

Vol. 20, No. 2
May 2006

ASB Adopts Revised ASOP on Life Insurance Dividends

The ASB recently adopted a final revision of ASOP No. 15, now titled *Dividends for Individual Participating Life Insurance, Annuities, and Disability Insurance*. The ASB Life Committee, chaired by Robert Meilander, oversaw a task force chaired by Thomas Phillips, which wrote the revision.

The revised ASOP applies to actuaries performing professional services in connection with the establishment or modification of the dividend framework and the determination and illustration of dividends for individual participating life insurance, annuities, and disability insurance, including any attached participating riders and agreements.

The standard does not apply to actuaries when performing professional services with respect to illustrations of dividends subject to ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. It also does not apply to the establishment of the aggregate amount available to be distributed to policyholders as dividends (i.e., divisible surplus).

The revised ASOP is available at www.ActuarialStandardsBoard.org or with the May issue of the *Actuarial Update*. It becomes effective on August 1.

ASB Releases Second Exposure Draft on Using Models Outside the Actuary's Expertise

The ASB has released a second exposure draft of a proposed revision of ASOP No. 38, now titled *Using Models Outside the Actuary's Expertise (for All Practice Areas)*.

The draft was prepared by a task force chaired by Burton Jay under the direction of the ASB's General Committee, which writes standards that apply to actuaries in all practice areas.

The proposed ASOP applies to actuaries when performing professional services with respect to developing an actuarial work product where models that incorporate specialized knowledge outside the actuary's expertise are used. Actuaries should consider their education, training, and experience in determining whether a model is outside their expertise and whether the proposed ASOP would apply to them.

The task force considered the comment letters on the first exposure draft very carefully and significantly reorganized the second exposure draft to address commentators' concerns and suggestions.

The revised ASOP is available at www.ActuarialStandardsBoard.org or with the May issue of the *Actuarial Update*. The comment deadline is July 15.

Exposure Draft on Life Insurance Illustrations Open for Comment

The ASB has released a new exposure draft of a proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. The exposure draft was prepared by a Life Committee task force chaired by Michael Cioffi.

The proposed standard applies to actuaries when performing professional services in accordance with the National Association of Insurance Commissioners' *Life Insurance Illustrations Model Regulation*.

The exposure draft is available at www.ActuarialStandardsBoard.org or with the May issue of the *Actuarial Update*. The comment deadline is August 1.

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CASUALTY COMMITTEE ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
Property/casualty unpaid claim and claim adjustment expense estimates	E	E			The ASB approved an exposure draft in February. Comment deadline: June 30, 2006	
ASOP No. 36 revision (statements of actuarial opinion regarding property/casualty loss and loss adjustment expense reserves)	P	P			The ASB has approved a proposal to revise the standard. The Casualty Committee is currently monitoring discussions within the profession to determine whether there is consensus on key issues related to disclosure requirements.	

GENERAL COMMITTEE ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
ASOP No. 38 revision (using models outside the actuary's expertise (for all practice areas))	R	SE			The ASB approved a second exposure draft in March. Comment deadline: July 15, 2006	

HEALTH COMMITTEE ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
ASOP No. 3 revision (continuing care retirement communities)	D	D			The task force has completed a proposed exposure draft, which the ASB plans to review in June.	
ASOP No. 16 revision (actuarial practice concerning disease management programs)	D	D			The task force will present its recommendations to the ASB in June.	

LIFE COMMITTEE ■

Subject Area	Qtr. 2006				Comments
	1	2	3	4	
ASOP No. 15 revision (dividends for individual participating life insurance, annuities, and disability insurance)	R	F			The ASB adopted a final revision in March. The effective date is August 1, 2006.
ASOP No. 24 revision (compliance with the NAIC life insurance illustrations model regulation)	D	E			The ASB approved an exposure draft in April. Comment deadline: August 1, 2006
Principles-based approach reserves	PD	P			The task force is monitoring developments in regulation in this area and has begun work on a potential discussion draft.

PENSION COMMITTEE ■

Subject Area	Qtr. 2006				Comments
	1	2	3	4	
ASOP No. 4 revision (measuring pension obligations and determining pension plan costs or contributions)	R	R			The committee met in April to continue revising the draft in response to comment letters and plans to present a third exposure draft to the ASB in August.
ASOP No. 27 revision (selection of economic assumptions for measuring pension obligations)	R	R			The committee expects to present a proposed final ASOP to the ASB when the proposed revision of ASOP No. 4 approaches final adoption.
ASOP No. 35 revision (selection of demographic and other noneconomic assumptions for measuring pension obligations)	R	R			The committee expects to present a proposed final ASOP to the ASB when the proposed revision of ASOP No. 4 approaches final adoption.
Selection and use of asset valuation methods for pension valuations	TE	R			The committee is reviewing comment letters and plans to present a proposed final ASOP to the ASB in August.

OTHER PROJECTS ■

Subject Area	Qtr. 2006				Comments
	1	2	3	4	
Enterprise risk management (ERM)	PD	PD			The task force has begun work and tentatively plans to present its recommendations to the ASB in September.

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft

SE—Second Exposure Draft **TE**—Third Exposure Draft **R**—Revisions/Redrafting **F**—Final Pronouncement **DS**—Development Suspended

■ ASB Information Session

The ASB will host a two-hour information-gathering session at the American Academy of Actuaries' May 16 spring meeting to elicit feedback on the ASB's general procedures and on the ASOPs. The ASB seeks comment on a broad range of issues, including whether ASOPs provide an appropriate level of guidance; whether the exposure process can be improved; how much disclosure is appropriate when discussing prescribed assumptions or methods; and to what extent ASOPs should address concepts of other disciplines, such as accounting or financial economics. The ASB is also accepting written comments on such issues until May 31. Please visit the ASB Web site for further information and a complete list of questions.

■ Looking Ahead...

The ASB plans to discuss the following issues at its June 26–27 meeting:

- Proposed revision of ASOP No. 3, now titled *Continuing Care Retirement Communities* (exposure draft from the Health Committee)
- Recommendation to revise or withdraw ASOP No. 16, *Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans* (Health Committee)

■ Meeting Schedule of the Actuarial Standards Board

June 26–27, 2006 Aug. 29–30, 2006 Nov. 29–Dec.1, 2006 March 1–2, 2007 (Phoenix)

All ASB meetings are open to the public, and attendance by interested parties is encouraged. Except for where otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C. Please contact the ASB office for more information.

The ASB Boxscore

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Editor

Caren Clark

clark@actuary.org

Contributing Editor

Erica Kennedy

kennedy@actuary.org

Actuarial Standards Board
1100 Seventeenth Street, NW
Seventh Floor

Washington, D.C. 20036

Phone: 202-223-8196

Fax: 202-223-1248

E-mail: ASB@actuary.org

Web site: www.ActuarialStandardsBoard.org