

ASB Repeals ASOP No. 31

During the ASB's June 2009 meeting, the Board approved the repeal of ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*. ASOP No. 31 was effective in 1998 and relied heavily on Interpretative Opinion No. 3 of the *Guides and Interpretative Opinions as to Professional Conduct* of the American Academy of Actuaries. In 2002, the ASB repealed Interpretative Opinion 3: Professional Communications of Actuaries when the Board adopted ASOP No. 41, *Actuarial Communications*, which supersedes the guidance of Interpretative Opinion No. 3. ASOP No. 41 is applicable to all areas of actuarial practice and provides guidance with respect to written, electronic, or oral communications. The ASB reviewed ASOP No. 31, and concluded that the guidance in ASOP No. 31 is addressed in ASOP No. 41 and other ASOPs. The repeal went into effect on June 30, 2009 and can be viewed at www.ActuarialStandardsBoard.org.

Revision of ASOP No. 13 Adopted

The ASB recently adopted a revision of ASOP No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. The existing ASOP No. 13 was developed by the Subcommittee on Ratemaking of the Casualty Committee in July 1989. Since the promulgation of the original standard, developments in trending procedures continued, and the use of trending in non ratemaking areas became more widespread. Because of this, the subcommittee prepared the revision to reflect appropriate actuarial practice with respect to trending procedures in property/casualty insurance and to be consistent with the current ASOP format. The revision also expands guidance on the application of trend procedures beyond ratemaking to include reserving, valuations, underwriting, and marketing analyses. The revision will be effective November 1, 2009. A copy of the revision can be found on the ASB website.

Preliminary Results of ASB Survey Impressive

In May, the ASB conducted a survey of all U.S. actuaries through independent research firm, The Haefer Group, to gauge the effectiveness of the ASB's communication with members; to determine if the process of developing and reviewing ASOPs is meeting the needs of the public and the profession; and to gain insight into how the ASB is viewed within the profession. The survey yielded a 25% response rate—considered exceptional by the Haefer Group—and results are now being analyzed. The ASB will use the information gathered from the survey in conjunction with the responses from the recently issued *Request for Comments on Actuarial Standard of Practice (ASOP) Content and ASB Procedure* to get a clearer perspective on how well the ASB serves the U.S. actuarial profession. Final results of the survey are due in August.

ASB Remembers David R. Kass



On May 21st, the ASB mourned the passing of its member David R. Kass, who served on the Board for two years as a pension expert. Mr. Kass was president and founder of the actuarial consulting firms David R. Kass & Company and, previously, Kass, German & Company. His clients included the American Greetings Corporation, the Catholic Diocese of Cleveland, and Fisher Foods. He also worked for Johnson & Higgins of Ohio for three years. Mr. Kass was a charter member of the American Academy of Actuaries and also served as a member of the Academy's Pension Committee from 1990-2007. He was a federally enrolled actuary and, in recent years, provided expert testimony before the Federal Energy Regulatory Commission. He is survived by his wife, Carole; two daughters; one son; and two grandchildren. Contributions are suggested to Princeton University or Opera Cleveland. *Source: Cleveland Jewish News*

Pension Committee Plans Next Steps for ASOP No. 27 and Other Projects

The ASB Pension Committee has begun work on multiple projects. The committee has begun addressing an American Academy of Actuaries' request to develop standards on the economic value of pension plans. The Academy's board of directors asked the Actuarial Standards Board in 2008 to develop standards for consistently measuring the economic value of pension plan assets and liabilities.

In addition, the Pension Committee has resumed reviewing the thirty-three comment letters received on ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. The comments were received in response to a "Request for Comments" issued by the ASB in 2008, and reflect a wide range of discussion on topics from best estimates to assumption selection.

In scoping and structuring these two projects, the committee determined that they are interrelated, in that they both affect ASOP No. 27. The committee also noted that the Academy's request could warrant review of other standards in addition to ASOP No. 27 (for example, ASOP No. 4, *Measuring Pension Obligations*). In addition, these two projects are integrally related to a third area of inquiry deemed essential by the committee: standards regarding the assessment and disclosure of risk. Accordingly, the committee's work could lead to simultaneous exposure of revisions to more than one standard, possibly including exposure of an additional new standard as well.

The committee has also begun preliminary discussions regarding standards of practice for selecting assumptions for mortality and mortality improvement, and whether existing guidance ought to be revised.

The ASB Pension Committee has begun holding quarterly meetings to address these projects, and hopes to present one or more exposure drafts to the ASB during 2010.

ASB AGENDA PROJECTS

July 2009

| CASUALTY COMMITTEE | | | | | |
|---|-----------|---|---|---|---|
| Subject Area | Qtr. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| ASOP No. 36 revision (<i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>) | E | R | | | The comment deadline ended June 15, 2009. The Subcommittee on Reserving is reviewing the comments received on the exposure draft and is working to revise the ASOP. |
| ASOP No. 9 repeal (<i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i>) | R | 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. |

| GENERAL COMMITTEE | | | | | |
|--|-----------|---|---|---|---|
| Subject Area | Qtr. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| ASOP No. 41 revision (<i>Actuarial Communications</i>) | R | R | | | The committee is currently reviewing the comments received on the exposure draft and is working to revise the ASOP. |

| HEALTH COMMITTEE | | | | | |
|---|-----------|---|---|---|---|
| Subject Area | Qtr. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| ASOP No. 31 repeal (<i>Documentation in Health Benefit Plan Ratemaking</i>) | R | F | | | The ASB repealed ASOP No. 31 at its June meeting with an effective date of June 30, 2009. |

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. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| Standards for principles-based capital for life products | D | D | | | The task force is monitoring developments in regulation in this area and has begun work on a proposed standard. |
| ASOP No. 10 revision (<i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP</i>) | D | D | | | The Board authorized the committee to create a task force to update ASOP No. 10 to make it current with regard to the changes in accounting standards. |

| PENSION COMMITTEE | | | | | |
|--|-----------|----|---|---|---|
| Subject Area | Qtr. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| ASOP No. 27 (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>) | R | R | | | The committee has determined that these three subject areas are interrelated and potentially could overlap in affecting ASOP No. 27; could affect other ASOPs in addition to ASOP No. 27 (for example., ASOP No. 4, <i>Measuring Pension Obligations</i>); and/or could lead to the creation of an additional new ASOP. The committee has begun discussions of issues arising in each of these subject areas; this includes a review of the comments received on the ASOP No. 27 "Request for Comments." |
| Economic value of pension plan assets and liabilities | PD | PD | | | |
| Assessment and disclosure of risk | | PD | | | |
| Assumptions regarding mortality and mortality improvement | | PD | | | The committee has begun a review of the guidance regarding selection of mortality assumptions contained in ASOP No. 35 (<i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i>), for the purpose of determining whether any additional or altered guidance ought to be developed regarding assumptions for mortality or mortality improvement. |

| OTHER PROJECTS | | | | | |
|---------------------------|-----------|---|---|---|---|
| Subject Area | Qtr. 2009 | | | | Comments |
| | 1 | 2 | 3 | 4 | |
| Introduction to the ASOPs | R | R | | | The task force is reviewing comment letters and plans to present a proposed final draft to the ASB in 2009. |

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 September meeting:

- Revision of ASOP No. 41, *Actuarial Communications* (proposed final standard from the General Committee)
- Revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves* (proposed final standard from the Casualty Committee)

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



- *September 21–22, 2009*
- *December 2–3, 2009*
- *March 8-9, 2010*

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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