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). Established in 1988, the ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.

Standards setting is difficult, but valuable, work, which the ASB knows it could not do without the dedication of its many volunteers. So as 2014 begins, I’d like to thank the committees and task forces of the ASB for another successful year as well as my fellow Board members for their time and commitment.

In 2013, the Board approved nine exposure drafts for comment and adopted five final ASOPs. The Board provided comment to the International Actuarial Association on proposed international standards for practice and also held its annual planning meeting in Sarasota, Florida to discuss such topics as the level of prescription in standards; increasing member awareness of standards; and obtaining more feedback on standards. As 2013 drew to a close, the Board bid farewell to former ASB members Alan Ford, Patrick Grannan, and Stephen Kellison, all of whom made significant contributions to standard setting during their time on the Board and will be greatly missed. The Board welcomed new ASB members Michael Abroe, Christopher Carlson, and Maryellen Coggins.

As I take the helm as chairperson, I would like to wish the Board a successful 2014 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.

Patricia E. Matson
Chairperson
Actuarial Standards Board
Committee Projects

Casualty Committee

The Casualty Committee, chaired by David Otto, 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.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Ingram, was approved by the ASB as a sixth standing committee in March 2013.

General Committee

The General Committee, chaired by Mike Abroe, oversaw a proposed revision of ASOP No. 25, Credibility Procedures, which was prepared by a task force chaired by Barbara Snyder. The ASB approved a second exposure draft in March 2013 and adopted a final revision in December 2013.

The General Committee oversaw a proposed revision of the Introductory Actuarial Standard of Practice, which the ASB adopted as a new ASOP No. 1 in March 2013.

A task force chaired by Dale Hagstrom drafted a potential new standard on Modeling, which the ASB approved for exposure in June 2013.

In addition, a task force led by Shawna Ackerman revised ASOP No. 38, currently titled Catastrophe Modeling (for All Practice Areas), which was approved for exposure by the ASB in September 2013.

Health Committee

The Health Committee, chaired by Nancy Nelson, oversaw the Task Force on Regulatory Filings, chaired by Donna Novak, which drafted a revision of ASOP No. 8, which was titled Regulatory Filings for Health Benefits, Health Insurance, and Entities Providing Health Benefits. The ASB approved it as an exposure draft in June 2013.

In addition, a Medicaid task force chaired by Robert Damler drafted an exposure draft titled Medicaid Managed-Care Capitation Rate Development and Certification, which the ASB approved for exposure in December 2013.
Life Committee

The Life Committee, chaired by Jeremy Brown, oversaw development of an exposure draft titled Standards for Principle-Based Reserves for Life Products. The proposed ASOP, which was drafted by the Task Force on Principles-Based Reserves chaired by Frank Irish, was approved for exposure in June 2013.

In addition, the Life Settlements Mortality Task Force chaired by Timothy DeMars presented an exposure draft on life settlements in March 2013. A final ASOP No. 48, titled Life Settlements Mortality, was adopted by the ASB in December 2013.

Pension Committee

The Pension Committee, chaired by Gordon Enderle, oversaw the Subcommittee on Retiree Group Benefits, chaired by Don Morgan, as it prepared a second exposure draft of ASOP No. 6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions. The ASB approved this draft for exposure in March 2013.

The Pension Committee prepared a final revised version of ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, which the ASB adopted in September 2013.

The Pension Committee also prepared an exposure draft of ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, which the ASB approved in September 2013.

In addition, the Pension Committee prepared a final revision of ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, which the ASB adopted in December 2013.

Other Projects

The ASB provided comments to the International Actuarial Association on proposed International Standard of Practice No. 2, Financial Analysis of Social Security Programs.

Lastly, the Board held its annual planning meeting in Sarasota, Florida, and discussed such topics as the level of prescription in standards; increasing member awareness of standards; and obtaining more feedback on standards.

The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB’s goal is to set standards for appropriate practice for the U.S.
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, 2013

Expenses:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries</td>
<td>$168,846</td>
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<tr>
<td>Staff benefits</td>
<td>40,236</td>
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<tr>
<td>Office operating costs</td>
<td>60,768</td>
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<tr>
<td>New member materials</td>
<td>7,350</td>
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<tr>
<td>Postage and delivery services</td>
<td>2,871</td>
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<td>Staff travel</td>
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<td>Committee meetings</td>
<td>43,103</td>
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<tr>
<td>ASB travel reimbursement</td>
<td>81,305</td>
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<tr>
<td>Professional services</td>
<td>10,016</td>
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<tr>
<td>Printing</td>
<td>620</td>
</tr>
<tr>
<td>Other</td>
<td>808</td>
</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td><strong>$418,209</strong></td>
</tr>
</tbody>
</table>

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. 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.