

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q1 2011

ASB Adopts Final Revision of ASOP No. 41

The Actuarial Standards Board adopted a final revision of ASOP No. 41, *Actuarial Communications*, at its December meeting. The review and revision of the second exposure draft focused on the dominant issues raised, in particular, the apparent requirement for an actuary to complete an actuarial report with full disclosures in nearly all circumstances. This was not the intent of the second exposure draft, but the reviewers were sensitive to this possible interpretation. Accordingly, the final version reflects clarification to the guidance within the standard, namely to recognize that in some internal and informal settings, complete disclosure of all applicable supporting information is neither practical nor necessary. The revision will be effective May 1, 2011.

ASOP No. 27 Exposure Draft; No. 4 Discussion Draft Comment Deadlines Extended

The comment deadline for the exposure draft of ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, and ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, has been extended to April 30, 2011. The ASOP No. 27 revision reflects changes in language on such issues as assumptions, discount rates, and investment returns. The ASOP No. 4 discussion draft was issued by the Pension Committee to encourage feedback and comments on several challenging and diverse issues, such as market-consistent measures and prescribed assumptions. Although the Committee is not committed to responding to the feedback it receives on the discussion draft, the Committee intends to incorporate the feedback into its work on developing more significant changes to ASOP in 2011.

ASB Repeals ASOP Nos. 2 and 9

The ASB recently repealed both ASOP No. 2, Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88, and ASOP No. 9, Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations. The Pension Committee of the ASB reviewed ASOP No. 2 and compared its various sections to ASOP No. 4. The conclusion was that ASOP No. 2 was redundant with ASOP No. 4; therefore, the Committee recommended it for repeal. The repeal was effective March 14, 2011. The Casualty Committee of the ASB reviewed ASOP No. 9 and compared its various sections to ASOP No. 41 as well as the Code of Professional Conduct. The Committee believes that the topics in ASOP No. 9 are adequately covered in ASOP No. 41, other ASOPs, and the Code of Professional Conduct, and concluded that ASOP No. 9 should be repealed. The repeal is effective May 1, 2011.

ASB Adopts Final Revision of ASOP No. 10

The ASB adopted a final revision of ASOP No. 10, Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP. ASOP No. 10 was originally adopted by the ASB in 1989. In 1992, ASOP No. 10 was expanded to incorporate certain Financial Reporting Recommendations and, in 2000, revised to reflect GAAP developments over that time. Since 2000, several AICPA Statements of Position pertinent to insurance contract accounting have been issued. In addition, certain features of insurance contracts are now considered under GAAP to be embedded derivatives. These features are accounted for at fair value, which has been more specifically defined. As a result of these developments, the ASB authorized another update to ASOP No. 10. In the current revision, interpretations of GAAP literature have been removed and the standard focuses on those activities for which actuaries are most directly responsible. The effective date for the ASOP No. 10 revision is October 15, 2011.

ASB Approves Proposed New Health Exposure Draft

The ASB approved a proposed new Health ASOP for exposure titled The Use of Health Status Based Risk Adjustment Methodologies. The new Health exposure draft provides guidance to actuaries implementing health status based risk adjustment methodologies used to quantify differences in relative healthcare resource use due

to differences in health status. In addition, it applies to actuaries quantifying differences in morbidity across organizations, populations, programs and time periods using commercial or other available health status based risk adjustment models or software products. It does not apply to actuaries designing health status based risk adjustment models. The comment deadline is July 31, 2011.

ERM Issues Discussion Drafts

Discussion drafts developed by the Enterprise Risk Management (ERM) Task Force of the Actuarial Standards Board (ASB) have been issued for comment. The two documents are titled “Actuarial Professional Standards for Risk Evaluation” and “Actuarial Professional Standards for Risk Treatment.” Both drafts are contained within the document, Actuarial Standards of Practice for Enterprise Risk Management. The purpose of these two discussion drafts is to share the work that has been done by the ERM Task Force to date and to collect input from interested parties as the work of the ERM Task Force continues. Comments can be sent to discussion@actuary.org. Comments will be reviewed as they are received, but are suggested they be sent by June 15, 2011.

ASB to Meet June 8-9 in Washington

The next regularly scheduled meeting of the ASB will be held June 8-9, 2011, at the Academy offices in Washington, D.C.