

# *Bruce and Bruce Company*

CONSULTING ACTUARIES

# NEWSLETTER

August 2015

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## 2015 FSGP Seminar Recap

The Fraternal Societies of Greater Pittsburgh (FSGP) hosted its 39<sup>th</sup> Annual Education Seminar this year on May 21<sup>st</sup> and 22<sup>nd</sup> at the Embassy Suites Airport in Pittsburgh, PA. Greg Felton, Marketing & Sales Director of National Slovak Society (NSS Life) and President of the FSGP welcomed 87 fraternal officers, society employees, and associates to the seminar. Attendees came from six states, representing 34 Fraternal Benefit Societies and related organizations. Attendance at the seminar was open to all fraternal benefit societies and their associate service firms.

The annual FSGP Seminar has been conducted by Bruce & Bruce Company, Consulting Actuaries, Lake Bluff, IL since 1978. Edward U. DePersis, of Bruce & DePersis, the Pittsburgh arm of B&B, served as program chairman and moderator. As part of his opening comments, he thanked the CPAs in attendance for their past support of the annual seminars and highlighted the ability to offer CPA Continuing Education Credits, at no additional charge, for those in attendance.

Grant Hemphill, Senior Actuary with Bruce & Bruce Company, opened the program with a review of the 2014 Fraternal Financial Results, which suggested most societies performed well operationally. His overview included industry results, the effect of low interest rates on cash flow testing, the possibility of principle-based reserves as a regulatory requirement, and other emerging actuarial issues such as valuation interest rate ranges and presentation of the Asset Adequacy Analysis to the Board by the Appointed Actuary as required by ORSA (Own Risk and Solvency Assessment).

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## New Board Member Training

4 - 6 hour Training Session  
Location of Your Choice

### Topics

1. Annual Statement Financial Information (pages 1 - 17 plus Schedule D and AVR and IMR);
2. Annual Actuarial Valuation;
3. Asset Adequacy Analysis and Cash Flow Testing;
4. Risk Based Capital;
5. New Plan Development;
6. Sales Illustrations (if applicable);
7. Other, such as Mergers and Regulatory Environment (as time permits).

**Training Materials:** Society Annual Statement, Sample Society Plan Manuals, and Society Cash Flow/RBC Information

**Contact us for more information or to schedule a training session.**

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## Valuation and Non-Forfeiture Interest Rates

The average of the Moody's Corporate Average Yield Rates (MCAYR) was 4.56% in June.

### **Life**

The 2015 Life Reserve Rate is 3.50% and the Life Non-forfeiture Rate is 4.50%. There will be no change for 2016.

### **Annuities Issued in 2015**

The valuation rate for immediate annuities is reduced to 4% for 2015, but it remains 3.5% for most deferred annuities.

### **Deferred Annuities with Adjustable Guaranteed Minimum Non-Forfeiture Interest Rate**

For calendar year 2015, the minimum guaranteed interest rate allowed by the regulatory formula is 1%. You can guarantee a higher rate and continue to credit a higher "current non-guaranteed rate".

## Cybersecurity Tips

**Use strong passwords** and change them frequently. Do not share them with anyone!

**Protect your data.** Please do not include any personally identifiable information (e.g. names, SSNs, Driver License Numbers, and Financial Account info.) in your valuation files.

**Know your risks** and keep abreast of emerging risks.

**Implement a cyber-security program** to prevent, detect, and respond to cyber-security breaches.

Consider purchasing **cyber-insurance**.

## 2015 FSGP Seminar Recap (Continued)

Caroline Choi, Associate Actuary with Bruce & Bruce Company, discussed the unsettling world of cybersecurity. She provided insight into recent cyberattacks in our economy with an overview of the risks involved, costs to the company, and the impact security breaches have on consumers and corporations. She examined the framework around cybersecurity programs in order to prevent, detect and respond to cyberattacks - also addressing cybersecurity as a regulatory issue with the NAIC.

Annette Szady, CPA, Director, Bureau of Financial Examinations of PA Insurance Department, and Phil Judge, Examination Manager, PA Insurance Department provided updates on regulatory topics facing fraternal and the insurance industry as a whole. Ms. Szady discussed examination survey standards and procedures, the increasing use of contracted actuaries and examiners, solvency updates, and other activities impacting fraternal.

Nicholas DePersis, Executive Account Manager, Bruce & DePersis, reported on Enterprise Risk Management (ERM), comparing a traditional risk management framework to a more robust ERM framework. Three key areas of Enterprise Risk Management are Culture, Identification & Management, and Measurement. Companies who effectively practice and execute sound risk management will build balance sheet strength and perform successfully over the long term.

Jim Laick, Sales Manager, GBU Financial Life, provided an excellent presentation of the successful marketing tools employed to produce life insurance and annuity sales. He shared ideas to grow both agent producers and membership.

Jerry Alexander, CFO, Bruce & Bruce Company, reviewed electronic point-of-sale underwriting.

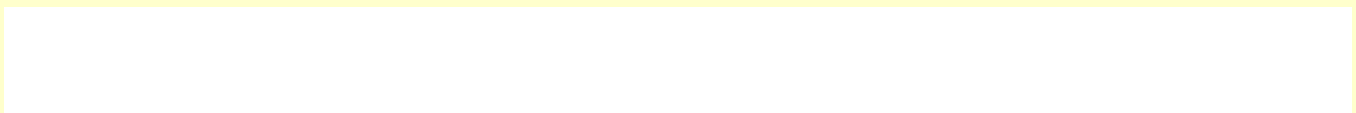
A general overview of the current investment climate was provided by Pete Loncar, Senior VP and Brent Stein, Investment Associate VP of Merrill Lynch. Fiduciary Responsibility, Pension and Endowments were reviewed by Rick Pierchalski, Chair of the Board, Medallion Wealth Management. He pointed out that insurance regulatory compliance guidelines are an increasingly important factor in managing a business.

Terry Connerton, Esq., of Connerton Law, discussed maximizing retirement income for executives and employees in an informative presentation on Effective Employee Plan Design.

Dinner for seminar participants was hosted by Bruce & Bruce Company/Bruce & DePersis.

The Friday morning Roundtable Discussion included 25 participants. Among those participating, in addition to various fraternal society personnel, were Annette Szady (PA Insurance Department), and Joseph Annotti (President of the AFA).

Many of the Seminar presentations were by PowerPoint, and if anyone is interested in any of the items, they are available by contacting Bruce & DePersis at [info@endepersis.com](mailto:info@endepersis.com).



## Same-Sex Marriages: What the Supreme Court Decision Means for Life and Annuity Contracts

1. Several states already have same sex marriage laws so life and annuity contracts likely comply already.
2. Deferred annuity contracts have a "Spouse Beneficiary" provision that allows a spouse beneficiary to continue the annuity contract in force when the annuitant/owner dies. Since the reference is to "spouse" there is no distinction made in the annuity contract between a wife or husband (female or male) spouse. No change should be necessary.
3. Life and deferred annuity contracts may have settlement option rate tables. These tables usually make reference to male rates and female rates. Since the marriage partners may be male and female, or male and male, or female and female, the appropriate "male" or "female" settlement option rates may be used without any change.

The impact occurs outside the contract. Now the Home Office must allow legally wedded "male and male", or "female and female", to be designated on the application as spouses.

### Attention Readers

The objective of our newsletter is to inform our readers on current issues/developments in our industry. Therefore, it is important that we include articles that are of interest to you. If you have subjects, industry concerns, procedures you would like more data/explanation on, don't hesitate to contact us.

Please send suggestions to Caroline Choi at [cchoi@babco.us.com](mailto:cchoi@babco.us.com).