



SOCIETY OF ACTUARIES

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First Round of REX Pool Application Awards Announced

By Steven Siegel and Sara Teppema



In the last research column, the Research Expanding Boundaries Pool (REX Pool) was discussed, and it was noted that it is now open for business. Since that time, applications from the first round of the pool have been reviewed. In total, the Research Executive Committee (REC) received 17 applications for funding, totaling over \$900,000. After much deliberation, the REC allocated its 2012 REX Pool budget of \$400,000 to seven diverse ideas that will become new SOA-sponsored (or co-sponsored) research projects:

- 1. Complexity science & behavioral finance:** A study of models of health care behavior and decision making, from a complexity science and behavioral finance perspective.
- 2. Regulatory risk for insurers:** In partnership with the North American Actuarial Council's Collaborative Research Group (NAAC CRG), a study of regulatory risk faced by insurance companies in Canada, the United States and Mexico, and developing strategies to deal with regulatory risk.
- 3. Risk adjustment bias in health insurance exchanges:** A study of potential bias in risk adjustment methodologies under the U.S. Affordable Care Act's risk adjustment system within health insurance exchanges.
- 4. 2014 "Living to 100" Symposium:** This triennial international symposium brings together researchers and dozens of original research papers with a focus on longevity.

- 5. Climate change index:** This will be phase 2 of a joint project between the SOA, Canadian Institute of Actuaries (CIA), Casualty Actuarial Society (CAS) and American Academy of Actuaries (AAA) to develop an index that can be used as a resource for actuaries and others working in the life, casualty and enterprise risk management (ERM) fields, to develop predictive models and other risk management strategies related to climate change.
- 6. Sustainability of natural resources:** An existing SOA working group on natural resource sustainability will bring together actuaries and other experts to define the issues from an actuarial perspective, develop recommended next steps for the actuarial profession, and provide a report to the SOA membership.
- 7. Conference on the future of aging and retirement:** In partnership with Boston University, the SOA will participate in an international conference on the topic of aging and retirement, with funding going primarily toward a report for SOA members on the discussions and outcomes of this conference.

These research ideas have price tags ranging from \$10,000 to \$100,000, and all of them were deemed by the REC to create the potential to expand the boundaries of actuarial science. The ideas are at various stages of development; over the next few

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Two of the awarded projects are health related.

months, they will follow the normal SOA research process, from Request for Proposal (RFP) to completed project. (Several of these projects have already begun this process.)

Note that two of the ideas are directly health-related. The first health-related idea is a follow-up to the complexity science primer that the Health Section sponsored in 2010 and is expected to be completed by early 2013. The researcher is Alan Mills, and it is being overseen by a diverse project oversight group. Work has been underway on this effort since earlier this year and is progressing quickly.

The second health-related idea concerns an important application of risk adjustment in the context of

health care reform. As of this writing, an RFP for this idea is being drafted and readied for issuance.

The SOA's new research initiative to expand boundaries for the actuarial profession is in addition to other ongoing SOA-sponsored research initiatives that are focused on developing new intellectual capital for the profession, and on practical applied research that can be used by actuaries in our traditional areas of practice.

As noted in past columns, we welcome your feedback on ideas that would be appropriate for the pool or other types of Health Section research efforts. ■

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