

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q2 2009

ASB Repeals ASOP No. 31

During the ASB's June 2009 meeting, the Board approved the repeal of ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*. ASOP No. 31 was effective in 1998 and relied heavily on Interpretative Opinion No. 3 of the *Guides and Interpretative Opinions as to Professional Conduct* of the American Academy of Actuaries. In 2002, the ASB repealed Interpretative Opinion 3: Professional Communications of Actuaries when the Board adopted ASOP No. 41, *Actuarial Communications*, which supersedes the guidance of Interpretative Opinion No. 3. ASOP No. 41 is applicable to all areas of actuarial practice and provides guidance with respect to written, electronic, or oral communications. The ASB reviewed ASOP No. 31, and concluded that the guidance in ASOP No. 31 is addressed in ASOP No. 41 and other ASOPs. The repeal went into effect on June 30, 2009 and can be viewed at www.ActuarialStandardsBoard.org.

Revision of ASOP No. 13 Adopted

The ASB recently adopted a revision of ASOP No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. The existing ASOP No. 13 was developed by the Subcommittee on Ratemaking of the Casualty Committee in July 1989. Since the promulgation of the original standard, developments in trending procedures continued, and the use of trending in non ratemaking areas became more widespread. Because of this, the subcommittee prepared the revision to reflect appropriate actuarial practice with respect to trending procedures in property/casualty insurance and to be consistent with the current ASOP format. The revision also expands guidance on the application of trend procedures beyond ratemaking to include reserving, valuations, underwriting, and marketing analyses. The revision will be effective November 1, 2009. A copy of the revision can be found on the ASB website.

Preliminary Results of ASB Survey Impressive

In May, the ASB conducted a survey of all U.S. actuaries through independent research firm, The Haefer Group, to gauge the effectiveness of the ASB's communication with members; to determine if the process of developing and reviewing ASOPs is meeting the needs of the public and the profession; and to gain insight into how the ASB is viewed within the profession. The survey yielded a 25% response rate—considered exceptional by the Haefer Group—and results are now being analyzed. The ASB will use the information gathered from the survey in conjunction with the responses from the recently issued *Request for Comments on Actuarial Standard of Practice (ASOP) Content and ASB Procedure* to get a clearer perspective on how well the ASB serves the U.S. actuarial profession. Final results of the survey are due in August.

Pension Committee Plans Next Steps for ASOP No. 27 and Other Projects

The ASB Pension Committee has begun work on multiple projects. The committee has begun addressing an American Academy of Actuaries' request to develop standards on the economic value of pension plans. The Academy's board of directors asked the Actuarial Standards Board in 2008 to develop standards for consistently measuring the economic value of pension plan assets and liabilities.

In addition, the Pension Committee has resumed reviewing the thirty-three comment letters received on ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. The comments were received in response to a "Request for Comments" issued by the ASB in 2008, and reflect a wide range of discussion on topics from best estimates to assumption selection.

In scoping and structuring these two projects, the committee determined that they are interrelated, in that they both affect ASOP No. 27. The committee also noted that the Academy's request could warrant review of

other standards in addition to ASOP No. 27 (for example, ASOP No. 4, *Measuring Pension Obligations*). In addition, these two projects are integrally related to a third area of inquiry deemed essential by the committee: standards regarding the assessment and disclosure of risk. Accordingly, the committee's work could lead to simultaneous exposure of revisions to more than one standard, possibly including exposure of an additional new standard as well.

The committee has also begun preliminary discussions regarding standards of practice for selecting assumptions for mortality and mortality improvement, and whether existing guidance ought to be revised.

The ASB Pension Committee has begun holding quarterly meetings to address these projects, and hopes to present one or more exposure drafts to the ASB during 2010.

ASB to Meet September 21-22 in Washington

The next scheduled meeting of the ASB will be held September 21-22 at the Academy offices in Washington.