

# 2003 Annual Report of the Actuarial Standards Board

In 2003, the Actuarial Standards Board (ASB) approved the release of five exposure drafts and three second exposure drafts. The ASB continued its effort to make sure existing actuarial standards of practice (ASOPs) reflect current, generally accepted actuarial practice. Five of the new exposure drafts were proposed revisions of existing ASOPs, and three were proposed new ASOPs.

As part of its focus on bringing older professionalism material up to date, the ASB repealed three documents this year: (1) Actuarial Compliance Guideline (ACG) No. 1, *An Actuary's Guide to Compliance with Statement of Financial Accounting Standards No. 87*; (2) ACG No. 2, *For Statement of Financial Accounting Standards No. 88*; and (3) the Preface to the ASOPs.

## Casualty Committee

The Casualty Committee, chaired by Robert Miccolis, oversaw the preparation of a proposed new ASOP on loss reserve analysis, which the Subcommittee on Reserving is writing. The Casualty Committee expects to present an exposure draft to the ASB in 2004.

## General Committee

The General Committee, chaired by W.H. Odell, produced an exposure draft of a proposed revision of ASOP No. 23, *Data Quality*. The ASB approved the exposure draft in October 2003 with a comment deadline of March 31, 2004.

In addition, the General Committee oversaw task forces that worked on the following projects:

The Task Force to Revise ASOP No. 12, chaired by Mark Litow, began drafting a proposed revision of ASOP No. 12, now titled *Risk Classification*. The General Committee expects to present an exposure draft to the ASB in 2004.

The Task Force to Revise ASOP No. 21, chaired by James Milholland, reviewed comment letters on the first exposure draft of a proposed revision of ASOP No. 21, now titled *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements (All Practice Areas)*. The ASB approved the proposed revision as a second exposure draft with a comment deadline of April 30, 2004.

The Task Force to Revise ASOP No. 38, chaired by Burton Jay, produced an exposure draft of a proposed revision of ASOP No. 38, now titled *Using Models Outside the Actuary's Area of Expertise (All Practice Areas)*. The task force was charged with expanding the scope of the existing property/casualty ASOP to apply to all practice areas. The ASB approved the exposure draft in October 2003 with a comment deadline of March 31, 2004.

### **Health Committee**

The Health Committee, chaired by Alan Ford, oversaw a task force that reviewed comment letters received on the first exposure draft of a proposed new ASOP, *Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims*. The task force revised the exposure draft in response to the comment letters and produced a new draft for the ASB's consideration in October 2003. The ASB approved the document as a second exposure draft with a comment deadline of January 31, 2004.

### **Life Committee**

The Life Committee, chaired by Godfrey Perrott, oversaw task forces that worked on the following projects:

The Task Force to Revise ASOP No. 1, chaired by Thomas Phillips, produced an exposure draft of a proposed revision of ASOP No. 1, *The Redetermination (or Initial Determination) of Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*. The ASB reviewed the draft in March 2003 and approved it for exposure with a comment deadline of August 15, 2003. The task force reviewed comment letters received on the exposure draft and revised the draft in response. The Life Committee plans to present a proposed final standard to the ASB in 2004.

The Task Force to Revise ASOP No. 11, chaired by Allan Ryan, produced an exposure draft of a proposed revision of ASOP No. 11, *The Treatment of Reinsurance Transactions Reflecting Life or Health Insurance Risks in Financial Statements*. The ASB reviewed the draft in June 2003 and approved it for exposure with a comment deadline of December 15, 2003. The task force plans to review comment letters and prepare a new draft for the ASB to consider in 2004.

The Task Force to Revise ASOP No. 19, chaired by Charles Carroll, began work on an exposure draft of a proposed revision of ASOP No. 19, *Actuarial Appraisals of Casualty, Health, and Life Insurance Entities*. The ASB discussed a working draft in December 2003 and will review a proposed exposure draft in 2004.

## **Pension Committee**

The Pension Committee, chaired by Phillip Romello, reviewed comment letters on the first exposure draft of a proposed new ASOP, *Selection and Use of Asset Valuation Methods for Pension Valuations*. The committee revised the draft in response to comment letters and prepared a new draft for the ASB to consider in October 2003. The ASB approved the document as a second exposure draft with a comment deadline of April 30, 2004.

The Pension Committee began reviewing comment letters received on the exposure draft of a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs*. The committee will revise the draft in response to comments and plans to present a second exposure draft to the ASB in 2004.

## **Other Projects**

The Task Force on the Introduction, chaired by Jack Turnquist, prepared an exposure draft, titled *Introduction to the Actuarial Standards of Practice*, which offers guidance about the purpose, nature, and format of ASOPs, as well as some of the commonly used terms and concepts. The ASB approved the exposure draft in October 2003 with a comment deadline of March 31, 2004.

## ASB Financial Summary

Financial activities pertaining to the Actuarial Standards Board are accounted for separately within the American Academy of Actuaries system of accounts. The ASB submits a budget request to the Academy Secretary-Treasurer, listing all projected expenses. The Academy Board of Directors considers this request when adopting the Academy's annual budget and makes provision within the budget for ASB operating expenses.

The ASB has discretion with regard to the expenditure of all funds allocated to it, subject only to accounting and audit requirements mutually determined by the Secretary-Treasurer and the ASB.

### Actuarial Standards Board Statement of Expenses Year Ended December 31, 2003<sup>1</sup>

**Expenses:**

Staff salaries <sup>2</sup>	\$169,137
Staff benefits	43,425
Office operating costs	61,641
Printing	83,584
Postage and delivery services	37,429
Staff travel	2,280
Committee meetings	25,234
ASB travel reimbursement	41,120
Other	<u>242</u>
<b>Total Expenses:</b>	<b>\$464,092</b>

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<sup>1</sup> The above figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries are available upon request from the Academy's office in Washington, D.C. Many members of the actuarial profession have contributed significant amounts of time to the activities of the ASB without compensation. This financial summary does not reflect the value of those contributed services.

<sup>2</sup> Includes salaries of full-time staff members and charges for actual time spent on the ASB program by other Academy employees.