

ASB Adopts Final Revision of ASOP No. 41

At its December meeting, the Actuarial Standards Board adopted a final revision of ASOP No. 41, *Actuarial Communications*. The revision underwent two exposure drafts since 2008, and received a combined total of 60 comment letters. The review and revision of the second exposure draft focused on the dominant issue raised in 19 of its 37 comment letters; namely, 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, in particular 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, and can be viewed on the ASB website at www.actuarialstandardsboard.org.

ASB Adopts ASOP No. 36; Approves ASOP No. 20

The ASB adopted a revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, and also approved an exposure draft of a revision of ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates*. The final version of ASOP No. 36, which also underwent two exposure drafts, was prepared to eliminate redundant guidance and language that exists between ASOP Nos. 36 and 43, *Property/Casualty Unpaid Claim Estimates*; to maintain consistency between ASOP Nos. 36 and 43; and to clarify and provide further guidance within ASOP No. 36. ASOP No. 36 will also be effective May 1, 2011.

ASOP No. 20, first adopted in April 1992, was revised to reflect current terminology and practice. In addition, the title was changed to be consistent with the title of ASOP No. 43. Additional noteworthy changes include language on guidance regarding assumptions underlying the projected timing of future payments, guidance regarding ranges, and discount rates requested by another party. The comment deadline for ASOP No. 20 is May 1, 2011.

The final revision of ASOP No. 36 and the exposure draft of ASOP No. 20 both can be viewed on the ASB website.

ASOP No. 27 Approved for Exposure; ASOP No. 4 Issued for Discussion

The ASB approved ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, as an exposure draft for comment and, simultaneously, issued ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, as a discussion draft. The proposed changes in ASOP No. 27 are extensive and reflect a complete set of thoughts from the Pension Committee on such areas as prescribed assumptions, discount rates, and investment returns.

Due to challenging and diverse issues related to ASOP No. 4, the Pension Committee issued a discussion draft of the ASOP to encourage feedback and comments. Although the Committee is not committed to responding to the feedback, it intends to incorporate the feedback from the discussion draft in its work on developing more significant changes to ASOP No. 4 in 2011. The comment deadline for both drafts, which can be viewed on the ASB website, is March 31, 2011.

ASB AGENDA PROJECTS

February 2011

CASUALTY COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 36 revision (<i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>)	SE	SE	R	F	The ASB adopted a final revision of ASOP No. 36 at its December 2010 meeting. The effective date is May 1, 2011.
ASOP No. 9 repeal (<i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i>)	R	R	R	R	The ASB will review a final repeal at its March 2011 meeting to coincide with the May 1, 2011 effective date of ASOP No. 41, <i>Actuarial Communications</i> .
Risk transfer	D	D	D	D	A task force is drafting an exposure draft to be presented to the ASB in June 2011.
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claim Estimates</i>				E	The ASB approved an exposure draft at its December 2010 meeting. The comment deadline is May 1, 2011.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>				D	A task force is drafting an exposure draft to be presented to the ASB in June 2011.
GENERAL COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 41 revision (<i>Actuarial Communications</i>)	SE	R	R	F	The ASB adopted a final revision of ASOP No. 41 at its December 2010 meeting. The effective date is May 1, 2011.
Introduction to the ASOPs	R	R	R	R	The task force is reviewing comment letters and plans to present a proposed final revision to the ASB in 2011.
HEALTH COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 28 revision (<i>Compliance with Statutory Statement of Actuarial Opinion Requirements for Insurers Filing the Health Annual Financial Statement Blank</i>)	R	E	E	R	The comment period ended October 30, 2010. The Health Committee is reviewing comments received on the exposure draft and making revisions. The Committee plans to present a final revision to the ASB in June 2011.
Considerations in risk adjustment methodologies	P	P	D	D	A task force is working on an exposure draft to be presented to the ASB in March 2011.

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft
SE—Second Exposure Draft **R**—Revisions/Redrafting **F**—Final Pronouncement **DS**—Development Suspended

LIFE COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
Principles-based approach to the C-3 Phase III of life insurance risk-based capital	E	E	E	E	The ASB approved an exposure draft at its March meeting. However, the draft will not be released until the NAIC formally approves C-3 Phase III.
ASOP No. 10 revision (<i>Methods and Assumptions...in Accordance with GAAP</i>)	R	E	R	R	The comment period ended September 30, 2010. The Life Committee is reviewing comments received on the exposure draft and making revisions. The Committee plans to present a final revision to the ASB in March 2011.
ASOP on life insurance and annuity actuarial modeling			D	D	The ASB approved a Life Committee proposal to develop an ASOP on life insurance and annuity actuarial modeling. A task force is working on an exposure draft to be presented in late 2011 or early 2012.
PENSION COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	R	R	R	R	These subject areas are interrelated, in totality, and resulted in the exposure draft of ASOP No. 27 as well as proposed revisions to ASOP No. 4, and will result in a proposed new standard on risk.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	R	R	R	E	
Economic value of pension plan assets and liabilities	D	D	D	D	
Assessment and disclosure of risk	D	D	D	D	
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	PD	PD	PD	R	The subcommittee on retiree group benefits is revising ASOP No. 6 and plans to present an exposure draft to the ASB at its September 2011 meeting.
OTHER PROJECTS					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
Enterprise risk management	P	P	D	D	The task force is working on two discussion drafts in the areas of risk evaluation and risk treatment for ASB review in early 2011.

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft
SE—Second Exposure Draft **R**—Revisions/Redrafting **F**—Final Pronouncement **DS**—Development Suspended

► **Looking Ahead...**



The ASB tentatively plans to review the following drafts during its March meeting:

- Repeal of ASOP No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations* (proposed final repeal from the Casualty Committee)
- Revision of ASOP No. 10, *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with US GAAP* (proposed final revision from the Life Committee)
- Proposed new ASOP, *Health Status Based Risk Adjustment Methodologies* (proposed new ASOP from the Health Committee)

► **Meeting Schedule of the Actuarial Standards Board**



- *March 7-8*
- *June 8-9*
- *September 14-15*
- *December 15-16*

All ASB meetings are open to the public, and attendance by interested parties is encouraged. The ASB office should be notified in advance of intent to attend meetings. Unless otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C.

The Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice. These Actuarial Standards of Practice (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.

When creating or revising an ASOP the ASB

- 1. reviews and evaluates current and emerging practices;*
- 2. determines appropriate guidance;*
- 3. publishes an exposure draft to obtain input from actuaries and other interested parties;*
- 4. considers all comments received; and*
- 5. publishes a final standard or another exposure draft.*

The ASB Boxscore

Erica Kennedy
ASB Program Manager
kennedy@actuary.org

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, D.C. 20036
Phone: 202-223-8196 • Fax: 202-223-1248
www.actuarialstandardsboard.org

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