



SOCIETY OF ACTUARIES

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Section Highlights

FINANCIAL REPORTING SECTION

BY ROB FRASCA

Financial reporting actuaries continue to follow the discussions occurring within the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) related to insurance accounting. Under International Financial Reporting Standards (IFRS), a gap exists in the standards regarding the treatment of insurance contracts. This gap is currently filled by allowing companies to continue treating insurance as they had under their accounting basis prior to adoption of IFRS. In the United States, the FASB has recognized that current accounting, as embodied within U.S. Generally Accepted Accounting Principles (GAAP), is ill-equipped to handle the current array of insurance products in the marketplace. Thus, both in the United States and internationally, there is a recognition that development of a modern, comprehensive framework for insurance accounting is needed.

Development of this new framework has been uneven as the FASB and IASB have been pursuing seemingly independent paths. More recently, the two accounting boards have shown a commitment to working together with an objective of agreeing on a unified standard. Though complete convergence now appears unlikely, at least in the near term, the conceptual approaches and many of the details of the frameworks being discussed are the same across the two boards. Exposure Drafts

of proposed guidance are expected by late 2012, building on earlier drafts and discussion papers exposed to the industry. If things progress well, final accounting standards could be completed in 2013 with implementation beginning perhaps in 2016.

Even though the timing is uncertain, adoption of new insurance accounting standards will represent a sea change to the way financial results are reported, with consequent implications to insurance product pricing and design. The Financial Reporting Section is monitoring developments closely and is serving its members both in sponsoring educational offerings to keep members informed of developments and in funding research projects to help actuaries, accountants and other interested parties understand the impacts of the changes that are being proposed. ■

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LONG TERM CARE INSURANCE SECTION

BY JASON BUSHEY

The Long Term Care Insurance (LTCI) Section is different from most sections in that its membership is not limited to actuaries. In fact, a sizable minority, 44 percent, of the members are non-actuaries. The section council has three appointed affiliate members who are

non-actuaries to help represent the non-actuarial membership. The section is committed to supporting and improving the LTC insurance industry. The section does this in two ways.

The first is by funding research. Currently, the section is co-sponsoring a research project on morbidity improvement using the results of the National Long Term Care Survey, which is based on general population data. The specific aims of the study are to estimate the change over time in both ADL (activities of daily living) and CI (cognitive impairment) morbidity rates, assess sensitivity to alternative sets of cross-sectional and longitudinal sampling weights, and assess the impact of alternative underwriting protocols.

The section is also co-sponsoring a research project on the natural hedge characteristics of the relatively new combination products where long-term care insurance is paired with life insurance or annuities. The study will demonstrate the hedging characteristics by showing the profit sensitivities to key assumptions for a stand-alone long-term care product, a life/long-term care combination product, and an annuity/long-term care combination product.

The second way the section supports the industry is by supporting activities that will improve the industry. The section is a sponsor of the LTC Think Tank. This group of industry volunteers made up of industry leaders periodically meet to discuss ideas on how to improve the industry and to lend support to other

groups that are working on specific initiatives in support of the industry.

The LTCI Section is sponsoring the LTCI Refinement Work Group. This group has been formed to represent companies, regulators and consumers, as well as overall industry objectives: fewer consumer complaints, fewer regulatory issues, more carriers participating, and generally more sales to keep the industry moving ahead. The LTCI Refinement Work Group has two subgroups (Stand-alone LTC and Combo Products) that are each working on the first draft of their suggested solutions. Each subgroup is also working to design questions for a survey that will go out to insurance companies. This survey will enable testing the interest that carriers have regarding the group's suggested solutions. After receiving the survey responses, the group will be able to further refine its suggestions. **A**

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MANAGEMENT & PERSONAL DEVELOPMENT SECTION

BY BRIAN PAULEY

The Society of Actuaries (SOA) has put much focus on the Competency Framework in recent years. The framework is designed to reflect the knowledge, skills and abilities actuaries need to be valued and successful in our rapidly changing world. It is made up of eight interrelated key competencies. The most important one is Leadership.

Actuarial education and work is very technically focused. We may be tempted to believe lead-

ership development is for "soft people." That could not be farther from the truth. Actuaries frequently suffer from the perception that they are not as skilled as other professions in soft skills such as leadership and communication. In order to combat this and level the playing field with competing professions, it is more important than ever for us to intentionally develop our leadership.

It is an overlooked truth that leadership can be learned. Some dismiss this under the falsehood that leaders are born, not made. While some do possess natural abilities enabling them to be more effective leaders, those who struggle with leadership often just have the wrong attitude. For example, many people believe that leadership is all about position in an organization. While it is true some leaders do have lofty positions within an organization, there are many leaders who do not. Mother Teresa spent her adult life helping the poor, hungry and dying in Calcutta, India. She even won the Nobel Peace Prize in 1979. She is considered a remarkable leader despite not having a prestigious title. What she had was tremendous influence, and the ability to influence others is what determines our leadership effectiveness. Not all of us are destined to change the world with our leadership. But, we all have the potential to have a positive impact on our friends and families, the organizations we work for and society. To reach this potential, we must develop our leadership.

When we improve our leadership, we benefit from the compounding effect it has on the other seven competencies. Consider the Technical Skills & Analytical Problem Solving competency, a well-known strength of actuaries. By being a good problem solver, we merely get a seat at the problem-solving table. Now, think about the problem-solving leader:

one who thinks differently, designs solutions others called too difficult, and teaches individuals and teams how to solve problems on their own. You get the picture. The returns we achieve on leadership development set it apart from the other competencies.

Through the SOA Management & Personal Development (MPD) Section, actuaries have a resource to improve this vital skill. In 2011, MPD sponsored sessions for all four major SOA meetings. Leadership book review breakfast presentations continue to be popular sessions at these meetings. MPD's quarterly newsletter, *The Stepping Stone*, features articles actuaries can use to improve their leadership. Many of these articles are written by your peers.

Leadership can and should be learned and developed. Regardless of where you are on your leadership journey, you can make it even better. The MPD Section has the resources to help. **A**

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