



**ACTUARIAL STANDARDS BOARD**

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**2010 Annual Report  
of the  
Actuarial Standards Board**

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## 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 2010, the Board approved five exposure drafts for comment, issued one discussion draft for feedback, and adopted two final revisions of ASOPs. Also, the Board continued work on several new revisions to existing ASOPs that will move forward in 2011. In addition, the areas of enterprise risk management and principles-based reserves continued to be explored for the possible creation of new standards of practice. Lastly, the Board once again held its annual planning meeting to discuss issues such as its role in interpreting standards, consistent use of terms in ASOPs, and the ASB's role in the development of international standards of practice.

As I wish the Board a successful 2011, I would like to thank its members, chairpersons, and dedicated drafting committees and task forces for their on-going commitment to the standards-setting process.

Albert J. Beer  
Chairperson  
Actuarial Standards Board



**2010 Actuarial Standards Board**

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

## Committee Projects

### **Casualty Committee**

The Casualty Committee chaired by Beth Fitzgerald, oversaw the development of a final revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, which the Subcommittee on Reserving, chaired by Raji Bhagavatula, drafted. The ASOP No. 36 revision is effective May 1, 2011.

In addition, the ASB approved an exposure draft of a revision of ASOP No. 20, currently titled *Discounting of Property/Casualty Unpaid Claim Estimates*, in December 2010. The comment deadline is May 1, 2011.

### **General Committee**

The General Committee, chaired by Tom Custis, oversaw development of a final revision of ASOP No. 41, *Actuarial Communications*. The ASB adopted the final draft in December 2010, with an effective date of May 1, 2011.

At the end of the year, the committee bid farewell to chairperson Tom Custis, and welcomed Mike Abroe as his replacement.

### **Health Committee**

The Health Committee, chaired by Robert Cosway, prepared an exposure draft of a revision of ASOP No. 28, currently titled *Statements of Actuarial Opinion Regarding Health Insurance Liabilities*. The comment deadline was October 30, 2010. The Health Committee planned to present a final revision to the ASB in 2011.

### **Life Committee**

The Life Committee, chaired by Charles Carroll, oversaw development of a revision of ASOP No. 10, currently 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 comment deadline was September 20, 2010. The Life Committee planned to present a final revision to the ASB in 2011.

In addition, the Task Force on Principle-Based Reserves (C-3 Phase III Task Force) of the Life Committee, 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*.

At the end of the year, the committee bid farewell to chairperson Charles Carroll, and welcomed Jeremy Brown as his replacement.

## **Pension Committee**

The Pension Committee, chaired by Frank Todisco, continued to explore the Academy's request regarding economic value of pension obligations, and the ASB exposed a revision of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, with a comment deadline of March 31, 2011.

The Pension Committee also 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*, with a comment deadline of November 30, 2010. A final repeal will be adopted in 2011.

In addition, the Pension Committee issued a discussion draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, with a comment deadline of March 31, 2011, to solicit feedback for its preparation of ASOP No. 4 as an exposure draft.

The Committee's Retiree Group Benefits Subcommittee also continued its work to review and revise ASOP No. 6, *Measuring Retiree Group Benefit Obligations*. The Committee plans to present an exposure draft to the ASB in late 2011.

Mid year, the committee bid farewell to chairperson Frank Todisco, and welcomed chairperson Gordon Enderle as his replacement.

## **Other Projects**

The Task Force on Enterprise Risk Management, chaired by David Ingram, continued to examine how ERM issues relate to actuarial standards of practice. In September 2010, the task force presented two proposals to the ASB on "risk evaluation" and "risk treatment," with plans to create two discussion drafts in those subject areas for review by the ASB in early 2011.

In addition, the ASB continued its work reviewing ASB survey results as well as comments received on the *Introduction to the Actuarial Standards of Practice*, with plans to revise the latter document in 2011.

## 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, 2010<sup>1</sup>**

**Expenses:**

Staff salaries <sup>2</sup>	\$169,472
Staff benefits	38,979
Office operating costs	67,789
Printing	7,491
Postage and delivery services	2,429
Staff travel	3,539
Committee meetings	36,992
ASB travel reimbursement	62,842
Other	475
<b>Total Expenses:</b>	<b>\$390,008</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 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.

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