

# The Actuary

APRIL/MAY 2011 VOLUME 8 ISSUE 2

## READY FOR CHANGE?

WHAT IFRS MEANS  
FOR INSURERS

### HOUSING AND RETIREMENT

The most significant housing issues  
affecting retirees

### GROWTH OF AN ASSOCIATION

An in-depth look at a new kid on  
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## EDITORIAL CORRECTION

The title of the February/March 2011 SOA At Work column was incorrect. The correct title is *Committed to Communicating*. *The Actuary* apologizes for any inconvenience.

## COVER STORY

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International and U.S. accounting standard setters are hard at work rewriting the rules governing insurance contracts. Given the resources demanded by short term concerns, including both the economic environment and regulatory reform, what are insurers doing now and what should they consider doing in the near future?

By Sam Gutterman, Tessie Johnson, and David Legge

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Starting a new actuarial organization is not easy. Fortunately, the International Actuarial Association Advice and Assistance Committee is available to ensure the bulb of thought burns bright.

By Tarmo Koll

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What are the most significant housing issues affecting retirees? Is paying off a mortgage still important? These questions and more are what recently led a roundtable panel to address housing in retirement issues.

By Steve Siegel





## Editorial

# LOOKING OUT FOR OUR OWN

BY SUE SAMES

**THIS PAST SUMMER**, while home on break, my daughter, a junior at a university in London, sat me down and said, “Mom, you have got to tell me what to do.” This was followed by, “What should I major in? Really, tell me how to get a job.”

My daughter’s request caused me to reflect on my own experience and take stock of how much things have changed since I started out 25 or so years ago. I have to say that I can’t directly relate to her situation. My career path was always fairly straightforward. I applied to one college and didn’t even seriously consider that I might not get in. Actuarial Science was always the plan; teaching was a half-hearted fallback. Looking back, it is frightfully easy to picture things not working out as well as they did. (What if my parents hadn’t been able to afford to send me to the one school I wanted? What if I hadn’t passed the first exam sophomore year, which led to my first internship? What if I hadn’t gotten the second internship and the full-time job offer that followed? What if I hadn’t been able to continue to pass exams and complete my FSA after having children? How did I manage to pass exams

while I was pregnant anyway?) I’m grateful these near misses are all in my head.

Although the career path for actuaries is still as structured as it was when I started out, the current employment market is more challenging, as it is for all professions these days. There have been any number of articles and posts on how expensive higher education is and the staggering level of debt students can accumulate, especially if graduate school is required. While the cost of higher education is a perennial issue, it is much more acute now as the job market, even for actuaries, has taken such a hit.

Yes, actuaries are once again the #1 job, but now there are posts by dissatisfied students who are not able to find jobs and feel that the actuarial career was oversold. If it is any comfort to us, actuaries are faring much better than lawyers. The recent *New York Times* article on “Is Law School a Losing Game?” centered on the story of a recent and unemployed law school graduate, who is now \$250,000 in debt, due mostly (but not entirely) to student loans.

I did not realize until reading that article that student loans are not dischargeable by bankruptcy, although they are deferrable for hardship. As (barely) legal adults, 18-year-olds can enter into financial agreements and borrow significant sums. Why not borrow money for another three years of graduate school if you can’t get a job with a bachelor’s degree? Student borrowers are particularly vulnerable. Why wouldn’t students expect that lenders actually think they are a good risk—after all, why would these institutions lend large sums of money if they didn’t believe the students had good prospects for paying it off?

Megan McArdle, the business and economics editor for *The Atlantic*, stated it more bluntly, in her posting about student loans dated Sept. 23, 2010.

“Who but a lunatic would loan money to an eighteen year old with no job and no credit record, in the hopes that they will graduate college and begin speedy repayment? ... To make this product work on a mass scale, you need the government

guarantee—and the government’s ability to shield those loans from bankruptcy.”

Clearly the student loan system is a complex issue and not one that is readily tackled; however, I think there are some concrete things our profession can do to help the situation for students generally and especially those seeking actuarial careers.

- Promote financial literacy. No one understands the time-value of money and risk management as we do. While The Actuarial Foundation has material geared to high school students (e.g., *Building Your Future*), it could be supplemented with items of particular concern to students;


namely, credit card debt, student loans and college expenses.

- Make sure the statistics that are provided by the SOA and others on employment prospects and earnings potential for actuaries are realistic and not subject to misunderstanding.
- Encourage the partners in Centers of Actuarial Excellence to help students with these practical issues, as well as their coursework. In particular, help them find a “Plan B” since the actuarial profession may not be able to absorb all the actuarial candidates that are being generated.
- Employers should strive to maintain internship programs, which are a very low-cost way to help students gain valuable experience.

But going back to what first got me started thinking about these issues, my experiences with actuarial science



**Sue Sames**

have limited applicability for my daughter, who inherited my (lack of) athletic ability, not my math ability. However, if you know of internship opportunities for a bright junior majoring in International Business, I’d love to hear from you. 

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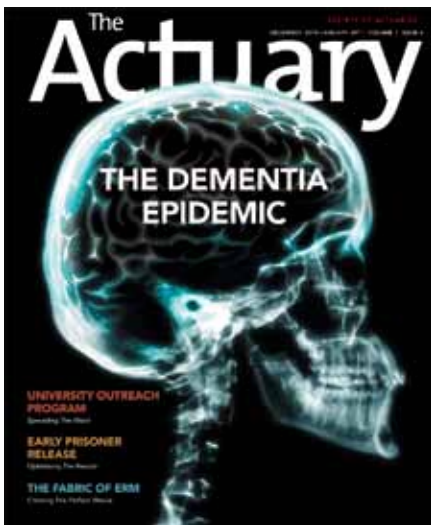
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# IS IT REALLY AN EPIDEMIC?



## DEAR EDITOR,

It was with great anticipation that I opened the Dec. 2010/Jan. 2011 issue of *The Actuary*. As an 80-year-old retired fellow of the Society of Actuaries, I was naturally very interested in learning more about dementia and Alzheimer's in particular. I was disappointed.

Aside from some aggregate statistics highlighting the growing numbers of victims and the observation that we

are seeing more sufferers at younger ages, there was virtually no information of the type one would expect to find in an actuarial publication.

For example, is the increasing incidence of the disease merely a function of an ageing population, or are age-specific morbidity and mortality rates from this cause on the increase? If the latter is the case, what is the pattern by age at onset? Furthermore, to what extent is the data influenced by more accurate diagnosis? Is there any evidence that lifestyle is a factor?

The above are only some of the more elementary questions that might have been discussed. Perhaps others can provide some answers.

This is a terrible disease, and the article dealt admirably with the sociological effects, but not the actuarial aspects. **A**

**Alan Richards, FSA, Carlsbad, Calif.**

**I THINK IT IS IMPORTANT** to distinguish Alzheimer's from other forms of age-related decline. Not everyone whose memory isn't as sharp as it once was has Alzheimer's Disease. Additionally, it is not clear to what extent substance abuse and hazardous materials exposure contributes to mental decline. What is striking about Alzheimer's Disease is the rapidity with which it can claim victims. Given that I myself have been subjected to bad medical advice, it wouldn't surprise me that the actual incidence rate of Alzheimer's is much lower and that many cases are a misdiagnosis. **A**

**Tim Cole, ASA, Perryopolis, Pa.**

**A FEW REMARKS ON THE DEMENTIA ARTICLE** in the recent Dec. 2010/Jan. 2011 issue of *The Actuary*.

First, a jarring phrase in the sidebar: "This accepting attitude has allowed governments to ignore their plight and happily accept the \$25 billion a year in unpaid labor."

Oh, heaven forbid that family members care for each other, when "the government" should have been picking up the tab. Oh my, we care for our autistic son when he should be institutionalized. How dare the state expect me to deal with him.

Now, clearly some people do need care beyond the physical (and mental) abilities of family members, but the fact that people with mental disabilities can be difficult to live with does not mean that it's the responsibility of "the government" to make the difficulties of life go away. I think those who colonized Canada may have thought this sentiment odd; one did not go to Canada for the harshness of life to be worn away in the swaddling embrace of the state. And certainly one did not expect someone else to take on the responsibility of caring for one's aging mother. It was a duty to do so.



But that's just a side issue, distracting from the main thrust of the article. It's not clear to me that senile dementia is actually an epidemic in normal terms. I tried to look around for some statistics on dementia incidence by age and sex, and came across many articles and abstracts. Here are a few:

<http://bit.ly/grzVWV>.

<http://bit.ly/ErCSO>.

<http://bit.ly/hTBEI5>.

It seems that the issue is that dementia incidence increases with increasing age. There seems to be sex-differentials in types of dementia (for some reason women have higher incidences of Alzheimer's Disease, but men have higher incidences of vascular dementia). But in general the reason you have more female dementia sufferers is that more women survive to older ages, and older people have a much higher incidence of dementia.

So it seems that this "epidemic" is just a part of the larger mortality trends we see impacting retirement systems: people are living longer, and there are consequences to that. Yes, there is early-onset Alzheimer's Disease, but that forms a small percentage of senility issues.

And while the author gives recommendations that suspiciously sound like it would help her own organization (how convenient that on *SOA.org*, I can click in the author bio and end up at her business' website), here is one of my own recommendations to help combat this issue: Get people to work longer. See <http://bit.ly/fidLNr>.

To quote the linked article: "Working beyond normal retirement age might help stave off dementia, scientists said today.

"Keeping the brain active later in life appears to reduce the chances of an early onset of Alzheimer's Disease, according to a study of 382 men with probable dementia. The researchers suggest a significant link between later retirement and delayed symptoms. ...

"The researchers found no link between education or employment and dementia risk, but found that those who retired

later prolonged their mental abilities above the threshold for dementia."

Of course, it can be that those who will have earlier dementia retire earlier due to mental difficulties, but given that life expectancy past the old "traditional" retirement ages has increased greatly over the past century, it's just good public policy in general to encourage people to work well past what used to be the age of decrepitude but is currently an age of still quite good productivity.

**It's not clear to me that senile dementia is actually an epidemic in normal terms. — Mary Pat Campbell**

Another recommendation is for people to have more babies right now. Because those caring for the elderly senile population when it swells over the next few decades due to demographic patterns already baked-in will be those born right now if they want strong, young backs to help physically.

Going back to my first point, while it has been considered the duty of family to take care of each other, due to dwindling fertility, and relatively high divorce rates, ultimately it will be non-family members providing a huge amount of care to the extent that these elderly will be cared for. So it would help if there are plenty of people to work in this sector.

Or perhaps Japan will have improved robotics so well that actual human beings will not be needed.

In any case, it doesn't help to look at this "dementia epidemic" as some discrete occurrence, as it is part of the same demographic issue currently roiling Europe and soon to hit North America as well (though our fertility rates haven't cratered as badly ... at least not yet).

I do understand that this author is not an actuary. But if we keep on pushing the concept of actuarial work as embracing risk management in a global sense, it does us no good to look at a problem as some isolated issue when it is part of a larger trend that is impacting so much. **A**

**Mary Pat Campbell, FSA, Croton Falls, N.Y.**

## Letter From The President

# POWER IN THE PEOPLE

BY DONALD J. SEGAL

**TRADITION DICTATES** that this space in *The Actuary* is usually reserved for the SOA president. This is the place where we talk about what's important to the profession, new initiatives at the SOA, and our potential for growth.

Well, I'm breaking tradition ... somewhat. I do want to say a few words about the importance of volunteering. I want to tell you that the people who volunteer for the various positions strengthen the SOA every day. They serve on committees and task forces. They construct and grade exams and review articles for our many publications. They join sections and participate in section activities, research and educational events. They moderate at special events and present papers at meetings. They serve as chairpersons, and Board members, and volunteer for other important positions at the SOA. I want to thank the hundreds of volunteers who continue to do important work and invite those who haven't yet found their volunteering niche to seriously think about doing so.

Now I'm going to hand the microphone off, so to speak, to a number of our members who donate their time and talent to the SOA and its many initiatives. They will tell you why volunteering is important and vital to our growth as an organization and our growth as individuals.

Thank you for your help. Thank you for your energy. Thank you for your gift of time.

### THE VOLUNTEERS

*The Actuary* asked some volunteers various questions focused on the subject of volunteering. Here's what they said.

#### Q: What motivates you to volunteer?

**A:** I started volunteering because my employer wanted me to, due to an interest in particular topics and as a way to have input into those topics. Since then I feel that I have become a part of a community. Through this community, I have a way to impact what happens in the profession as well as observe up front how actuarial practices are evolving.

**Donna Novak, ASA**

I feel passionate about the importance of the issues I am working on. I also feel that volunteering has added greatly to my professional growth and been an important part of my life.

**Anna Rappaport, FSA**

I enjoy networking with other actuaries with different backgrounds and perspectives. Being involved on an education committee has helped me stay grounded in the fundamentals that I learned when taking exams.

**Jacob McCoy, FSA**

I began volunteering for the SOA because I wanted to give something back to the profession.

Volunteering is a great way to do that and it opens many doors for the volunteer.

**Jerry Enoch, FSA**

Like many actuaries, I am feeling some competition from other professions—economists, statisticians, etc. To counter this, I feel the need to make the profession even better so that we can maintain our status in the analytical and business community.

**Joan C. Barrett, FSA**

#### Q: How do you find time to volunteer?

**A:** Volunteering can take as little or as much time as you can devote. Everyone can contribute in some way. You are never too busy to volunteer; it's a mindset.

**Larry N. Stern, FSA**

I prioritize time commitments and work evenings and weekends.

**Warren R. Luckner, FSA**

I set aside a certain amount of time for volunteer work. Much of the time spent can be counted toward continuing education credits.

**Donna Novak, ASA**

While I had a full-time job, I made it a priority to be able to volunteer—I made it part of my job. I also was able to show many of the people I



**Donald J. Segal**

worked with the value of what I was doing.

**Anna Rappaport, FSA**

Finding time is always difficult because there are always work and family situations that need attention. Like everything else, you have to prioritize. If volunteering for an exam committee is important to you, then you'll find time.

**Jacob McCoy, FSA**

There is nothing like the basics of time management—setting objectives, priorities and schedules and sticking to them.

**Joan C. Barrett, FSA**

**Q: What has brought you the greatest sense of satisfaction from volunteering?**

**A:** Being able to interact with others and learn from them while teaching in return. Through volunteering I have had the opportunity to meet and work with many people I would not otherwise have met.

**Larry N. Stern, FSA**

A sense of accomplishment and making a contribution that is of value to the profession and ultimately to those who rely on our work.

**Warren R. Luckner, FSA**

When my son was in high school he Googled my name. He got pages of references and was very impressed. Many of the references were connected to my work with the SOA and the Academy.

**Donna Novak, ASA**

I believe I have been able to make important contributions to the actuarial profession, and that the work we have been doing in post-retirement risk has made important contributions to the retirement system in the United States.

**Anna Rappaport, FSA**

All the great individuals I met who were part of my speaking sessions.

**Mark Whitford, FSA**

I get a sense of accomplishment by looking into the past to see everything that has been done. e-Learning is such a dynamic process and there is so much to be proud of.

**Jacob McCoy, FSA**

My involvement with the Actuarial Foundation. It truly makes me feel like I am paying it forward.

**Craig M. Baldwin, FSA**

Completing goals, whether it is something as simple as coordinating a session at a meeting or seeing a research project through to completion.

**Joan C. Barrett, FSA**

**Q: How has volunteering helped you grow professionally and personally?**

**A:** I have learned a huge amount on technical topics, such as IFRS and PBA. I have met people that I think will be lifelong friends.

**Craig W. Reynolds, FSA**

As a self-employed consultant, many of the individuals I have met by volunteering have turned into business relationships. Many have become close friends. Professionally and personally, volunteering has resulted in immeasurable growth.

**Larry N. Stern, FSA**

Professionally, I have learned a lot from others involved during the process of completing various volunteer activities. Personally, I have learned a lot working with a variety of people with differing personalities, and developed friendships I otherwise would not have.

**Warren R. Luckner, FSA**

When you volunteer you interact with the best and most experienced actuaries in the profession on the most important and timely topics.

**Donna Novak, ASA**

I believe that what I learned from volunteering enhanced the quality of the work I did for my clients and my employer. I also believe it enabled me to bring valuable ideas to the environments I worked in.

**Anna Rappaport, FSA**

I've increased my actuarial contacts and my knowledge of my area of expertise.

**Mark Whitford, FSA**

To keep involved I have had to become more efficient and stay organized. No doubt this has helped me in all aspects of my life. When you have competing demands it makes you think about what is really important and what you have a passion for.

**Jacob McCoy, FSA**

It has helped me establish relationships that have lasted during my career.

**Craig M. Baldwin, FSA**

I am much more self-confident as a result of my volunteer work.

**Joan C. Barrett, FSA**

**Donald J. Segal, FSA, FCA, MAAA, EA**, is president of the Society of Actuaries. He can be contacted at [dsegal@soa.org](mailto:dsegal@soa.org).

## VOLUNTEER HERE!

More information about volunteering can be found on the SOA website at [www.soa.org/volunteer](http://www.soa.org/volunteer). Learn about the benefits of volunteering, the various ways you can donate your time, and the benefits to employers as well. **A**

FROM IDEA TO DEVELOPMENT

# THE GROWTH

OF AN ACTUARIAL ASSOCIATION

BY TARMO KOLL

**STARTING A NEW ACTUARIAL ORGANIZATION is not easy. Fortunately, the International Actuarial Association Advice and Assistance Committee is available to ensure the bulb of thought burns bright.**

**I**N ESTONIA, the new generation of actuaries was employed by the insurance companies in the mid-1990s due to pressure from the predecessor of the current Financial Supervisory Authority. These young people had just graduated from the University of Tartu, mostly as mathematicians, and had very limited knowledge of real actuarial work. Estonia had regained its independence in 1991, and the starting market economy was giving birth to hundreds of new companies in different economic areas—insurance, both life and non-

life, being among the most attractive ones. Seeing the clear need for individuals who had more understanding of the business, including its theoretical mathematical background, the former Insurance Supervisory Authority started to put pressure on the insurance companies to hire actuaries.

Although there was no actuarial organization formed, the profession of actuary had not been completely unknown in Estonia before the Second World War. Actually, the insurance companies who had operated in Esto-

nia during the independence period—from 1918 to 1940—had their own mathematicians, some of whom were quite well-known in society and played an important role in the development of the insurance sector in Estonia. One of the most well-known Estonian actuaries of that time was Karl Saaret, who had to leave Estonia for the United States after the Soviet occupation. Saaret became a member of the Management Board of the George B. Buck's Actuarial Advisory<sup>1</sup> in New York and a member of the American Actuarial Academy in 1965.





However, during the Soviet Union's time of "planning economy," the actuaries were officially not needed as the tariffs were calculated in Moscow for the whole country. There was also no need for any kind of reserves. Solvency and adequate pricing were not issues. Therefore, the first generation of new actuaries started from an empty field and had to build the profession from scratch.

By the end of the 1990s, most of the Eastern European countries (who, similarly to Estonia, had escaped from the "iron curtain") had restored or established actuarial associations. But this was not the case in Estonia. We

mentioned young people (graduates of the University of Tartu) who had been employed as actuaries in Estonia participated in these courses and gained much of their real actuarial knowledge from the different, very good lecturers. It was during these courses when the idea of creating the Estonian Actuarial Society started to emerge more clearly; the year was 1998. The discussions concentrated on topics like the aim of the association, the membership levels and qualification rules, and the different organizational issues.

Finally, the Estonian Actuarial Society was created on Jan. 10, 1999. The initial 17 mem-

related to the syllabus passing levels with full members being equal to the fully qualified actuaries in most developed organizations.

Of course, these self-set standards meant that during the establishment of the association we had no full members! This was done on purpose. We wanted to avoid the situation where the initial members would have some advantage in getting the qualification just because they happened to be the ones who formed the association. Therefore, we decided to organize an additional set of courses and examinations and only those who successfully passed these received the full member status in the society.

## THE SIZE OF THE ORGANIZATION DOESN'T MATTER; IT'S ALL ABOUT THE PEOPLE.

had been discussing the potential need for such an organization and wanted to be absolutely clear what the purpose of the association would be. We did not want to create the association just to have one. Furthermore, the pressure we felt from the outside world made us a little suspicious. It's not without reason that Estonians are often regarded to be too proud and independent to readily agree to do anything that is imposed from outside. This might be true; but, on the other hand, this may have helped us to survive among much bigger nations.



### LAYING THE GROUNDWORK

When the U.K. Institute of Actuaries organized actuarial schools in different Central and Eastern European countries, the real planning for the Estonian Actuarial Association began. One of those schools was in Vilnius, Lithuania, and it operated for a couple of years (1997–1999). Many of the above-

mentioned young people (graduates of the University of Tartu) who had been employed as actuaries in Estonia participated in these courses and gained much of their real actuarial knowledge from the different, very good lecturers. It was during these courses when the idea of creating the Estonian Actuarial Society started to emerge more clearly; the year was 1998. The discussions concentrated on topics like the aim of the association, the membership levels and qualification rules, and the different organizational issues. Finally, the Estonian Actuarial Society was created on Jan. 10, 1999. The initial 17 mem-

bers were mostly actuaries working in the insurance companies of Estonia, but also included two distinguished professors of probability theory and mathematical statistics who taught at Tartu University. The Statute Book of the association established the aims of the organization, which included the development of the actuarial profession and actuarial science; protecting the rights of its members; and establishing contacts with other professional organizations on the international level. From the very beginning we had decided that we wanted to build a true professional organization that would satisfy the criteria of the international actuarial community. We understood that the only way to do this was setting hard qualification standards to be a full member. On the other hand, we also understood that we are, and will always be, a small organization. Therefore, we needed to use all the available resources. We decided to create three membership categories. In addition to full members, we have associate members and student members. Membership levels are

Today, the Estonian Actuarial Society has 26 members; of them, only eight are fully qualified. Of course we would like to have more qualified members. There also exists a clear demand for such people in the market, but we have not made the process easier for anyone—it is as difficult as getting an actuarial qualification in any other developed country. In fact, the process may be more complicated; due to the small size, there is no regular examination system. The education committee of the Estonian Actuarial Society considers each membership application separately. A full-member status is given only if the applicant has successfully and completely passed the actuarial syllabus. In addition, full members must have at least two years of experience.

The syllabus for Actuarial Training, which we updated just a year ago, is in line with the Core Syllabus of the Groupe Consultatif in Europe and the requirements of the International Actuarial Association (IAA). It is built in a hierarchical way with different levels being obligatory for different membership categories. Naturally, the requirements include passing the Professionalism course and acquiring specific communication skills. CPD

training forms a part of the syllabus and is required to keep the full-member status, but it is not compulsory for qualifying.

Basic topics of the syllabus are taught at Tartu University as part of the degree programs in financial and actuarial mathematics. There is no teaching on a regular basis for higher level topics. To cover these, the Estonian Actuarial Society has organized the Actuarial Management Program, which consists of modules on different subjects. Many new students select different foreign university and European Actuarial Academy programs to pass the syllabus.

Today, 12 years after forming the association, the scene has changed a lot. The current Law on Insurance Activities obliges all insurance companies to have an appointed actuary. This includes both life and nonlife companies. Due to the characteristics of the pension system—the collection phase includes only investment-related risks and no guarantees; pension payments are handled by the life insurance companies—there are no formal requirements to have actuaries in the pension

funds. Although the Law on Insurance Activities does not mention our association, the requirements set by it to the appointed actuary are almost one-to-one a copy of the society's full member requirements. One of the biggest challenges for the association at the moment is supporting the associate members to qualify so that they can apply for appointed actuary positions at various companies.

It is fair to say that after 12 years in existence, the Estonian Actuarial Society has totally proven its worth and value. Today we are viewed as an equal partner on the state level as well as in business. We are consulting the Ministry of Finance and the Financial Supervisory Authority on the forthcoming legislative changes and give advice on the implementation of the Solvency II regulation, just to name a few of our latest activities. Within companies, actuaries are highly valued and the actuarial departments consist of several people.

The challenges we face today are, however, similar to those we had in the beginning. Marketing the profession and growing in numbers are still essential. The world is changing and we need to keep up to date.


For example, we would very much like our members to be more involved in the risk management area and include enterprise risk management subjects in our actuarial syllabus. Joining the global CERA Treaty is definitely on our next year's agenda. We also need to keep our members active, because due to limited financial resources, all the work in the association is done on a voluntary basis.

In spite of its small size, the Estonian Actuarial Society has been relatively active on the international level. As soon as the association was established, we started to prepare for becoming full members in the international associations. In November of 2001 we received the full-member status in the IAA and after Estonia joined the European Union in 2004 we also got similar status in the Groupe Consultatif.

But being only an institutional member has not been enough for our association members! In 2004 we invited two of the Groupe Consultatif committees to hold their spring meetings in Tallinn. The organization of this event went successfully and we started

## Become An Ambassador For Your Country



**THE SOA INTERNATIONAL SECTION** is seeking ambassadors for countries outside the United States to assist in carrying out the Society of Actuaries' international programs; identifying and developing subjects of international interest for communication to SOA members; identifying special needs of SOA members in different areas of the world; helping the actuarial profession to grow in underdeveloped areas; and functioning as a valuable resource and link between the SOA and national actuarial organizations and actuarial clubs. Learn more by contacting Martha Sikaras at [msikaras@soa.org](mailto:msikaras@soa.org). 

## Enter the SOA International Section's "Country Feature Article" Competition

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to think about something really big. We decided to celebrate our association's 10th anniversary with a scientific conference and in conjunction with that event invited the IAA to hold its committee and council meetings in Tallinn in May 2009. We had more than 230 delegates from all over the world. The event was really memorable, and the feedback we received was extremely positive. This proves that the size of the organization doesn't matter; it's all about people.

To be honest, we had had some experience in organizing smaller international events before. Over the years, the Estonian Actuarial Society had organized several educational seminars where the students were not only from Estonia, but also from our neighboring Latvia and Lithuania, and the lecturers had come from the United Kingdom, United States, Italy, Germany and other countries. We had seen the need for cooperation with, and help from, the more developed actuarial associations. With organizing the IAA meetings in Tallinn, we express our thanks to the worldwide actuarial community for helping us in the previous years.



### HELPING OTHERS GET STARTED

Although there is a lot more to do in Estonia, working on an international level broadens

one's thinking significantly. In recent years, my personal interest has been toward involvement on the IAA level. Since the beginning of 2011 I have been serving as the chairperson of the Advice and Assistance (A&A) Committee. The main role of the A&A Committee is related to strategic objective number four of the IAA, which is supporting the development, organization and promotion of the actuarial profession in those parts of the world where it is not present or fully developed.

The A&A Committee's objective is to provide information, advice and support to local stakeholders, including existing actuarial

associations, and (or in case these have not been organized yet) the regulators, insurance industry, local actuaries and academics.

Typical focus areas are explaining and discussing the role and importance of actuaries in sound management of insurance, pension, health, and other financial security mechanisms; providing advice and examples regarding creating and nurturing a local actuarial association; and developing, maintaining and operating actuarial education, credential, and professionalism processes. We also facilitate formal and informal networking with other actuaries, actuarial associations and resources worldwide.

The way we work is giving support to the local organizations. One possible vehicle has been organizing conferences and meeting in various places all over the world. In these meetings, leaders of the local organizations (if they exist) or just active people who are interested in leading the development of the profession get together and have the opportunity to communicate with the international experts and others.



**THE UNIVERSITY OF TARTU IN TARTU, ESTONIA**

Our role is to support the local actuarial development and resources, not to design, install or operate an actuarial association for someone. The structure we are operating with consists of the parent committee with regional subcommittees to focus on the most active areas of the globe (China, Africa, Asia, and Latin America). In addition, we have the IAA Fund Subcommittee which focuses on organizing and supporting informational and seminal meetings—locally or regionally.

Definitely, one of the biggest successes over the last years has been helping to develop the actuarial profession in China and guiding the China Association of Actuaries to be-

come a full member in the IAA. Many people in the IAA have been involved in this process, which now has reached its end. With the newly established Asia subcommittee, we are working to focus on the other actuarially developing countries in the region. **A**

**Tarmo Koll** is chairman, Advice and Assistance Committee, IAA. He can be contacted at [tarmo.koll@ergo.ee](mailto:tarmo.koll@ergo.ee).

#### ENDNOTES

<sup>1</sup> <http://www.referenceforbusiness.com/history2/20/Buck-Consultants-Inc.html>.

## THERE'S AN APP FOR THAT!

**THE SOA IS PILOTING A MEETING APPLICATION** to be used on mobile devices (e.g., BlackBerry, iPhone). This "app" will be offered for the Health Meeting, June 13-15 in Boston, and will provide attendees with access to important features of the event, including session information, speakers, handouts and more right from their mobile devices.



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# HOUSING WEALTH AND RETIREMENT

BY STEVE SIEGEL

**WHAT ARE THE MOST SIGNIFICANT HOUSING ISSUES** affecting retirees? Is paying off a mortgage still important? These questions and more are what recently led a roundtable panel to address housing in retirement issues.

**IT DOESN'T SEEM ALL THAT LONG** AGO when the conversation in my neighborhood focused on whose home remodeling contractor did the best work and where you could go to find the latest in kitchen countertops. Now, the talk on the street is how many more times the sales price on that house down the block is going to be reduced with no offers in sight. What a difference a housing bubble makes!

With the housing bubble negatively affecting a wide swath of Americans, many retirees have certainly felt

its impact. Sensing the importance of housing to current or near-term retirees, the Society of Actuaries Committee on Post-Retirement Needs and Risks completed a call for papers on housing in retirement. The resulting papers appear in a monograph that provides varied perspectives on housing and retirement issues of concern to financial professionals, policymakers and homeowners, among others. The papers in the monograph explore issues including the role of housing wealth in financing retirement and recent trends in the use of housing wealth. The monograph can be

found on the SOA website at: <http://www.soa.org/housingwealth>.

The Committee's focus on housing is motivated by the fact that non-financial assets, primarily housing, are about 70 percent of the assets of middle-income Americans age 55 to 64, excluding the value of Social Security and defined benefit plan pensions, and furthermore that housing is typically the largest overall item of expense for retirees.

To supplement the papers and further explore this topic, several of the paper authors

and discussants were invited to participate in a round table discussion held by conference call. The roundtable discussion was intended to result in a lively exchange of ideas and thoughts on these issues. And, I'm happy to report, we were not disappointed!

### ROUNDTABLE PARTICIPANTS

The round table included the following participants:

**Steve Cooperstein, FSA**—an independent actuary focused on creating new products and services for the financial services industry.

**Chuck Epstein**—an independent financial writer.

**Tom Herzog, ASA, MAAA**—chief actuary of the Federal Housing Administration at the time of the roundtable and currently with the National Association of Insurance Commissioners.

**Anna Rappaport, FSA, EA, MAAA**—chair of the Committee on Post-Retirement Needs and Risks and an actuary. She served as moderator of the discussion.

**Don Redfoot**—a senior policy advisor with the AARP's Public Policy Institute.

**Joe Tomlinson, FSA, MAAA**—an actuary and financial planner.

**Sheila Zedlewski**—director of the Income and Benefits Policy Center at the Urban Institute.

**Zenaida Samaniego, FSA, MAAA**—chief actuary of the U.S. Department of Labor, participated in an online discussion that preceded the conference call.

### THE DISCUSSION BEGINS

The following is a synopsis of the questions that were posed in the roundtable and the resulting discussion.

#### **Q: What are the most important housing issues affecting retirees?**

**A:** Overall, panelists suggested the heterogeneity of retirees drives many of the housing issues that are faced, and the importance of a particular issue to an individual retiree will vary based on this differentiation. In other words, a retiree at an early stage of retirement will have a different set of issues to deal with than someone who has been retired for a significant amount of time. This heterogeneity also surfaces whether a retiree wants to stay put or move housing locations, and on the level of financial resources. Rappaport noted that the location of housing has a direct impact on quality of life as it dictates access to activities, families, support systems and transportation among other considerations. Following up on this, Redfoot suggested that for those who want to stay put, much of their quality of life may be dependent on housing choices that were made decades ago.

Besides the importance of the connection between housing and location, Tomlinson noted that, going forward, an issue becoming more relevant is the need to tap into home equity for income. As retirees spend more

years in retirement, the use of home equity will most likely become more prevalent. Epstein noted that there is an opportunity to develop new products that will help to meet these needs for guaranteed lifetime income. In developing such products, industry professionals will have to contend with a behavioral factor that Cooperstein noted—people love to have control of their money and are hesitant to give it up.

#### **Q: Is paying off a mortgage still an important financial strategy for retirees?**

**A:** Reiterating the theme of heterogeneity, panelists felt that one size does not fit for all retirees in terms of paying off a mortgage. Zedlewski noted that according to the Health and Retirement Survey (HRS), fewer than half own their homes without a mortgage above age 55. She was concerned about advice suggesting not to retire until a home is owned outright, when having a mortgage and financing that cost in retirement was a legitimate part of a retirement plan. Cooperstein also felt that a mortgage payment could be a realistic part of a retiree's budget. Other participants agreed that it depends on individual situations, but in an ideal world, a mortgage would be paid off. Capping off the discussion, Herzog noted the desirability of paying off a mortgage before retirement which alleviates the potential risk of being subject to fraud from unscrupulous lend-

**CONTINUED ON PAGE 22**

## Join a Section

**THE SOA PENSION SECTION** keeps those interested in and impacted by pension issues up to date on the latest news and happenings. Join the Pension Section today to receive the monthly e-mail bulletin and our quarterly newsletter. Visit [SOA.org/pension](http://SOA.org/pension) and click on "Join a Section." 

## Recent Developments in Reverse Mortgages

BY DON REDFOOT



**IN 2007, NEARLY 80 PERCENT OF PEOPLE** age 65 and older owned their homes—almost two-thirds (64.5 percent) of whom had no mortgage debt. Collectively, older homeowners have been estimated to have approximately \$4 trillion in home equity, which for most homeowners substantially exceeds their financial assets.

Reverse mortgages have received considerable attention in recent years as a way to tap this home equity to meet various financial needs in retirement. A reverse mortgage is a loan secured by the home owner that requires no repayment until the last borrower moves permanently, sells the home, or dies. Such loans are generally non-recourse loans where neither the borrower nor their heirs will owe more than the home is worth.

Loans insured by the Federal Housing Administration's (FHA) Home Equity Conversion Mortgage (HECM) program constitute over 90 percent of all reverse mortgages that have been made. Since the program began insuring loans in 1989, over 660,000 loans have been made—roughly 500,000 of which are still in force. Since, until recently, Fannie Mae purchased the vast majority of loans and held them in its portfolio, it set interest rate margins and established the terms of the loans—all of which were adjustable rate loans that were iterations of a line of credit.

Because of the collapse of mortgage markets in the past two years, a number of changes have radically affected the reverse mortgage market:

- The small number of non-HECM loans geared to the jumbo market have disappeared.

- Fannie Mae's share of HECM purchases has precipitously declined until they announced recently that they would no longer purchase such loans.
- In the absence of Fannie Mae funding, Ginnie Mae mortgage-backed securities have become the sole means of funding HECM loans.
- In marked contrast to Fannie Mae loans, over 70 percent of Ginnie Mae HECM loans have been fixed-rate loans where the borrower must take out the full principal limit at closing.
- FHA has increased the ongoing mortgage insurance premiums by 150 percent and reduced loan limits by 11- to 15-percent over the past two years.
- The loan limit reduction has been offset to some degree by a reduction in the assumed minimum interest rate from 5.5 percent to 5.0 percent.
- FHA has also announced a new "HECM Saver" loan, which essentially eliminates the hefty upfront mortgage insurance premium of 2 percent of the home value in exchange for loan limits that are 10- to 18-percent lower than standard HECM loans.

HUD is hoping the new Saver loan option will reverse the sharp decline (40 percent) in loan volume over the past year and reduce the risk to the FHA mortgage insurance fund without the need for further reductions in loan limits or an unlikely credit subsidy from Congress. The coming year will be critical in determining if reverse mortgages remain a viable financial tool for older homeowners. ■

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ers. The decision to pay off a mortgage can be viewed as an investment decision, but it is also linked to the need for steady long-term income. It should also be noted that many of the mortgage products today may require increasing payments in the future, balloon payments, or rollover to new mortgages and these products could be troublesome for retirees.

**Q: What options are available for using housing equity in retirement and how effective are they?**

**A:** Panelists discussed some of the traditional options for using home equity via home equity loans and lines of credit without leaving the home. These two options could be used to obtain home equity for a variety of purposes and to help support retirement needs. Although these vehicles were effective in the past, one aftermath of the housing bubble is that they are much more difficult to secure now. As a result, Zedlewski thought that more home owners may be driven to try to obtain

reverse mortgages to tap home equity without moving.

Another option for securing home equity is to sell the house outright. Tomlinson mentioned that many of his clients downsize and move to a smaller house to use their home equity. Redfoot also noted that selling the house may be a way of financing assisted living or skilled nursing care with home equity applied in this way. However, planning to sell the house at a time of future need is quite risky in a world when home values go up and down and where it can take a long time to sell a house. And if the house is not well maintained, that will cause the value to go down.

Finally, Zedlewski mentioned that some will go on Medicaid to obtain long-term care services in retirement. Depending on the state, home equity might be recovered by the state after you pass away. In terms of reverse mortgage use, Redfoot said the whole issue of Medicaid and long-term care is very com-

plicated—loan proceeds do not count as income, but they may count against the asset test if they are not spent immediately.

**Q: Are reverse mortgages a viable product for the future—why or why not? How can they be improved?**

**A:** Epstein opened the discussion with the opinion that reverse mortgages are viable, in theory, for the future, although more products and competition are needed. Redfoot agreed that better product development and competition would help to bring the cost down from the current situation today and increase viability. Furthermore, he mentioned that having the credit markets return to a normalized state will be important. Overall, he felt that until costs come down on reverse mortgages and there is some product innovation, it will remain a niche market. (See sidebar on pg. 21 for more information.)

**Q: What is the impact of fraud and improper loans on retirees?**

**A:** Herzog opened the discussion on fraud by noting that much of this is driven by the public's lack of financial knowledge. In addition, the elderly may be particularly ripe for predatory loans, especially if they have not paid off their mortgage in retirement. Redfoot further noted that retirees are particularly targets of fraudulent activity because they have typically built up substantial home equity, often with a combination of high home values and low income. Because of the low income, they do not qualify for regular loans, but rather are driven to predatory-type loans which can set into motion a downward spiral of equity stripping.

Tomlinson mentioned another aspect of fraud or misunderstanding may be the myriad of product variations for mortgages that are made available. By offering more choice, op-

opportunities for fraud are opened because of the lack of standardization and uniformity. Cooperstein capped off the fraud discussion by further emphasizing the vulnerability of retirees in the face of fraud. With retirees typically unable to replenish assets lost through fraud because of limited earnings potential, the impact of fraud can be particularly devastating.

**Q: Based on the recent events, what are the most important implications for policymakers, practitioners and related financial professionals?**

**A:** In closing, Epstein led off with the observation that housing in retirement is indicative of a broader issue that stakeholders should concern themselves with—the future of retirement, in general. Related to this, Redfoot noted an important policy question concerning retirement is whether there would be further shifting of risk to individuals as public programs are cut. In terms of housing, Zedlewski raised the possibility of potentially major tax reform in the near future. The policy questions here include how home ownership would be treated by the tax code as well as retirement

savings at different income levels. This led Rappaport to raise a related issue of whether home ownership should continue to be encouraged at the possible expense of other types of savings. She pointed to the need for people to balance how much money they put in their homes versus their retirement funds, and for the need for tools to help people evaluate the trade-off. In this regard, Herzog pointed out the danger of concentrating too much savings into housing—it's possible to lose a great deal as the housing bubble proved. A lesson that, unfortunately, too many retirees and others have learned the hard way.

### AN ACTUARIAL PERSPECTIVE ON NEXT STEPS

It is clear from the discussion that there are a number of challenges to making housing decisions in retirement. Given the issues surrounding housing in retirement, how might the actuarial profession become involved and assist in decision making? Possibilities that may tap actuarial talent include:

- New planning tools to help evaluate the pros and cons of saving more or

less for retirement and putting more or less savings into a house.

- Innovative products to optimize use of home equity.
- Information to help evaluate the pros and cons of paying off a mortgage early, and on choosing different types of mortgages.
- Educational material to evaluate the appropriate use of reverse mortgages and their impact on long-term financial security in retirement.

### FOR FURTHER INFORMATION

The Committee on Post-Retirement Needs and Risks is grateful to the participants for their insightful comments and thought-provoking discussion. Interested readers are encouraged to read the full transcript from the roundtable available at: <http://www.soa.org/housingresearch>. **A**

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# ARE YOU GETTING READY FOR CHANGE?

BY SAM GUTTERMAN, TESSIE JOHNSON AND DAVID LEGGE

**INTERNATIONAL AND U.S. ACCOUNTING STANDARD** setters are hard at work rewriting the rules governing insurance contracts. Given the resources demanded by short term concerns, including both the economic environment and regulatory reform, what are insurers doing now and what should they consider doing in the near future?

**T**HE FINANCIAL REPORTING ENVIRONMENT for insurance companies is about to enter a new stage in its evolution, this time led by the International Accounting Standards Board (the IASB, author of International Financial Reporting Standards or IFRS). A new international financial reporting standard for insurance contracts is expected to be finalized by the IASB in June 2011, with implementation possibly three or four years later, although this period has yet to be determined.

Importantly for insurers currently reporting under U.S. GAAP, the Financial Accounting Standards Board (the FASB, author of U.S. GAAP)

joined this project in 2008 with the objective of developing a joint standard with the IASB. To further this goal, (1) in July 2010 the IASB issued a proposal for the future accounting of insurance contracts in the form of an exposure draft, seeking comments from a wide range of stakeholders, and (2) in September the FASB issued a separate discussion paper of its preliminary views<sup>1</sup> based on the IASB's proposals, supplemented with additional FASB-specific perspectives, seeking input into their decision-making process from its stakeholders. During the boards' respective public comment periods, many respondents strongly urged that if the ultimate goal in the United States is convergence with IFRS, a common standard needs to

be adopted. In February 2011, the FASB took a step toward achieving convergence by voting unanimously to move forward jointly with the IASB to pursue the development of accounting for insurance contracts that would improve existing U.S. GAAP and converge with IFRS.

Many aspects of these proposals continue to be debated by the two boards and have been influenced by the significant amount of feedback received from their public outreach activities and the comment letter process. However, the FASB's vote is an important milestone that affirms its intent to overhaul the current U.S. GAAP insurance accounting model. The purpose of this article is not to describe the details or ex-

plore arguments underlying these proposals. Rather, it is to describe how life and health insurers have been preparing for the inevitable and fundamental changes involved.

### SUMMARY OF THE PROPOSALS

Proposals from both the IASB and FASB, which have a great deal in common, would establish a common measurement approach for the large majority of life insurance and annuity products, often referred to as the building block approach. Its underlying concept, a current estimate of the liability for a portfolio of insurance contracts, is fairly straightforward—although it also incorporates many complex provisions and implications, explanations of

which are outside the scope of this article. A separate approach has been proposed for certain short duration contracts, such as group term life and health insurance, which is not described here.<sup>2</sup>

The current estimate is made up of the IASB's building blocks that are updated at each reporting date during the contracts' coverage and claims periods and consists of the following components:

- The expected value of the cash flows within the existing contract boundaries;
- A discount of the expected value associated with the time value of money;
- An explicit adjustment for the risk asso-

ciated with the expected cash flows; and

- The amortized amount of a residual margin, which at issue is determined as the present value of expected cash flows, less the adjustment for the risk, if positive.

The most significant difference between the IASB exposure draft and the FASB discussion paper is that the FASB's building block model includes a single composite margin that at issue is equal to the sum of the IASB's adjustment for risk and residual margin. This composite margin would be amortized using a prescribed formula, whereas the explicit adjustment for risk would be re-measured each period and the residual margin only re-measured

## ➔ Status of IFRS in the United States

**THE SEC HAS THE LEGAL AUTHORITY** to establish generally accepted accounting principles for the U.S. capital markets. In November 2008, the Securities and Exchange Commission (SEC) issued a proposed "Roadmap" for a possible path to the adoption of IFRS in the United States. The SEC received over 200 comment letters on the Roadmap.

In February 2010, the SEC held an open meeting to advance the dialogue of incorporating IFRS into the financial reporting system for U.S. issuers. At the meeting, the SEC unanimously agreed to publish a statement of continued support for a single set of high-quality global accounting standards and acknowledged that IFRS is best positioned to serve in that role. The SEC stated that if it moves forward with IFRS, U.S. issuers would not be required to report under IFRS until at least 2015 or 2016.

In December 2010, the SEC chairman, Mary Shapiro, confirmed that the SEC will be in a position to make its decision by the end of 2011 and, if the decision to incorporate IFRS is made, the SEC will allow for at least a four-year transition period. IFRS is only one of many challenges the SEC currently faces, including coming to grips with the recently passed financial regulatory reforms and a contin-

ued focus on enforcement. Because there are many financial and political factors at play, it is anyone's guess as to what the future holds and what the final timing of IFRS in the United States may be.

Although insurers will be greatly affected by the proposed financial reporting changes for insurance contracts, it is not the only significant change looming on the horizon. Perhaps the most important is the joint project by the IASB and FASB to change the accounting model for financial instruments (for example, invested assets and derivatives), which is proceeding with much fanfare and controversy. Both the insurance contracts and financial instruments projects are part of a wider convergence plan under which both boards agree to draft, debate and issue similar accounting standards. However, significant differences of view remain and the extent to which convergence will really be achieved is as yet unclear. If the IASB and the FASB agree on converged standards for both insurance contracts and financial instruments, the SEC's decision on whether to move to IFRS may be proven to be less of an impact compared to other industries, as insurers will have been, in essence, converged in their most significant financial reporting areas. ▣

sured if contract persistency is worse than expected. This difference can have important consequences for both the timing of profit recognition and future earnings volatility. Under either of the boards' proposals, the future insurance measurement model is expected to result in greater earnings volatility and different profit emergence compared to today's approaches, especially because of its greater emphasis on current estimates.

For those familiar with general purpose financial reporting, both proposals—and any further changes that may occur prior to the IASB issuing a final standard in June—represent a significant change from existing methodology, whether an insurer currently reports under U.S. GAAP, IFRS or another accounting basis. Insurers that currently report under IFRS will clearly be subject to the IASB's proposed standard, including U.S. subsidiaries of European or Australian parents and insurers domiciled in countries transitioning to IFRS, such as Canada, South Korea and Brazil. However, it is not yet clear how or when U.S.-based insurers will be affected, due to uncertainty regarding, (1) whether and when the FASB may adopt a version of the IASB's final standard for insurance contracts, and (2) whether the Securities and Exchange Commission (SEC) may in due course adopt IFRS as a replacement for U.S. GAAP.

#### **CURRENT ACTIVITY**

Those companies that reacted early to the possibility of IFRS conversion by undertaking initial assessments in 2008 and 2009 have generally put these activities on hold. Instead, the focus has shifted to a more limited approach centered on a core list of emerging FASB and IASB projects under the broad umbrella of accounting convergence. This approach recognizes that U.S. insurers are about to enter a period of fundamental financial reporting change, regardless of whether the SEC adopts

IFRS. Importantly, insurers will need to evaluate the proposed changes to insurance accounting in conjunction with other IASB and FASB standards and exposure drafts, particularly the proposed changes to accounting for financial instruments as mentioned earlier. To date, the number of companies that have taken an integrated approach to evaluating the impact of these changes on both the asset

### **... ADOPTION OF THE IASB, FASB OR OTHER FORE-SEEABLE ALTERNATIVE PROPOSALS WILL REQUIRE A SIGNIFICANT EFFORT. ...**

and liability sides of the balance sheet have been limited.

Because there is significant uncertainty regarding both content and timing of an insurance contract standard for U.S. GAAP, companies face difficult resource decisions in determining how they should begin to prepare for these changes. The approach may differ depending on whether insurers currently report under IFRS, or are U.S. GAAP preparers, and how quickly and how far they believe the FASB will drive toward convergence. What is clear, however, is that adoption of the IASB, FASB or other foreseeable alternative proposals will require a significant effort, not just by the actuaries and accountants, but also their business partners, including IT, risk management and treasury.

The extent of action among insurance companies to date has varied significantly. Although most insurers have begun to dedicate resources to monitoring developments, and some have performed a preliminary high-level assessment, very few have taken a deeper dive and begun to model the impact on products, performance or processes.

Many insurers are actively monitoring the FASB and, if applicable, IASB's ongoing deliberations during 2011. Some of these have formed small task forces to analyze the boards' actions, read and respond to draft standards, and participate in industry lobbying groups. Actuaries have an important role to play, not only in staying informed of developments, but also in engaging with senior management and helping to drive

the call to alert and action within their organizations. Although time now appears quite short to influence the remaining joint IASB/FASB deliberations, as previously noted the FASB will need to reexpose their proposals for public comment prior to issuing a final standard, thus providing another opportunity to influence the future of U.S. GAAP, both individually and through affiliated industry and professional groups. Recent board deliberations indicate that the standard setters are listening to their constituents' concerns and in many cases have shown an apparent willingness to change their position as demonstrated in other projects. Given the controversial nature of many of the proposals for insurance contracts, the actuarial profession should take advantage of this opportunity to provide focused and thoughtful leadership to their firms as well as the insurance industry.

#### **EXPECTED FUTURE ACTIVITIES: EVALUATING THE IMPACT OF CHANGE**

U.S. insurance companies currently reporting under IFRS typically do so to support consolidated group financial reporting requirements of parent companies located overseas. These U.S.-based operations usually rely on the parent organization to drive the group's response to significant financial reporting changes. As

such, the subsidiary's role tends to be one of compliance—making sure that the parent's directives are properly executed and embedded within the organization. So far, this approach seems to be the model that U.S. subsidiaries are following for the IASB's proposed insurance contracts standard. However, only a few U.S. subsidiary teams are becoming actively engaged with their parent management to ensure that the wide-ranging implications of the IASB's proposals on U.S. operations are fully understood and adequately evaluated, even though there may be significant report-

While there has been a great level of interest and activity from the industry in the standard setting process, companies should now begin a more comprehensive analysis across a wide range of business activities.

#### **Resource considerations**

Insurers will need to evaluate the adequacy of their current resources to implement and sustain the proposed changes. In particular, the demands on the actuarial function are likely to increase significantly; some companies have expressed concern that the added workload

## **INSURERS WILL NEED TO EVALUATE THE ADEQUACY OF THEIR CURRENT RESOURCES TO IMPLEMENT AND SUSTAIN THE PROPOSED CHANGES.**

ing consequences, particularly for products such as universal life and variable annuities and other types of spread business. Furthermore, the U.S. parents of overseas subsidiaries will need to make sure they exercise appropriate oversight of their IFRS subsidiaries. This is important not only to ensure that the overseas locations are taking appropriate actions and will be compliant with IFRS, but this may also provide the U.S. parent with useful insights that can be leveraged to assist in adoption of U.S. GAAP changes.

U.S. GAAP-only preparers may have the luxury of being able to wait a while for further direction from the FASB before taking comprehensive action. Not surprisingly, most U.S. insurers are taking a "wait and see" approach. In general, U.S. GAAP preparers have not yet begun to formally evaluate the impact of the FASB's proposals on internal resources, systems and data, or products. However, even in this uncertain environment, companies—and actuaries—can begin to take tangible steps to prepare for change.

may place a strain on their ability to adhere to their close process and reporting timetable that have almost inexorably shortened over the years. Much of this concern stems from the expanded volume of data that actuaries will need to process, as well as the extensive modeling that will be necessary to set actuarial liabilities rather than just to test their adequacy.

Actuaries have often become the de facto owners of data and therefore spend a significant amount of time scrubbing or modifying source information prior to performing valuations. Accordingly, as many insurers have been moving toward an increased use of data warehouses or a centralized data strategy, actuarial input will be an increasingly important factor in helping companies meet the expanded reporting requirements. Many companies will need to hire external advisors to assist with these further implementation efforts (whether from a technical or project management perspective), but so far most appear to be deferring any decision on whether to engage outside

help or to expand their current in-house resources.

#### **Impact on existing projects**

Companies have begun to reevaluate existing projects to determine whether their scope and timing should be modified in light of IASB and FASB developments. For example, many insurers have transformational projects underway intended to improve the effectiveness and integration of the financial reporting process across business functions. The modification or replacement of legacy systems could result in significant re-work and future cost if today's solutions have not adequately considered tomorrow's challenges. The impending changes have motivated some insurers to evaluate their current state of reporting. For example, those companies that already struggle with current U.S. GAAP reporting processes may believe this platform is not a sustainable starting point from which to drive future change. These companies have begun to invest time and money into identifying "easy wins" that can begin to relieve pressure without over-committing in an uncertain environment.

Given the significant uncertainty surrounding the FASB's proposals, it is impossible to plan for all contingencies and probably unwise to lock into a single course of action. Nevertheless, in many instances these projects do not appear to have adequately considered the potential state of future GAAP. In contrast, IFRS preparers can choose to delay significant final project or investment decisions until mid-2011 when the IASB's expected issuance of a final standard will provide more clarity.

#### **Implications for products and performance**

Most companies view future financial reporting change through a compliance-oriented lens. While this is clearly a primary objective, insurers should also think and plan more

broadly about how the IASB and FASB proposals might affect product pricing and design from a business perspective. For example, increased earnings volatility and use of a lower discount rate could make spread-based products less attractive to some insurers. Similarly, the proposals to immediately expense non-incremental acquisition costs may incentivize insurers to move increasingly toward variable compensation structures for sales agents. Both pricing and reserving actuaries have a role to play in evaluating the proposals from a business perspective. To date, very few U.S. companies have modeled the effects of the IASB or FASB's proposals on their existing or planned products to explore business alternatives. Those U.S. companies that have performed preliminary modeling have also used this exercise as a way to identify data gaps and existing systems limitations. In contrast, some European life insurers appear to be further along with their evaluations and have been shying away from heavy savings contracts, such as annuities, because of the proposed approach to discount rates.

#### **Other business impacts**

For those insurance companies that have implemented enterprise risk management (ERM) programs or use economic capital modeling (ECM), the proposals may provide an opportunity to further integrate these activities with the financial reporting process. However, even those insurers with sophisticated ERM programs have generally not yet taken steps to assess the impact of future accounting change on risk appetite, risk mitigation or economic capital needs. While it may be too early to make meaningful changes, insurance companies should begin to assess whether their ERM or ECM programs are currently prepared to react to the developing insurance contracts proposals and therefore able to provide management with the data

necessary to make informed decisions regarding risk and capital.

Many parent companies of U.S.-based IFRS preparers are domiciled in the European Union and in 2013 will be subject to Solvency II, a comprehensive regulatory regime that will integrate capital requirements and risk management into a single EU-wide regulatory framework. The companies that will need to comply with Solvency II have already initiated detailed work plans and have begun to develop the necessary capital models. Interestingly, however, it appears that these companies have not yet integrated consideration of expected financial reporting changes for insurance contracts into their work efforts for Solvency II. Although the two work streams are separate and distinct, a significant overlap exists. Both are focused on a more market consistent approach than current U.S. GAAP and will require significant modifications to data, systems and modeling. Accordingly, U.S. insurance companies currently supporting Solvency II initiatives should look for opportunities to potentially leverage synergies. Similarly, few U.S. life insurers have yet to integrate their planning efforts relating to the introduction of the principle-based approach to reserving for statutory accounting purposes and revisions to IFRS or U.S. GAAP.

#### **A PRAGMATIC CALL TO ACTION**

U.S. insurers find themselves at a crossroads in 2011. Not only are they faced with potentially transformational changes to financial reporting, they will also face the impact of regulatory reform under the Dodd-Frank Wall Street Reform and Consumer Protection Act and will need to follow the NAIC's initiatives on solvency modernization. While the vast majority of companies are taking an appropriately cautious approach and waiting for further clarity, particularly from the FASB, all insurers have an opportunity to engage in the

debate. Those companies best positioned for change have begun to communicate with internal stakeholders, educate management on the potential magnitude of change, and lay the foundations for eventual convergence. While this engagement takes time and effort, it is an investment well worth making and could ultimately save significant pain and cost in the future. In this period of uncertainty one thing is clear—actuaries will continue to be at the center of this perfect storm. ■

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#### **ENDNOTES**

- <sup>1</sup> The boards are required to issue an exposure draft before a final standard can be issued. As a result, the FASB will be required to publish an exposure draft prior to adoption of a final U.S. GAAP standard.
- <sup>2</sup> A modified approach has been proposed for contracts with a coverage period of 12 months or less. A liability would be established over the coverage period equal to the unearned net premium (that is, the amortized value of the expected present value of premium less incremental acquisition costs), with any claims liabilities determined according to the basic building block measurement approach (excluding a residual margin).



## Continuing Professional Development

# THE 2009–2010 ATTESTATION CYCLE HAS CLOSED. NOW WHAT?

BY EMILY KESSLER

**FIRST, A GIANT THANK YOU** to all SOA members who attested their CPD compliance status by Feb. 28, 2011. We appreciate your diligence in keeping up with the SOA CPD Requirement. The SOA Board adopted the CPD Requirement to increase the value of the SOA credentials to peers, colleagues, employers and other professionals involved with the actuarial profession.

Members might have already noticed that the SOA membership directory was changed in March. The membership directory now has a category titled “SOA Continuing Professional Development Requirement” under which we list your compliance status with the SOA CPD Requirement for the CPD cycle just ended (2009–2010). For members who attested compliant (or who are new SOA members and deemed compliant), your SOA CPD Requirement status is shown as “Compliant.” Members who are eligible for reduced dues on account of retirement are shown as “Retired” (unless you voluntarily attested compliance). Those members who attested “Non-compliant” will find their status shown as “Non-compliant.” Finally, for those members who haven’t attested compliance, the membership directory displays your status as “Pending.” We recognize that the SOA CPD Requirement is new to members and want

to give everyone additional time to adjust to the requirement’s provisions. This includes delaying the disclosure, in the directory, of members as “Non-compliant” for members who did not attest compliance with the SOA CPD Requirement.

If you have not yet attested CPD compliance, you can still attest online. Just follow these simple steps:

1. Log on to the SOA membership directory and click the SOA CPD Requirements button on the main page.
2. Indicate whether you have met the SOA CPD Requirement.
3. Identify which method of compliance was used.

Members who have not indicated compliance with the SOA CPD Requirement by April 30 will have their status automatically changed to “Non-compliant.” Members who are “non-compliant” with the SOA CPD Requirement still maintain their SOA designation, and are still members in good standing, as long as they comply with the provisions of non-compliance (as outlined in Section A.2.e).

Electronic attestation of CPD compliance will remain open until May 31. After May 31, online attestation will be closed, and you will be required to call SOA customer service at 888.697.3900 to have your status changed. If you have any questions about the SOA CPD Requirement or attestation, you can contact SOA customer service at the number above or [customerservice@soa.org](mailto:customerservice@soa.org).

If you met the SOA CPD Requirement for 2009–2010 and have already attested you can relax ... until November, when the new attestation cycle will open for the 2010–2011 period. We anticipate that the attestation cycle will open on or around Nov. 1, 2011 and close on Feb. 29, 2012. Keep earning those CPD credits, keep track of what you’re earning and you’ll be all set when CPD attestation rolls around again! **A**

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# CERA

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[www.ceranalyst.org/CERA-News](http://www.ceranalyst.org/CERA-News)

# BROADENING ERM HORIZONS

BY STEVE EADIE

## THE NEW CERA PATHWAY AND EXPANDED ERM OPPORTUNITIES FOR SOA CANDIDATES

On March 7 of this year, the Society of Actuaries' (SOA) Board of Directors approved exciting enhancements for the pathway to the CERA (Chartered Enterprise Risk Analyst) credential and moved to expand Enterprise Risk Management (ERM) learning opportunities in all tracks for candidates pursuing fellowship. The approved changes will meet the needs of candidates and employers seeking to acquire ERM skills and help the SOA more efficiently deliver comprehensive ERM education.

At the heart of these changes will be a new ERM-focused examination. This exam will reflect the considerable strides that have been made in the ERM arena in the past few years and provide the SOA with the opportunity to create specifically designed ERM courseware rather than a syllabus collected from a variety of sources. As part of the new CERA pathway and the Finance/ERM fellowship track, the ERM exam will exhibit an exclusive ERM focus, with a general scope appropriate for all practice areas.

For candidates pursuing an FSA on tracks other than Finance/ERM there will now be an option to learn ERM and receive the CERA credential. This change has been made in response to a demand from employers and candidates for a mechanism by which future actuaries can acquire significant skills in both their practice area and in ERM. Candidates will continue to be able to choose a route to FSA that includes only their chosen track or the new ERM pathway that results in both an FSA and CERA.

The changes to the CERA pathway are also positive developments for FSAs and ASAs seeking a CERA credential. The focused approach of the ERM exam will provide the requisite education in a more efficient framework.

## TASK FORCE RECOMMENDATIONS

In response to candidate interest in obtaining the CERA credential, a growing recognition of the CERA among employer groups and the knowledge the SOA has gained from the recent review of other organizations' CERA pathways, a task force was formed to consider opportunities for changes to the SOA's CERA requirements.

The task force, consisting of Education volunteers with varying practice area backgrounds, completed a careful review and recommended two key changes to the current SOA approach to CERA.

First, a new model for the SOA's CERA pathway should be adopted. In addition to ERM syllabus topics, the CERA Global Association requires that CERAs meet the International Actuarial Association (IAA) definition and requirements for being a Fully Qualified Actuary (FQA). These requirements comprise a list of topics that are viewed as essential for all actuaries and are a subset of the SOA's current requirements for associateship. Because the SOA's new ERM exam will have an exclusive ERM focus, the Fundamentals of Actuarial Practice (FAP) course will be added to ensure that the FQA requirements as established by the IAA continue to be met. Additional benefits of adding the FAP course are that it incorporates practical applications and it provides a strong introduction to ERM, allowing the fellowship-level ERM course to start at a higher level. In addition, as ERM looks at the entire organization's financial structure, it is appropriate to add VEE Corporate Finance to the CERA requirements.



**Steve Eadie**

Second, all SOA tracks should include an *option* that enables candidates to obtain the CERA credential on the way to fellowship. The task force concluded that it would be acceptable for this option, in total, to require some additional examination hours, but not as many as currently result from adding the CERA components from the Finance/ERM track. The task force and the SOA Board were comfortable with the additional hours for the CERA option because those who choose the option receive both the FSA designation and the CERA credential.

## BENEFITS

The SOA's Advanced Finance/ERM (AFE) exam (the key ERM exam in the current CERA pathway) is a six-hour exam with a significant portion devoted to non-ERM topics. The new ERM exam will be four hours in length, providing a more focused and efficient pathway to the CERA.

The new ERM exam will provide a more accessible means for candidates in other tracks, as well as current FSAs and ASAs, to acquire a CERA credential with minimal additional exam time—a need that has been expressed by candidates, members and employers.

Courseware will be developed specifically for the new ERM exam to provide a cohesive and comprehensive learning resource for candidates. The SOA believes that this courseware will prepare candidates well for success on the examination.

An opportunity can now be realized to update and rearrange material on the current exams and take advantage of a more clearly implied order for candidates to progress through the exams. This

will be balanced against the goal of a simplified transition.

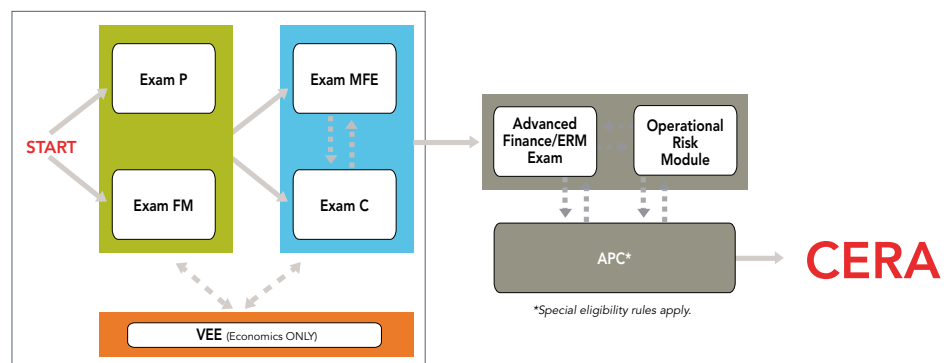
The pathway changes set out by the Board will also ensure that the SOA maintains its position at the forefront of ERM education. The new pathway for the SOA's CERA will align well with the CERA Global Association standard and provides an effective delivery of the necessary learning objectives.

## CERA PATHWAY COMPARISON: ORIGINAL AND ENHANCED

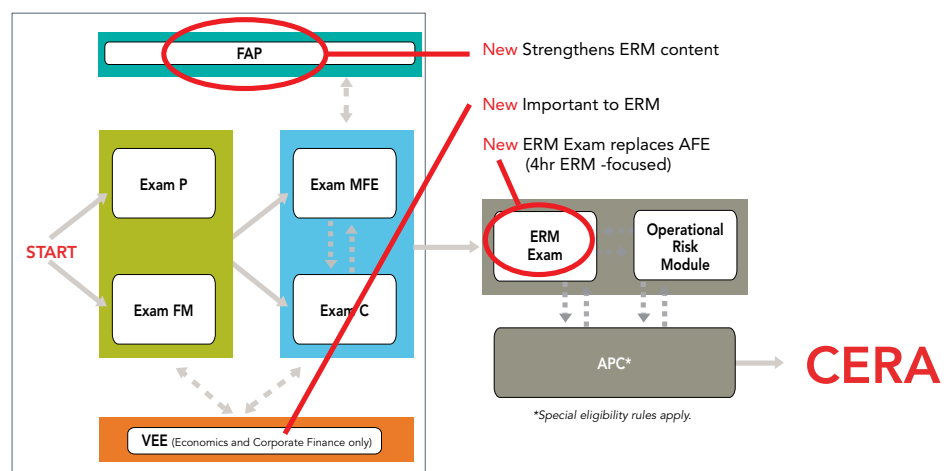
The CERA credential was originally

created and approved by the SOA Board in 2007. At that time, the Board mandated that the new credential be a subset of the existing Finance/ERM Track for fellowship. The new CERA pathway is based on the concept that a candidate must meet both the requirements to be a fully qualified actuary as defined by the IAA and the global CERA syllabus requirements. The SOA's original CERA requirements and the newly approved requirements are shown below.

### ORIGINAL CERA PATHWAY



### ENHANCED CERA PATHWAY (EFFECTIVE JULY 1, 2012)



The enhanced pathway more than meets the requirements set out in the CERA Global Association syllabus.

As part of the Global Enterprise Risk Management Designation Recognition Treaty, those who complete these new requirements (as well as those completing the current requirements prior to July 1, 2012) receive their CERA from the CERA Global Association. Those who receive

their CERA through the SOA's pathway continue to be eligible to apply for SOA membership as an ASA.

### NEW ERM OPTION FOR ALL TRACKS

To meet the goal of providing all candidates with a pathway to the CERA credential, the requirements for the FSA designation will change to provide an optional ERM pathway for every FSA candidate. The current requirements and

the newly approved requirements are shown in the chart below.

Candidates on the Finance/ERM track will not have the option to take a fellowship non-core (two-hour) exam; they must take the ERM Exam. Therefore, candidates taking the Finance/ERM track or the CERA option for any other track will have two hours more of exam time than candidates who do not select the CERA option. Candidates for fellowship who do not choose to earn a CERA will continue to have 12 hours of fellowship-level examinations, as is the case with the current requirements.

### ADDITIONAL DETAILS ABOUT THE REVISED EXAMINATIONS

The ERM exam will be four hours in length. The exam will be positioned so that it can be the first exam taken after FAP and will not rely on any material from the other fellowship exams. Three hours of the exam will consist of a common set of ERM questions. The fourth hour of the exam will be devoted to questions relating to a case study. There will be several case studies available, one covering each practice area as well as one that is generic.<sup>3</sup> The exam will have a unique set of questions for each case study and candidates will be able to choose which set to answer after receiving their exam. The case study questions will be practical and business oriented.

Of particular note, the new Finance/ERM track Fellowship Advanced exam will be structured as a Corporate Finance and Business Strategy examination, with ERM applications. This will be similar in content to some MBA courses and will provide candidates with business exposure necessary to complement

CURRENT FSA REQUIREMENTS
All ASA requirements
Two Fellowship-level exams - The two exams are 6 hours each (except for U.S. Retirement Benefits, which incorporates the EA exams)
Three FSA modules as specified within the selected track
Decision Making and Communication module (DMAC)
Fellowship Admissions Course (FAC)
ENHANCED FSA REQUIREMENTS (Effective August 1, 2013)
All ASA requirements
Three Fellowship-level exams: <ul style="list-style-type: none"> <li>• (Choice of) ERM Exam (4-hr) or a track-specific Fellowship Non-Core (FNC) Exam (2-hr)</li> <li>• FC (Fellowship Core) track-specific Exam (5-hr)<sup>1</sup></li> <li>• FA (Fellowship Advanced) track-specific Exam (5-hr)</li> </ul>
Three FSA modules as specified within the selected track <sup>2</sup>
Decision Making and Communication module (DMAC)
Fellowship Admissions Course (FAC)



their technical skills. The more efficient distribution of material on the Finance/ERM track makes this important addition to the syllabus possible.

### TIMING

When making changes such as these, time is needed to prepare a revised syllabus and construct new exams. Candidates should be provided ample time to make decisions about how best to proceed toward their goals. The creation of the ERM exam is less disruptive and affects only one track. Therefore, the new CERA requirements will become effective July 1, 2012 with the first administration of the ERM exam in fall 2012. It will take longer to restructure the fellowship exams and so the new FSA requirements will become effective July 1, 2013 with the new exams given for the first time in fall 2013. Complete details regarding timing and transition are available on the SOA website at [www.soa.org/pathwaychanges](http://www.soa.org/pathwaychanges).

### CONCLUSION

The SOA's Strategic Plan requires that continuous improvements be made to the education system, which ensures it provides attractive, efficient and high-quality pathways for its stakeholders. The SOA believes that a CERA credential earned through the SOA's new pathway will provide all SOA candidates with an efficient means of acquiring essential ERM skills for tomorrow's business environment. This new approach to the CERA pathway and to ERM knowledge development has been designed to provide a more comprehensive and forward-looking education that the SOA's CERA credential holders can carry proudly into the global marketplace. **A**

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### ENDNOTES

- <sup>1</sup> The requirements for U.S. Retirement Benefits are different. The two EA exams will be taken instead of FC.
- <sup>2</sup> Candidates who do not take the Operational Risk module as part of their track requirements must take it as a fourth module to earn a CERA.
- <sup>3</sup> Candidates will not be required to match the practice area case study to the track they ultimately select for fellowship. However, as is the case now, all other elements must be from the same track.

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## GLOBAL DEVELOPMENTS

Leaders of other actuarial organizations looked at the increasing role of risk management and the CERA credential and began to think about creating their own pathways. In a remarkable burst of cooperation, the major organizations combined to sign a treaty that created a global entity responsible for granting the CERA credential through a variety of approved pathways. This resulted in the creation of the CERA Global Association. Candidates who complete the SOA's CERA pathway now receive their credential from the CERA Global Association. As before, those who receive their CERA through the SOA's pathway are also eligible to apply for membership as ASAs.

As of this writing, four other associations have been granted the right to offer the CERA credential. A key distinguishing feature is they take an "associateship plus" approach. That is, candidates must first complete the requirements for membership at the associate level and then complete whatever else is needed to comply with the Global CERA learning objectives. The SOA's approach differs in that only those associateship components required by the IAA for designation as a fully qualified actuary are included. **A**



# STRENGTHENING EDUCATION

**THE SOCIETY OF ACTUARIES'** number one concern is serving our members and candidates. For that reason, we are constantly looking for ways to improve our services to you. Of course, we always have a major focus on strengthening our education and examination systems. This year, we're addressing our educational programs in three important ways.

The first is our ongoing professional development (PD) redesign initiative. The SOA's new Professional Development Committee, led by Dale Hall, FSA, CERA, MAAA, CFA, is hard at work updating our PD offerings to:

- Base our offerings on the new competency framework;
- Provide a continuous and integrated set of educational opportunities, from our earliest exams throughout an actuarial career;
- Use a variety of innovative delivery systems;
- Provide content that's relevant and practical for you; and
- Make sure our PD offerings are cost effective for members and employers.

Second, this year we will begin offering all of our fellowship exams twice a year. This will benefit members and candidates in many ways. Candidates who are unsuccessful in an exam attempt will not have to wait a year to retake it (helping them be more efficient and effective in their studies); candidates will get more flexibility in their study preparation; they'll have a more logical order to the exams; and, we believe, shorter travel time to FSA. Getting prepared for this step has been no easy task for our member volunteers and staff, but, we think this will be a major benefit for candidates and well worth the effort. The new structure will be launched with the Fall 2011 exams.

Third, we're going to offer a restructured CERA pathway. The SOA Board of Directors recently approved a proposal that revises the path to obtain the CERA credential. As part of those changes, we'll offer a new ERM-focused exam which will give candidates in every specialty track an efficient way to earn the CERA, should they choose to do so. The Education column on page 32 of this issue explains this change in more detail. We believe this change will provide a big boost to the growth of CERA and to our efforts to help actuaries move into new fields.

The SOA is committed to providing a variety of educational opportunities for members and candidates and to continuous improvement of all of our programs. Of course, the success of these efforts depends on the hard work of more than 2,000 SOA members who volunteer their time on behalf of the profession. If you haven't already read President Donald Segal's column on page 10, please do so. And then put the ideas presented there into action and take advantage of the many volunteer opportunities the SOA has to offer. **A**

— SOA Executive Director Greg Heidrich

## THE ACTUARIAL PROFESSION IN THE NEWS

The SOA is focused on raising awareness of actuaries in the media. Recent efforts have been successful. Here are just a few examples:

### Five Ways to Fill the Health Care Gap Before Medicare

Member Dale Yamamoto is quoted about health care coverage prior to obtaining Medicare. [www.foxbusiness.com](http://www.foxbusiness.com). Search term: Dale Yamamoto.

### Ideas for Making 401(k) Savings Last Longer

Noel Abkemeier is quoted in CNBC about guaranteed lifetime income. [www.cnbc.com](http://www.cnbc.com). Search term: Noel Abkemeier.

### Retirement Planning and Its Challenges for Women

*Forbes.com* issues wake-up call for women and quotes Anna Rappaport. [www.forbes.com](http://www.forbes.com). Search term: Anna Rappaport.

### The F-Word for Wall Street

*Forbes.com* bylines actuary's point of view on fraud and the financial crisis. [www.forbes.com](http://www.forbes.com). Search term: Louise Francis

### Jumping Into the High-Risk Pools

Cecil Bykerk is quoted about enrollment in high-risk pools. [www.politico.com](http://www.politico.com). Search term: Cecil Bykerk

### They're No Fool

The Motley Fool site writes about the SOA's obesity report and consumer survey. [www.fool.com](http://www.fool.com). Search term: Society of Actuaries.

View all of these articles by going to [www.soa.org/newsroom](http://www.soa.org/newsroom) and clicking on the Profession In The News link. **A**

## PROFESSIONAL DEVELOPMENT OPPORTUNITIES

### 2011 LIFE AND ANNUITY SYMPOSIUM

May 16–17  
Sheraton New Orleans Hotel  
New Orleans, La.

### HEALTH MEETING

June 13–15  
The Westin Copley Place Boston  
Boston, Mass.

### SOA DIALOGUE: INTERACTIVE LEADER SESSION

June 23  
Webcast

### ERM TECHNIQUES AND PRACTICES

Aug. 1–3  
New York, N.Y.

### SOA DIALOGUE: INTERACTIVE LEADER SESSION

Aug. 3  
Webcast

### 46TH ACTUARIAL RESEARCH CONFERENCE

Aug. 11–13  
University of Connecticut  
Storrs, Conn.

### INTERNATIONAL FINANCIAL REPORTING FOR INSURERS: IFRS AND U.S. GAAP

Aug. 28–31  
InterContinental Grand Stanford  
Hong Kong

View all Professional Development opportunities by visiting [www.soa.org](http://www.soa.org) and clicking on Event Calendar.

## E-COURSES

### Corporate Finance: Introduction to Corporate Finance E-Course

This e-course covers the corporate finance branch of financial economics; that is, how institutions make decisions about raising and deploying capital. You will learn about the roles of the corporation, debt holders, shareholders and managers and the relationships between each. You will consider what things would be like in an ideal world and examine what factors contribute to corporate financial structures seen today.

### Decision Making and Communication

This e-course is designed to provide you with the communication (written and oral) and decision-making skills

needed to integrate and apply actuarial concepts and principles to solving general business problems within the context of your entire company and its business environment.

### Enterprise Risk Management

This e-course is designed to provide information to actuaries who do not yet regularly practice in enterprise risk management (ERM), but want to know more about it to help expand existing skills or meet professional development requirements.

For more information, visit [www.soa.org](http://www.soa.org). Professional Development, e-Learning. **A**

# Recommended Readings



The following is a list of recommended readings from the contributing editors that they feel will pique your interest and help keep you informed.

**“Just Like Someone without Mental Illness Only More So,”** by Mark Vonnegut, MD. Like his first memoir, “Eden Express: A Memoir of Insanity,” this also deals with his experience with bipolar disorder. Now 30 years later, he talks about his experiences with our health care system as a practicing pediatrician who’s frustrated by the way our payment system not only rewards the wrong things but makes doing the right things much harder. He’s also a patient and shares his experience in ways that are touching and funny. [www.npr.org](http://www.npr.org). Search term: Mark Vonnegut. Or use QR code.



**“Global Perspectives on Insurance Today: A Look at National Interest Versus Globalization,”** by Cecelia Kempler, Michel Flamee, Charles Yang and Paul Windels. This ambitious book, which contains contributions from nearly 40 authors, covers insurance and reinsurance, as well as “modern risk transfer vehicles that allow participation by non-industry investors.” A consistent theme is the tension between national interests and globalization and the industry’s need to achieve a balance in order to succeed. [www.amazon.com](http://www.amazon.com). Search term: Cecelia Kempler. Or use QR code.



## Fictional Actuaries

Sightings of fictional actuaries go way beyond “About Schmidt.” They range from an actuary as a villain in two 1994 issues of the Batman DC comic book (in which the actuary develops the Batman risk tables and teaches the Penguin about risk management) to “Are You With It?” a 1948 musical starring Donald O’Connor as a singing, tap dancing actuary who runs away to join a carnival after a misplaced decimal costs his company millions. [www.wikipedia.org](http://www.wikipedia.org). Search term: fictional actuaries. Or use QR code.



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## ATTENTION READERS!

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