

## **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 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 [www.actuarialstandardsboard.org](http://www.actuarialstandardsboard.org).

## **ASB Reviews Proposed Risk-Based Capital Draft**

The ASB also reviewed a proposed ASOP, *Principle-Based Approach to the C-3 Component of Life Insurance Risk-Based Capital*, at its March meeting. In early 2006, the ASB and its Life Committee decided to appoint a task force to draft an actuarial standard of practice for statutory life insurance reserves established using a “principle-based approach.” While the NAIC and an American Academy of Actuaries committee, as well as other groups, were working on proposed regulations for principle-based reserves, the task force drafted text for a 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 Discusses Survey, Comments, and Principles at its Annual Planning Meeting**

At its recent Annual Planning Meeting in Saint Pete Beach, Florida, 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 AGENDA PROJECTS

March 2010

<b>CASUALTY COMMITTEE</b>					
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				The ASB approved a second exposure draft at its March meeting. <b>The comment deadline is June 30, 2010.</b>
ASOP No. 9 repeal ( <i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i> )	R				The ASB reviewed the document and had decided to defer its repeal until revisions to ASOP No. 41, <i>Actuarial Communications</i> , are finalized.
Risk transfer	D				The ASB approved the creation of a risk transfer task force in late 2009. The task force will begin discussions on the subject with plans of drafting an exposure draft to be presented to the ASB in 2011.
<b>GENERAL COMMITTEE</b>					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 41 revision ( <i>Actuarial Communications</i> )	R				The comment deadline ended March 31, 2010. The General Committee is reviewing comments received on the second exposure draft and making revisions.
<b>HEALTH COMMITTEE</b>					
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				The Health Committee drafted a revision of ASOP No. 28 and plans to present a proposed exposure draft to the ASB in June.
Considerations in risk adjustment methodologies	R				The ASB approved a proposal from the Health Committee to create a standard on considerations in the design, implementation, and maintenance of risk adjustment methodologies used in health benefit plan ratemaking. The Health Committee is currently working on a draft and plans to present an exposure draft to the ASB in late 2010.

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

<b>LIFE COMMITTEE</b>					
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				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 for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP</i> )	R				The task force is currently drafting a revision of ASOP No. 10 and plans to present a proposed exposure draft to the ASB in June.
<b>PENSION COMMITTEE</b>					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 27 revision ( <i>Selection of Economic Assumptions for Measuring Pension Obligations</i> )	R				These three subject areas are interrelated and, in totality, will result in proposed revisions to ASOP No. 27 (economic assumptions); proposed revisions to ASOP No. 4, <i>Measuring Pension Obligations</i> (measurement and value); and a proposed new standard on risk.
Economic value of pension plan assets and liabilities	D				
Assessment and disclosure of risk	D				
Assumptions regarding mortality and mortality improvement	E				The committee is awaiting comments on the exposure draft of proposed revisions to ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> that was issued in December 2009. The comment deadline is March 31, 2010.
ASOP No. 6 revision ( <i>Measuring Retiree Group Benefit Obligations</i> )	PD				The Board authorized the committee to form a subcommittee on retiree group benefit obligations. The subcommittee will continue the review of ASOP No. 6 to consider whether it should be revised for consistency with any of the pension standards, as well as whether any other revisions are needed.
<b>OTHER PROJECTS</b>					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
Introduction to the ASOPs	R				The task force is reviewing comment letters and plans to present a proposed final draft to the ASB in 2010.
Enterprise risk management	D				The task force is drafting an ASOP on ERM and plans to present an exposure draft to the ASB in 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 June meeting:

- Revision of ASOP No. 10, *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP* (exposure draft from the Life Committee)
- Revision of ASOP No. 28, *Compliance with Statutory Statement of Actuarial Opinion Requirements for Insurers Filing the Health Annual Financial Statement Blank* (exposure draft from the Health Committee)

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



- **June 7-8**
- **September 16-17**
- **December 9-10**

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**

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