

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q2 2010

ASB Approves Exposure Draft of ASOP No. 10 Revision

At its June meeting, the ASB also approved an exposure draft of a revision of ASOP No. 10, now titled *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP*. ASOP No. 10 was revised in 2000 to reflect further GAAP developments. 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 by SFAS 157, *Fair Value Measurements*. As a result of these developments, the ASB authorized another update to ASOP No. 10. In this update, interpretations of various SFAS, SOP and other forms of GAAP literature have been removed and the standard is now focused on those activities for which actuaries are most directly responsible. The exposure draft is available for comment until September 30, 2010 and can be viewed on the ASB website.

ASB Approves Exposure Draft of ASOP No. 28 Revision

The ASB also approved an exposure draft of a revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Liabilities*, at its June meeting. The revisions were made in consideration of the development of the Health Annual Financial Statement Blank (successor to both the Health Service Company Blank and the Health Maintenance Organization Blank) and the revised health actuarial opinion instructions approved by the NAIC Blanks (E) Working Group in June 2009. The revision now encompasses all statements of actuarial opinion regarding health plan liabilities. The exposure draft is available for comment until October 30, 2010 and can be viewed on the ASB website as well.

General Committee Provides Update on ASOP No. 41

The ASB General Committee presented a progress report to the ASB in June regarding issues that arose from the second exposure draft of ASOP No. 41, *Actuarial Communications*. Of the 37 comment letters received, the four outstanding issues raised by commentators were in regards to actuarial reports; definitions; the repeal of ASOP No. 9; and inconsistencies with ASOP No. 4. The General Committee plans to provide an updated draft to the Board at its September 2010 meeting reflecting edits made in these areas to determine if a third exposure draft is needed.

ERM Task Force to Explore Insurance Areas

The Enterprise Risk Management Task Force presented a proposal to the ASB not recommending any changes be made to existing ASOPS regarding ERM but that the ASB authorize the development of a series of new standards instead specifically related to ERM practices for insurance organizations. The Board recommended the ERM Task Force submit proposals to begin developing standards in the areas of risk evaluation and risk treatment that could be used by actuaries to support ERM activities, and present drafts to the Board at its September meeting.

ASB to Meet September 16-17 in Washington

The next scheduled meeting of the ASB will be held September 16-17, 2010 at the Academy offices in Washington.