

**NFCA Actuaries Section 2009 Mid-Year Meeting
June 4-5, Oak Brook, IL**

Section President, Michael Reese called the meeting to order at 12:15. He welcomed everyone to the meeting and made a few housekeeping and general announcements about the meeting and the hotel facilities. A “working lunch” was provided starting at 12:30.

The first speaker was Sara Teppema, Health Staff Fellow at the Society of Actuaries. Sara first gave a refresher course on the American Academy of Actuaries Code of Conduct, covering each precept in practical terms. She then reviewed the U.S. Qualification Standards highlighting the scope along with the basic and continuing education requirements. Sara concluded her presentation with an overview of the new SOA CPD Requirements. (CPD stands for Continuing Professional Development.) Sara answered questions throughout her presentation and at the end.

The second speaker was Lori Newberg of Miller & Newberg, Inc. who presented an update on the life insurance and annuity market. The presentation was in the form of Jeopardy, and everyone had fun “playing” the game. The five Jeopardy topics included: Industry, General, Annuity, Universal life, Term & Other Life Products, and Product Cycle & Management.

Next up, Joe Annotti, President & CEO of the NFCA, provided an update on the activities of the NFCA and also lead a discussion on the redesigned annual financial analysis project the NFCA undertakes annually on behalf of member societies. The need for and examples of mergers of some Fraternal organizations was discussed, and the example of four separate Portuguese Fraternal in the process of reorganizing under one fraternal society was held up as a success story.

The final speaker of the day was Clark Himmelberger of Milliman Inc. who presented on “The Power of Blood”. Clark presented information concerning the mortality impact of blood testing at the time of underwriting. This included using data from the Framingham Heart Study to evaluate the effect on mortality of full underwriting (blood testing) as compared to simplified underwriting (no blood test). He concluded his presentation with information on how utilizing preventive health screenings can reduce mortality after issue for both simplified issue portfolios and fully underwritten portfolios.

We adjourned at 4:15 and met in the lobby at 5:15 for car pooling to the Mon Ami Gabi Restaurant for dinner. Everyone seemed to have a good time and there was a lot of socializing.

The meeting resumed Friday morning at 8:00 a.m. Michael Wade of Wexford Partners provided an update on the NFCA Solvency Action Plan. He first talked about the financial impact of the 2008 economic “hurricane” on Fraternal and the insurance industry. He then presented some fraternal industry metrics and ended with an overview of the NFCA Solvency Action Plan, including its criteria, classifications, and action step to be taken by the NFCA for Fraternal which fall into each classification. There was

lively discussion concerning the Solvency Action Plan and how Fraternal Societies, especially those that meet the criteria, are affected by and reacting to it.

Next up, Michael Reese lead a round table discussion concerning cash flow testing challenges at year end 2008. Good discussion ensued concerning topics such as spread assumptions, number of scenarios ran, duration of cash flow testing, default assumptions, and the date of the testing.

Our third speaker was Alice Fontaine of Fontaine Consulting LLC, who gave an update on NAIC initiatives. Updates were provided on capital and surplus relief proposals, RBC C3, other principles based items, governance, annuity sales suitability and disclosures/illustrations, and speed to market. Alice also informed everyone of the upcoming NAIC Summer 2009 National Meeting scheduled for June 13-16, and offered to provide email updates to whoever was interested.

The final presenter was Robert Wolf of the Society of Actuaries who talked about Enterprise Risk Management. Robert briefly talked about the financial crises and what it meant for ERM and then highlighted the five necessary elements of a prudent ERM culture. Key elements included incentive compensation aligned with desired performance, authority and accountability, assuming you cannot get rid of the risk tomorrow, considering behavioral decisions, and questioning the answers. He concluded his presentation with the key components and challenges of ERM.

We concluded with the business meeting. The first order of business was the election of a new Secretary/Treasurer. Renee Cassel of Thrivent Financial for Lutherans nominated herself. No other nominations were received. Renee was elected on a unanimous vote. Congratulations Renee. Lyle Van Buer of Modern Woodmen of America will move up to the position of President and Blake Warneke of Woodmen of the World will move up to Vice President.

The second order of business was the Jacobson-Rugland Award. We are seeking nominations for the annual award to be given out at the NFCA Annual Meeting in September.

The third order of business was topics for next year. Mike Reese encouraged all attendees to complete an evaluation form which included a section on topics for next year.

The meeting adjourned at 12:00 noon.