

2002 Annual Report of the Actuarial Standards Board

In 2002, the Actuarial Standards Board (ASB) adopted one new actuarial standard of practice (ASOP), adopted revisions of two existing ASOPs, and approved release of three exposure drafts. The ASB repealed two documents this year: Interpretative Opinion No. 3, *Professional Communications of Actuaries*, and ASB Bulletin and Financial Reporting Interpretation 7-D, *Estimating and Providing the Cost of HIV-Related Claims Covered Under Life and Accident and Health Insurance Policies*.

In addition, the ASB launched its own website at <http://www.actuarialstandardsboard.org> in July and released its first CD-Rom of ASOPs and related professionalism documents in August.

Casualty Committee

The Casualty Committee turned its attention to revisions of existing standards. In particular, the Casualty Committee began determining whether revisions are needed for ASOP Nos. 9, 13, and 20. The Casualty Committee also began exploring the need for a new ASOP on loss reserve analysis.

General Committee

The General Committee oversaw task forces that worked on the following projects:

The Task Force on Actuarial Communications reviewed comment letters on the second exposure draft of *Actuarial Communications*, which the ASB adopted in March as a new ASOP No. 41. ASOP No. 41 incorporates relevant guidance from the now repealed Interpretative Opinion No. 3 and also enhances guidance contained in the *Code of Professional Conduct*. ASOP No. 41 became effective on July 15, 2002.

The Expert Witness Task Force reviewed comment letters on the exposure draft of a proposed revision of ASOP No. 17, *Expert Testimony by Actuaries*. The ASB adopted the revised ASOP No. 17 in March; the ASOP became effective on July 15, 2002.

The Task Force on ASOP No. 21 produced an exposure draft of a proposed revision of ASOP No. 21, *The Actuary's Responsibility to Auditors and Examiners in Connection with Financial Statements*. The ASB approved the exposure draft in September 2002 with a comment deadline of March 15, 2003.

Health Committee

The Health Committee produced an exposure draft of a proposed ASOP titled *Determining Health and Disability Liabilities Other Than for Incurred Claims*, which is intended to complement the recently adopted revision of ASOP No. 5, *Incurred Health and Disability Claims*. The ASB approved the exposure draft in June with a comment deadline of December 15, 2002.

Life Committee

The ASB approved a final revision of ASOP No. 7, *Analysis of Life, Health, or Property/Casualty Insurer Cash Flows*. At its September 2001 meeting, the ASB had voted to adopt the revised ASOP No. 7. In April 2002, the ASB voted to defer the effective date of ASOP No. 7 to July 15, 2002 while it reviewed concerns raised by the Academy's Casualty Practice Council regarding the standard's applicability to property/casualty practice. At its June 2002 meeting, the ASB amended the scope to conform to generally accepted casualty actuarial practice and approved the final adoption.

The Life Committee also formed a Task Force to Revise ASOP No. 1, which began work in 2002.

Pension Committee

The Pension Committee produced an exposure draft of a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs*. The ASB approved the exposure draft in December 2002 with a comment deadline of June 15, 2003.

The Pension Committee also recommended that the ASB formally withdraw a proposed ASOP on *Projected Benefit Illustrations in Connection with Retirement Plan Amendments*. Commentators' opinions on key concepts in the exposure draft varied broadly, indicating a lack of consensus among the profession as to what constituted generally accepted practice. In light of this lack of consensus and the emergence of new legislation for plan sponsors, the Pension Committee concluded that it should not proceed to develop an ASOP at this time. After considering the Pension Committee's recommendation, the ASB voted to withdraw the proposed ASOP.

ASB Financial Summary

Financial activities pertaining to the Actuarial Standards Board are accounted for separated with 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, 2002¹

Expenses:

Staff salaries ²	\$154,537
Staff benefits	38,551
Office operating costs	58,411
Printing	82,630
CD-Rom Production	19,700
Postage and delivery services	61,299
Staff travel	3,004
Committee meetings	28,160
ASB travel reimbursement	25,851
Other	1,861
Total Expenses:	\$474,004

¹ 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.

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