



ACTUARIAL STANDARDS BOARD

**2009 Annual Report
of the
Actuarial Standards Board**

Published April 2010

**Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036**

Telephone: (202) 223-8196

Facsimile: (202) 223-1248

E-Mail: ASB@actuary.org

Web site: www.ActuarialStandardsBoard.org

Letter from the Chair

The Actuarial Standards Board (ASB or Board) serves actuaries and the public by providing guidance regarding appropriate actuarial practice through the issuance of actuarial standards of practice (ASOPs). The ASB was established in 1988 as an entity within the American Academy of Actuaries. The ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.

In 2009, the Board released three exposure drafts for comment; repealed one standard; and adopted a final revision of one ASOP. It also began work on several new revisions to existing ASOPs that will move forward in 2010.

General Counsel and Director of Professionalism Mary Downs was promoted to Academy Executive Director; and Standards Editor Erica Kennedy was promoted to Program Manager. We appreciate their continued dedicated service to the ASB as well as that of ASB Editorial Assistant Doreen Moaning.

In May, the ASB mourned the passing of its member David Kass, who served on the Board from 2007-2009 as a pension expert. Mr. Kass' position was assumed by new member Thomas Levy. Also, after dedicated service from 2004-2009, the Board bid farewell to member and Vice-Chairperson Godfrey Perrott, and welcomed new member Patricia Matson.

As I assume the role of Vice-Chairperson along with fellow Board member, Robert Meilander, and pass the chairperson "baton," to Albert Beer, I wish the Board a successful 2010, and would like to thank its members, chairpersons, and dedicated drafting committees and task forces for their on-going commitment to the standards-setting process.

Stephen G. Kellison

Stephen G. Kellison
Chairperson (2007-2009)
Actuarial Standards Board



2009 Actuarial Standards Board

(standing l to r): Robert Meilander, James Murphy, James Verlautz, Alan Ford, Patrick Grannan,
(seated l to r), Vice-Chairperson Godfrey Perrott, Chairperson Steve Kellison, Vice-Chairperson Albert Beer

Committee Projects

Casualty Committee

The Casualty Committee, under the leadership of Patrick Woods, oversaw development of a revision of ASOP No. 13, *Trending Procedures in Property/Casualty Insurance*, which the Subcommittee on Ratemaking, chaired by Beth Fitzgerald, drafted. The ASOP No. 13 revision was effective November 1, 2009.

In addition, the Casualty Committee exposed a revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, in March 2009, which the Subcommittee on Reserving, chaired by Raji Bhagavatula, prepared. The official comment deadline was June 15, 2009.

At the end of the year, the committee bid farewell to chairperson Patrick Woods, and welcomed Beth Fitzgerald as his replacement.

General Committee

The General Committee, chaired by Tom Custis, oversaw a proposed second exposure draft of a revision of ASOP No. 41, *Actuarial Communications*. The ASB formally approved the second exposure draft in December 2009 with a comment deadline of March 31, 2010.

Health Committee

The Health Committee, chaired by Paul Fleischacker, oversaw the repeal of ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*, with an effective repeal date of June 30, 2009.

In addition, the committee presented a proposal to create a standard on considerations in the design, implementation, and maintenance of risk adjustment methodologies used in health benefit plan ratemaking.

At the end of the year, the committee bid farewell to chairperson Paul Fleischacker, and welcomed Robert Cosway as his replacement.

Life Committee

The Life Committee, chaired by Charles Carroll, oversaw the following task force projects:

The Task Force on Principle-Based Reserves (C-3 Phase III Task Force), chaired by former ASB member, Frank Irish, continued drafting a discussion draft titled, *Principle-Based Approach to the C-3 Component of Life Insurance Risk-Based Capital*.

In addition, the Life Committee presented a proposal for an ASOP to provide guidance to actuaries in their construction and use of models in the life insurance and annuity practice area to be drafted by a Life Committee task force.

Pension Committee

The Pension Committee, chaired by Frank Todisco, continued to explore the Academy's request regarding economic value of pension obligations and began reviewing comments in preparation for revising ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, with a tentative completion date of 2011.

In addition, the committee presented an exposure draft to clarify language in ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, with a comment deadline of March 31, 2010.

The Board also authorized the committee to form a subcommittee on retiree group benefit obligations. The subcommittee will review ASOP No. 6, *Measuring Retiree Group Benefit Obligations*, to consider whether it should be revised for consistency with any of the pension standards, as well as whether any other revisions are needed.

Other Projects

The ASB approved a new *ad hoc* task force chaired by David Ingram to examine how issues related to enterprise risk management (ERM) relate to actuarial standards of practice. The task force plans to present a report to the ASB in the latter part of 2010.

In addition, the ASB issued an ASB Member Survey to seek input from members of the actuarial profession practicing in the United States. The goals of the survey were to (1) gauge the effectiveness of the ASB's communication with members, (2) determine if the process of developing and reviewing Actuarial Standards of Practice (ASOPs) is meeting the needs of the public and the profession, and (3) gain insight into how the ASB is viewed within the profession.

Financial Summary

Actuaries who belong to any one or more of the five U.S.-based actuarial organizations support the operations of the Actuarial Standards Board through a portion of their annual dues. Financial activities pertaining to the ASB are accounted for separately within the American Academy of Actuaries system of accounts. The ASB annually submits a proposed budget based on projected expenses to the Academy Secretary-Treasurer; the Academy budget makes provisions 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, 2009¹

Expenses:

Staff salaries ²	\$194,170
Staff benefits	44,664
Office operating costs	78,960
Printing	12,254
Postage and delivery services	1,508
Communications	15,047
Staff travel	8,316
Committee meetings	29,112
<u>ASB travel reimbursement</u>	<u>72,976</u>
Total Expenses:	\$457,007

¹ The above figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries will be available upon request from the Academy's office in Washington, D.C. and will be available on the Academy's website under "Audit Committee." 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.

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