



SOCIETY OF ACTUARIES

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Editor's Notes

by G. Thomas Mitchell

Spring is in the air, and the confusing and perhaps not so gentle aromas of fair value accounting, derivatives, risk management and equity linked contracts are intermingling in the atmosphere. See Tom Campbell's update on AICPA happenings, including FAS133, and Hans Wagner's letter to the editor. David Becker's treatise on proper ways to look at management of surplus is repeated from the *North American Actuarial Journal* because of its importance. His ideas have considerable interconnections with the aforementioned issues.

This issue also includes the second half of Glyn Holton's review of Value At Risk (VAR), focusing on practical modeling considerations.

US regulatory developments continue at a rapid pace. Harold Forbes returns to the COLIFR Corner, and Larry Gorski offers suggestions on implementation of determining select mortality valuation factors for term insurance and related products under the US (NAIC) new guideline XXX.

Steve Patzman offers the interesting results of a survey of management reporting practices by actuaries.

Your Section has been active, particularly in helping shape the development of the new Society of Actuaries examination system (Larry Gorski reporting on this also); and more well-received seminars globally. Ed Robbins reports on the Buenos Aires seminar from late 1998.

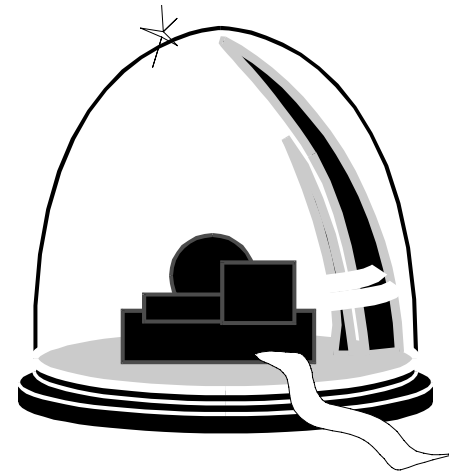
The best news of all for your editor is that Tom Nace has agreed to succeed me in that position. I have enjoyed the responsibility, but a total of eight issues is enough. Tom will assist me in the next issue, and I will reciprocate on the following issue, then retire. The Section is very pleased with Tom Nace's decision. The one regret is the total inability of the Section to find an editor not named Tom (this makes three in a row).

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AICPA Non-Traditional Long-Durations Contracts Task Force—A Status Report

by Thomas Campbell

The Non-Traditional Long-Duration Contracts Task Force (Task Force) of the American Institute of Certified Public Accountants (AICPA) is in the process of developing a proposed Statement of Position (SOP) that will provide guidance on the GAAP accounting, reporting and disclosure for many of the innovative insurance products that have hit the market in recent years. The Task Force, which is a subcommittee of the AICPA's Insurance Companies Committee (ICC), includes representatives from the insurance industry and from public accounting firms. This report will outline the efforts of the Task Force.



Statement of Position

Many of the new products in today's marketplace provide new twists to traditional insurance products. One example is an equity-indexed annuity, which includes elements of a traditional fixed annuity (e.g., a guaranteed interest rate) with a contingent additional return based on an external index, such as the S&P 500. Most companies account for these new products by applying existing GAAP accounting standards, such as FASB Statements No. 60 or 97. Unfortunately, most of these new products did not exist when these standards

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