



ACTUARIAL STANDARDS BOARD

**2012 Annual Report
of the
Actuarial Standards Board**

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Letter from the Chair

Standards setting is hard work, and the ASB knows it couldn't do it without the commitment of its many volunteers. We appreciate their hard work and as 2013 begins, I'd like to thank the members, chairpersons, committees, and task forces of the ASB for another successful year, as well as my fellow Board members for their continued dedication.

In 2012, the Board approved five exposure drafts for comment, adopted two final ASOPs, and issued two discussion drafts for feedback. In addition to providing comment to the IASSC on proposed ISAPs, the Board also held its annual planning meeting in Sarasota, Florida to discuss principles of actuarial work and ISAP concepts, such as peer review and sensitivity testing. As 2012 drew to a close, the Board also bid farewell to former chair, vice chair, and ASB member, Albert Beer and welcomed new ASB member Beth Fitzgerald.

As I continue as chairperson for a second year, I would like to wish the Board a successful 2013 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



2013 Actuarial Standards Board

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

Committee Projects

Casualty Committee

The Casualty Committee, chaired by Beth Fitzgerald, oversaw a proposed revision of ASOP No. 38, *Using Models Outside the Actuary's Expertise (Property and Casualty)*, which was prepared by a task force chaired by Kenneth Kasner. The ASB approved an exposure draft in 2011 and, based on comments received in 2012, charged the task force with further revising the proposed ASOP to apply to all practice areas with a scope limited to catastrophe models.

In addition, the Casualty Committee continued to monitor the Casualty Actuarial Society's task force that was reviewing its "Principles of Ratemaking" in anticipation of drafting a coordinating ratemaking ASOP in the near future.

General Committee

The General Committee, chaired by Mike Abroe, oversaw a proposed revision of ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*, which was prepared by a task force chaired by Barbara Snyder. The ASB approved an exposure draft in September 2012.

In addition, the General Committee oversaw proposed revisions to the Introduction to Actuarial Standards of Practice.

Health Committee

The Health Committee, chaired by Robert Cosway, oversaw the development of a new ASOP, *The Use of Health Status Based Risk Adjustment Methodologies*, which was adopted in January 2012 as ASOP No. 45. The ASOP No. 45 Task Force was chaired by Ross Winkleman.

The Health Committee also worked with the ASB Life Committee to revise related language in ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*. The ASB approved an exposure draft in May 2012 and adopted final language in December 2012.

In addition, the Task force on Regulatory Filings, chaired by Donna Novak, issued a discussion draft of revisions to ASOP No. 8, *Regulatory Filings for Health Plan Entities, to Include Specific Issues Related to the Affordable Care Act*.

Life Committee

The Life Committee, chaired by Jeremy Brown, oversaw development of a final revision to related language in ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*. The ASB approved an exposure draft in May 2012 and adopted final language in December 2012.

In addition, the Life Settlements Mortality Task Force, chaired by Linda Lankowski began work on an exposure draft titled *Mortality in Connection with Life Settlements*.

Pension Committee

The Pension Committee, chaired by Gordon Enderle, prepared an exposure draft of a revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, which the ASB approved in January 2012.

In addition, the Pension Committee prepared a second exposure draft of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, which the ASB approved for exposure in January 2012.

The Pension Committee's Subcommittee on Retiree Group Benefits, chaired by Don Morgan, prepared a revision of ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions*. The ASB approved an exposure draft in June 2012.

Also, the Pension Committee issued a discussion draft titled, *Assessment and Disclosure of Risk Associated with Pension Obligations, Plan Costs, and Plan Contributions*, in June 2012.

Other Projects

The ASB approved two exposure drafts on Enterprise Risk Management and Enterprise Risk Treatment, in April 2012 and June 2012, respectively. The drafts, which were prepared by the Task Force on Enterprise Risk Management chaired by David Ingram, were adopted as ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, in September 2012 and ASOP No 47, *Risk Treatment in Enterprise Risk Management*, in December 2012.

Also, the ASB held a contest on its website requesting feedback on its informational video, *Standards of Practice: Protecting You; Protecting Others*. Over 200 entries were received and one winner selected.

Lastly, the Board held its annual planning meeting in Sarasota, Florida, and discussed such topics as principles of actuarial work and ISAP concepts, such as peer review and sensitivity testing.

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



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, 2012¹

Expenses:

Staff salaries ²	\$147,065
Staff benefits	34,523
Office operating costs	67,018
New member materials	3,384
Postage and delivery services	2,863
Staff travel	3,113
Committee meetings	36,795
ASB travel reimbursement	69,559
Other	594
Total Expenses:	\$364,914

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.