

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q1 2010

ASB Approves Second Exposure Draft of ASOP No. 36 Revision

The ASB approved a second exposure draft of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, at its March 2010 meeting. The first exposure draft was issued in March 2009 and received 11 comment letters. As a result of those comments, significant modifications were made to the draft regarding the term “intended measure” and to sections on reliance and disclosures. The ASB is issuing the second exposure draft to expose those revisions and receive further comment. The second exposure draft is available for comment until June 30, 2010 and can be viewed at on the ASB website.

ASB Reviews Proposed Risk-Based Capital Draft

The ASB reviewed a proposed ASOP, *Principle-Based Approach to the C-3 Component of Life Insurance Risk-Based Capital*, at its March meeting. While the NAIC and an American Academy of Actuaries committee, as well as other groups, were working on proposed regulations for principle-based reserves, a Life Committee task force drafted text for a proposed standard that would assist the actuary in complying with those regulations.

At the end of 2008, it seemed likely that another principle-based effort, on the C-3 component of risk-based capital for life policies, would become effective before principle-based reserves. The calculations and assumptions for C-3 would in many cases be similar to those that were going to be proposed for principle-based reserves. Therefore, the ASB felt that it was appropriate to ask the same task force, and the Life Committee, to prepare an actuarial standard of practice for “C-3 Phase III,” as the new effort had become known.

The ASB tentatively approved the exposure draft; however, it will not be released until the NAIC formally approves the new procedure.

ASB Holds Third Annual Planning Meeting in Saint Pete Beach, Florida

The ASB held its Annual Planning Meeting in Saint Pete Beach, Florida, February 4-5, 2010. During the meeting, the ASB discussed various ideas in an effort to improve the Board’s work. Several of those discussion items included how to incorporate the ASB Member Survey results into improving the standards-setting process; how to expand the discussion draft process to get more comments during drafting; how to refine and extend existing communications strategies; and how to incorporate such principles as “materiality,” “reliance,” and “actuarial soundness” into the Introduction. The Board plans to revisit these topics at each of its quarterly meetings to further improve the work and function of the ASB.

ASB to Meet June 7-8 in Washington

The next scheduled meeting of the ASB will be held June 7-8, 2010 at the Academy offices in Washington.