymakers look to the Academy for guidance, Abroe said, and even more so since the ACA was enacted in 2010. State and federal regulators increasingly call on the Academy for advice on how to implement key provisions of the legislation. He also said the Academy can help mitigate medical inflation by developing strategies for controlling rates of growth in health care spending.

"Much work remains to be done by the Academy," Abroe said. "We need to ensure that actuarial perspectives are considered in the many public policy debates our nation will have in the years ahead."

Federal Committee on Insurance includes Academy Members

TWO ACADEMY MEMBERS—Brian Duperreault, president and chief executive officer of Marsh & McLennan Co. Inc., and Michael E. Sproule, executive vice president and chief financial officer, New York Life Insurance Co.—are among the 15 members of the new Federal Advisory Committee on Insurance (FACI) appointed by the Department of the Treasury on Nov. 2. The FACI will advise the Treasury's Federal Insurance Office (FIO), which was established as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Academy called for including actuaries on the FACI in a June 8 letter to Jeffrey Goldstein, the Treasury's undersecretary for domestic finance. This position was reiterated in an Aug. 2 letter to the undersecretary that corrected misstatements made about the Academy and the actuarial profession by an outside organization.

"The actuarial profession has much to offer in advising regulators at all levels on prudent measures to safeguard solvency, capital requirements, systemic risk, and myriad other matters affecting insurers," 2011 Academy President Mary Frances Miller wrote.

The FIO is responsible for monitoring all aspects of the insurance industry and identifying issues that could contribute to systemic risk in the insurance industry or the U.S. financial system. It also assesses the availability and affordability of insurance to traditionally underserved populations; advises the treasury secretary on major domestic insurance policy issues; and develops and coordinates federal policy on international insurance regulatory matters.

Fuerst: Misguided Reforms Precipitated Decline of DBs

A LACK OF FOCUS on sustainable solutions that are agreeable to employees and plan sponsors as well as misguided reform efforts have contributed to problems in the retirement field, Academy Senior Pension Fellow Don Fuerst told a standing-room-only audience at the New America Foundation's Nov. 7 Washington forum on the state of retirement in the United States.

Not only have reform efforts failed to stimulate growth in retirement plans; they also have increased the complexity of regulations and further encouraged the decline of defined benefit plans, Fuerst said during the discussion, which was prompted by the release of *Retirement Heist*, a new book by former *Wall Street Journal* reporter Ellen Schultz.

In response to presentations by Schultz and Phyllis Borzi, the assistant secretary of the Department of Labor for the Employee Benefits Security Administration, Fuerst outlined several instances in which reforms failed to target the real problem and resulted in cumbersome regulations that discourage sponsors from offering certain retirement plans.

Fuerst cited conversions to cash balance plans as an example. He credited Schultz for uncovering an abuse taking place during conversions of final average pay pension plans to cash balance plans. Sponsors were cutting future benefit accruals significantly, particularly to long-service employees. Although courts ruled this was legal, a crusade against cash balance plans as age discriminatory emerged.

As a result, "extraordinarily complex rules and regulations" were created to prevent sponsors from using above-market rates, Fuerst said. While it was true that cash balance plans could be age discriminatory if using above-market rates, it also was true that almost no plans used above-market rates. Fuerst said the real issue was the so-called wear-away feature, which reduced or eliminated future benefit accruals. And while the Pension Protection Act addressed this issue for cash balance plans, it failed to do so for other plan designs.

"The amazing fact remains that other types of plans can still use the wear-away rule," Fuerst said. "Why is that? Because the reform effort was focused on hybrid plans rather than on the real problems: wear-away rules and inadequate disclosure."

Don Fuerst talks about efforts to reform retirement plans at the New America Foundation.

Fuerst discouraged attendees from looking for simple solutions and challenged them to ask tough questions to uncover the root causes of problems in retirement plans.

"Let's not burn down the orchard because we found a few bad apples," he said. "Instead, let's identify the real causes and change some of the misguided incentives that exist in the system so we can enhance the retirement of future retirees."

Karen Ferguson, director of the Pension Rights Center, and Michael Calabrese, senior research fellow with the New America Foundation, also presented. The event was moderated by David Certner, legislative counsel and legislative policy director for AARP. Video is available in the Academy's newsroom.

What Is Wear-Away?

When a sponsor makes changes to the retirement plans provided to its employees, a participant is entitled to the greater of a frozen benefit under an old formula or a growing benefit under a new formula. If the new formula provides a smaller benefit than the old, a participant may continue to accumulate service years but not accrue any additional benefits until the benefits earned under the new formula exceed the benefits accrued under the old formula. The new formula is said to be wearing away the old benefit.

LIFE BRIEFS

- **Linda Lankowski**, an actuary for The Hartford in Simsbury, Conn., has been appointed chairperson of the Academy's Life Products Committee.
- Joining the Academy's Life Valuation Subcommittee are **Patrick Gallagher**, senior manager for PricewaterhouseCoopers in London; **Katie McCarthy**, manager for PricewaterhouseCoopers in New York; **Colleen Murray**, manager for PricewaterhouseCoopers in Chicago; **Xiaobo Zhou**, assistant vice president and senior risk manager for The Hartford Life Insurance Co. in Simsbury, Conn.; and **James Merwald Jr.**, consulting actuary for Actuarial Resources Corp. in Overland Park, Kan. **Merwald** also has joined the Academy's Reserves Principles Work Group.
- **John Gould**, a consultant for Gould & Yee Risk Management in Highland Park, Ill., and **Ying Zhao**, an actuary for Ernst & Young in Chicago, have joined the Academy's Invested Asset Work Group.
- **Eric Sondergeld**, corporate vice president for LIMRA in Windsor, Conn., has joined the Academy's Lifetime Income Risk Joint Task Force.
- **Noel Abkemeier**, consulting actuary and principal for Milliman in Williamsburg, Va., has joined the Academy's Life Practice Council.
- **Thomas Campbell**, vice president and corporate actuary for The Hartford Life Insurance Co. in Simsbury, Conn., has joined the Academy's Life Practice Council and the Life Financial Soundness/Risk Management Committee.

The Power of Probability

THE ACTUARIAL FOUNDATION has released *The Power of Probability*, the sixth installment in the Expect the Unexpected with Math series created in conjunction with educational publisher Scholastic Inc. The series is designed to motivate students to achieve success in the classroom by providing skill-building activities that use math in real-world situations. It is expected that classroom materials—which were delivered in October to 250,000 middle school math teachers—will reach more than 4 million students.

As a bonus, teachers and students can play a new online, interactive probability game. Players are challenged to manage the U.S. tour of a hot new band, the Probabilities, using the skills learned in the materials.

The series aligns with principles and standards of the National Council of Teachers of Mathematics and Common Core State Standards developed by the National Governors Association Center for Best Practices and the Council of Chief State School Officers.

Visit the Actuarial Foundation website to play the Probabilities Tour game, download free printable math lessons and worksheets, and learn more about the other installments in the series.

HEALTH CARE REFORM, continued from Page 7

raised some significant concerns related to the grace period associated with a termination of coverage. Offering an example of an individual receiving 12 months of coverage for nine months of premium, the work group urged CMS to maintain the current practice of a 30-day grace period to help mitigate any potential gaming opportunities that could arise with an extended grace period.

To learn more about health care reform, visit the Health page of the Academy's website. You'll find links to issue briefs and policy statements as well as links to comments on proposed and final regulations from the Health Practice Council's various health care reform work groups.

—HEATHER JERBI

IN THE NEWS, continued from Page 3

authored an Oct. 31 op-ed on the tax treatment of health benefits under the Affordable Care Act that cited a joint Academy and Society of Actuaries January 2010 technical report regarding the excise tax contained in the then proposed health care reform legislation. The actuaries said the proposal, which would use premiums to measure the comprehensiveness of benefits, could disproportionately affect early retirees as well as small business and high-risk professionals—not because their plans are more generous, but because the premiums for these groups tend to be high. Rep. Courtney also cited the Academy and the technical report in other publications, including in an article by CQ HealthBeat on Nov. 4.

Contingent Annuities

A Nov. 6 *National Underwriter Life & Health* report from the National Association of Insurance Commissioners (NAIC) meeting on Nov. 4 quoted Academy Life Practice Council Vice President Cande Olsen, who spoke on behalf of the Academy's Contingent Annuities Work Group. "We believe [the NAIC] should classify a contingent annuity as an annuity and not as a financial risk product," Olsen said to members of the NAIC Life Insurance and Annuities Committee. The work group's Oct. 28 letter to the NAIC Life Insurance and Annuities Committee also was discussed in the report. The work group wrote that contingent annuities can benefit consumers by providing protection against longevity risk. The work group also said that contingent annuities are similar to variable annuities with guaranteed living withdrawal benefits (GLWBs), although contingent annuity product designs introduce some new elements that distinguish them from GLWBs. The work group concluded that the basic regulatory framework in place for other products can be applied to contingent annuities.

Form 5500

The Academy Pension Committee's Oct. 14 letter to regulators regarding reporting of Pension Benefit Guaranty Corp. (PBGC) premium payments was cited in a Nov. 7 Bureau of National Affairs (BNA) article. The BNA article was reported and published after the Academy received a formal response from the PBGC. In its letter, the Academy Pension Committee urged the Department of Labor (DOL) and Internal Revenue Service "to issue informal guidance to the benefits community advising that the instructions for Schedule H will change and that they will accept reporting of PBGC premiums on either Line 2l or Line 2(i)(4)." The committee reasoned that "this clarification must be made to resolve potential conflicts between plan administrators, their auditors, and other service providers that could delay the issuance of audited financial statements or require paid preparers of Form 5500, Schedule H to prepare this schedule in a manner they believe could generate additional questions to plan administrators and sponsors from the DOL and the IRS." In its response, the PBGC said for plan years 2009 and 2010, filers may report PBGC premium payments from plan assets on either Line 2(i)(4) or Line 21 of the Schedule H and that the instructions for 2011 will require reporting this information on Line 2(i)(4).

SPEAKERS BUREAU

Academy President Dave Sandberg addressed members of the Cincinnati Actuaries Club during a Nov. 9 meeting. Sandberg discussed the Academy's value proposition and how the profession can move to the forefront through enterprise risk management.

The Actuaries Club of Philadelphia welcomed Academy Senior Pension Fellow Don Fuerst as a guest speaker during its Nov. 9 meeting. Fuerst expanded upon his remarks delivered on Nov. 7 at the New America Foundation regarding the state of retirement in the United States (see Page 10).

To find out about other actuaries in the news and for external links, visit the Academy's newsroom.

ANNUAL MEETING, continued from Page 1

ing serving as the vice chairperson of the International Actuarial Association's Insurance Regulation Committee from 2003 to 2006. Sandberg was elected by the Academy's board of directors to the office of president-elect in October 2010.

Also at the annual meeting, the 2011 Jarvis Farley Service Award was presented to Mike Abroe (see story on Page 9) and the 2011 Robert J. Myers Award for Public Service was presented to Mary D. Miller (see story on Page 8). New this year, Outstanding Volunteer Awards were presented to Steve Alpert, Arnold Dicke, and Stuart Mathewson (see story on Page 1).

The meeting's lunchtime entertainment included keynote speaker Nate Silver (see sidebar) and the premiere of a five-minute video of highlights from a dialogue on public pension plans that was featured in the September-October issue of *Contingencies* magazine.

Keynote speaker Nate Silver shared his predictions for the 2012 election at the Academy's Annual Meeting and Awards Luncheon.

KEYNOTE SPEAKER PREDICTS THE FUTURE

As of Oct. 24, there was a 66 percent likelihood that former Massachusetts Gov. Mitt Romney would secure the Republican presidential nomination, a 17 percent chance that Texas Gov. Rick Perry would win the nomination battle, and a 14 percent chance that former Godfather's Pizza CEO Herman Cain would capture the GOP nomination.

That was the prediction of keynote speaker Nate Silver, who addressed more than 500 actuaries at the Academy's 2011 Annual Meeting and Awards Luncheon, held in conjunction with the annual meeting of the Conference of Consulting Actuaries in Las Vegas. Silver is the founder of the highly regarded political website fivethirtyeight.com and the creator of a system for forecasting baseball player performance and career development he calls PECOTA. In his speech he detailed his grading system for political candidates that combines polling data and subjective analysis of intangibles to rate the prospects for each of the Republican contenders for the party's 2012 nomination.

In looking at the general election, Silver advised the actuaries to focus on three "big picture" factors:

- President Obama's approval ratings in 2012;
- Actual and forecast economic performance;
- "Electability" and ideological positioning of the most likely opponents.

Silver subsequently described the same factors in a cover story published in the Nov. 6 *New York Times Sunday Magazine*.

In his speech at the Academy's Oct. 24 annual meeting, Silver also shared his "8 Simple Rules for Making Data Smarter":

- Align effort with objectives;
- Put data quality first;
- Make sure you can handle the truth;
- Look for little ideas ("big ideas are rare, and most of the good ones are taken");
- Don't trust the machines ("computers are dumb—they're just fast at being dumb");
- Embrace the uncertainty;
- Fit the signal, not the noise ("beware of overly specific solutions to general problems");
- Be foxy, meaning be multidisciplinary, adaptable, able to admit to errors, able to tolerate complexity, and pragmatic.

VOLUNTEERISM AWARDS, continued from Page 1

Mathewson, a senior pricing actuary for Swiss Re in Eden Prairie, Minn., was recognized for leading a multiyear effort to draft and publish a monograph on the National Flood Insurance Program (NFIP). He also oversaw the Casualty Practice Council's education campaign supporting the paper's release, which culminated in a Capitol Hill briefing at which he detailed the history and operation of the NFIP and discussed various proposals to reform the federal program.

2011 Academy President Mary Frances Miller presents the inaugural Outstanding Volunteerism awards to Steve Alpert, Stuart Mathewson, and Arnold Dicke (l to r) for their contributions to the Academy and their efforts to advance its mission.

Actuarial Update

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

EDITOR
Olivia Marshall
(editor@actuary.org)

DESIGN AND PRODUCTION
BonoTom Studio Inc.

DESIGNER
Paul Philpott

PUBLICATIONS AND MARKETING PRODUCTION MANAGER
Cindy Johns

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

2011 P/C Loss Reserve Law Manual

The Property/Casualty Loss Reserve Law Manual is designed to help appointed actuaries comply with the NAIC annual statement requirements for statements of actuarial opinion (SAO). It is updated annually.

New this year:

- 35 jurisdictions have updated their information;
- One jurisdiction changed its original signature requirements;
- Three additional jurisdictions now require the Actuarial Opinion Summary, and
- 13 jurisdictions have new or additional confidentiality laws concerning the Actuarial Opinion Summary.

The manual includes a summary of:

- SAO requirements and the laws and regulations establishing those requirements for every state in the United States (as well as the District of Columbia and Puerto Rico);
- The Annual Statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.

Available formats:

- Single-User CD-ROM $750
- Single-User Web Access $750
- Multiple-User Web Access $3,000
- Per-Jurisdiction Web Access $100

Preorder options:

- Online
- Mail/Fax

Questions

- For additional information, please contact Gabriel Swee at Swee@actuary.org or 202-223-8196.

The materials contained in the manual are for reference only and shouldn't be relied upon as a substitute for a thorough review of the laws, regulations, bulletins, and other materials published by individual U.S. states; Washington, D.C.; or Puerto Rico; or for individualized legal advice. Please note that the manual is subject to federal copyright laws in favor of the Academy and the National Association of Insurance Commissioners (NAIC), and no portion of the manual in whole or in part may be reprinted, copied, or utilized without the express consent of the Academy or, where noted in the manual, the NAIC.

2012 Life & Health Valuation Law Manual

The Life & Health Valuation Manual is designed to help appointed actuaries comply with the requirements of the NAIC model Standard Valuation Law and the Model Actuarial Opinion and Memorandum Regulation. It is updated annually.

The manual includes:

- A summary of the valuation laws of all 50 states, the District of Columbia, and Puerto Rico;
- Copies of the NAIC model laws and regulations that may have an effect on reserve calculations;
- A discussion of generally distributed interpretations; and
- Copies of the current actuarial guidelines from the NAIC Examiners Handbook.

Available formats:

- Single-User CD-ROM Subscription $610
- Single-User Web Access $570
- Each Additional Password $320
- Multiple-User Web Access $2,645
- Multiple-User CD-ROM Subscription $2,670

Preorder options:

- Online
- Mail/Fax

Questions

- For additional information, please contact Gabriel Swee at Swee@actuary.org or 202-223-8196.

The manual was created as an easy reference tool only and shouldn't be relied upon as a definitive source or as a substitute for your own thorough review of the applicable laws, regulations, rules, bulletins, or other materials published by the relevant state or federal governments or agencies. This manual also is not a substitute for legal advice on the subject matter. Please note that the manual is subject to federal copyright laws in favor of the Academy and the National Association of Insurance Commissioners (NAIC), and no portion of the manual in whole or in part may be reprinted, copied, or utilized without the express consent of the Academy or, where noted in the manual, the NAIC.