



ACTUARIAL STANDARDS BOARD

**2011 Annual Report
of the
Actuarial Standards Board**

Published April 2012

**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

As 2012 begins, I'd like to thank the members, chairpersons, committees, and task forces of the ASB for another successful year. Standards setting is hard work, and the ASB couldn't do it without the dedicated commitment of its volunteers to the process.

In 2011, the Board approved four exposure drafts for comment, adopted three final revisions of ASOPs, issued two discussion drafts for feedback, and repealed two ASOPs. As the Board continued its work on several revisions to existing ASOPs that will move forward in 2012, it also approved the creation of four new task forces in the General, Health, and Life practice areas. Lastly, the Board once again held its annual planning meeting in Sarasota, Florida to discuss issues such as ISAP concepts, including peer review and sensitivity testing, and principles of Actuarial Science, to continue its goal of exploring topics that may enhance the actuarial profession.

As I take the helm as chairperson, I would like to thank my successor, Albert Beer, for his great leadership, and also wish the Board a successful 2012 as we look forward to continuing our commitment to serve actuaries and the public through our charge to establish and improve actuarial standards of practice for the U.S.

Robert G. Meilander
Chairperson
Actuarial Standards Board



2012 Actuarial Standards Board

(l to r): Thomas Levy, Patricia Matson, James Verlautz, Albert Beer (Vice-Chairperson), James Murphy, Robert Meilander (Chairperson), Patrick Grannan, Stephen Kellison (Vice-Chairperson), and Alan Ford

Committee Projects

Casualty Committee

The Casualty Committee, chaired by Beth Fitzgerald, prepared a final repeal of ASOP No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*, which the ASB approved in March 2011 with an effective date of May 1, 2011.

In addition, the Casualty Committee oversaw a revision of ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates*, which a task force chaired by Dave Otto prepared. The ASB adopted the final draft in September 2011, with an effective date of January 1, 2012.

Lastly, the Casualty Committee also oversaw a revision of ASOP No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)*, which a task force chaired by Kenneth Kasner prepared. The ASB approved the exposure in September 2011, with a comment deadline of January 16, 2012.

General Committee

The General Committee, chaired by Mike Abroe, oversaw a revision to the Introduction, now titled *Introductory Actuarial Standard of Practice*, which the ASB approved for exposure in December 2011. The comment deadline is May 31, 2012.

In addition, the ASB charged the General Committee with overseeing a task force, chaired by Barbara Snyder, to review and expand ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*, to additional practice areas. The task force is preparing a proposed exposure draft to be presented to the ASB in 2012.

Health Committee

The Health Committee, chaired by Robert Cosway, oversaw development of a final revision of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities*, which a task force chaired by Nancy Nelson prepared. The ASB adopted the final draft in June 2011, with an effective date of October 31, 2011.

In addition, the ASB charged the Health Committee with overseeing a task force on Medicaid Rate Setting and Certification, chaired by Mike Nordstrom; and a task force on Regulatory Filings, chaired by Donna Novak. Both task forces are preparing proposed exposure drafts to be presented to the ASB in 2012.

Life Committee

The Life Committee, chaired by Jeremy Brown, oversaw development of a final revision of ASOP No. 10, titled *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP*, which a task force chaired by David Rogers prepared. The ASB adopted the final draft in March 2011, with an effective date of October 15, 2011.

In addition, the ASB charged the Life Committee with overseeing a task force on Life Settlements Mortality Assumptions, chaired by Linda Lankowski. The task force is preparing a proposed exposure draft to be presented to the ASB in 2012.

Lastly, the Life Committee oversaw the preparation of a discussion draft, titled *Modeling in Life Insurance and Annuities*, which was released in December 2011 for comment. The Modeling task force, chaired by Dale Hagstrom, plans to present an exposure draft to the ASB in the near future based on the comments received.

Pension Committee

The Pension Committee, chaired by Gordon Enderle, prepared an exposure draft of a repeal of ASOP No. 2, *Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88*, which the ASB adopted as a final repeal in March 2011.

The Pension Committee also prepared an exposure draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, which the ASB approved in December 2011.

In addition, the Pension Committee prepared a second exposure draft of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, which was also approved by the ASB in December 2011.

The comment deadline for ASOP Nos. 4 and 27 is May 31, 2012.

Other Projects

In March 2011, a Deviation Task Force was formed to finalize the document, *Revision of Deviation Language for Standards and Removal of References to Public Statements of Actuarial Opinion (PSAOs) From Standards (All Practice Areas)*. As a result of their work, all ASOPs were updated with new deviation language effective May 1, 2011.

In addition, the Task Force on Enterprise Risk Management, chaired by David Ingram, released discussion drafts on “risk evaluation” and “risk treatment.” The task force is preparing proposed exposure drafts to be presented to the ASB in 2012.

Also in March, the ASB participated in a joint discussion with the Actuarial Board for Counseling and Discipline (ABCD) regarding the work of each Board, its selection of members, its work process, and how to better engage each other in the standards-setting process.

Lastly, as requested by the Council of U.S. Presidents, the ASB completed a review of International Standard of Practice 1, *General Actuarial Practice*, to compare it to current Actuarial Standards of Practice that provide guidance to actuaries practicing in the United States. After a thorough review of its introduction, definitions, and content, the ASB concluded that ISAP 1 is materially in conformance with existing ASOPs, and that no action is required to revise any current ASOPs or to develop new ASOPs as a result.

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. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment.

ASB in Action



ASB
ACTUARIAL STANDARDS BOARD



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 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 Treasurer and the ASB.

Actuarial Standards Board Statement of Expenses Year Ended December 31, 2011¹

Expenses:

Staff salaries ²	\$141,605
Staff benefits	36,158
Office operating costs	59,078
New member materials	15,259
Postage and delivery services	2,180
Staff travel	3,200
Committee meetings	56,880
ASB travel reimbursement	77,851
Other	2,916
Total Expenses:	\$395,127

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.