

## ASB Approves New Health ASOP for Exposure

The ASB began review of a proposed new Health ASOP for exposure titled *The Use of Health Status Based Risk Adjustment Methodologies* at its recent March meeting. The new Health exposure draft will provide 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 will apply 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 will not apply to actuaries designing health status based risk adjustment models. The ASB will complete its review in April and release an exposure draft in late April or early May. The draft will be available on the ASB website.

## ASB Adopts Final Revision of ASOP No. 10

Also at its March meeting, the Actuarial Standards Board 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 American Institute of Certified Public Accountants' 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 and can be viewed on the ASB website at [www.actuarialstandardsboard.org](http://www.actuarialstandardsboard.org).

## ERM Drafts Issued for Discussion

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](mailto:discussion@actuary.org). Comments will be reviewed as they are received, but are suggested they be sent by June 15, 2011. The discussion drafts can be viewed on the ASB website.

# ASB AGENDA PROJECTS

April 2011

<b>CASUALTY COMMITTEE</b>					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
ASOP No. 9 repeal ( <i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i> )	F				The ASB repealed ASOP No. 9 at its March meeting with an effective date of May 1, 2011.
Risk transfer	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. <b>The comment deadline is May 1, 2011.</b>
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 September 2011.
<b>GENERAL COMMITTEE</b>					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
Introduction to the ASOPs	R				The task force is reviewing comment letters and preparing an exposure draft to be presented to the ASB in 2011.
<b>HEALTH COMMITTEE</b>					
Subject Area	Qtr. 2011				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 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.
<i>The Use of Health Status Based Risk Adjustment Methodologies</i>	E				The ASB will approve an exposure draft for comment in late April or early May 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

<b>LIFE COMMITTEE</b>					
<b>Subject Area</b>	<b>Qtr. 2011</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
Principles-based approach to the C-3 Phase III of life insurance risk-based capital	E				The ASB approved an exposure draft in 2010. 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> )	F				A revision of ASOP No. 10 was approved by the ASB at its March meeting with an effective date of October 15, 2011.
ASOP on life insurance and annuity actuarial modeling	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 to the ASB in late 2011 or early 2012.
<b>PENSION COMMITTEE</b>					
<b>Subject Area</b>	<b>Qtr. 2011</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
ASOP No. 4 revision ( <i>Measuring Pension Obligations</i> )	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> )	E				
Economic value of pension plan assets and liabilities	D				
Assessment and disclosure of risk	D				
ASOP No. 6 revision ( <i>Measuring Retiree Group Benefit Obligations</i> )	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.
ASOP No. 2, <i>Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88</i>	F				The ASB repealed ASOP No. 2 at its March meeting with an effective date of March 14, 2011.
<b>OTHER PROJECTS</b>					
<b>Subject Area</b>	<b>Qtr. 2011</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
Enterprise risk management	D				The task force issued a discussion draft in March 2011. <b>Comments will be reviewed as they are received, but are suggested they be sent by June 15, 2011.</b>
<i>Revision of Deviation Language...from Standards (All Practice Areas)</i>	R				The ASB is revising the Deviation document and updating all ASOPs to reflect the changes to the disclosure language. A target date of May 2011 is scheduled for release of the updated standards.

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

## ASB Repeals ASOP Nos. 2 and 9

The ASB 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* at its March meeting. 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.

### ► Looking Ahead...

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

- Revision of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities* (proposed final draft from the Health Committee)
- Revision of ASOP No. 38, *Using Models Outside the Actuary's Expertise (Property and Casualty)* (proposed exposure draft from the Casualty Committee)

### ► Meeting Schedule of the Actuarial Standards Board

- **June 8-9**
- **September 14-15**
- **December 15-16**
- **March 5-6, 2012**

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  
© 2011. All rights reserved