

ASB Approves Exposure Draft of ASOP No. 10 Revision

At its June meeting, the ASB approved an exposure draft of a revision of ASOP No. 10, now titled *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP*. ASOP No. 10 was revised in 2000 to reflect further GAAP developments. Since 2000, several AICPA 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 by SFAS 157, *Fair Value Measurements*. As a result of these developments, the ASB authorized another update to ASOP No. 10. In this update, interpretations of various SFAS, SOP and other forms of GAAP literature have been removed and the standard is now focused on those activities for which actuaries are most directly responsible. The exposure draft is available for comment until September 30, 2010 and can be viewed on the ASB website.

ASB Approves Exposure Draft of ASOP No. 28 Revision

The ASB approved an exposure draft of a revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Liabilities*, at its June meeting. The revisions were made in consideration of the development of the Health Annual Statement Blank (successor to both the Health Service Company Blank and the Health Maintenance Organization Blank) and the revised health actuarial opinion instructions approved by the NAIC Blanks (E) Working Group in June 2009. The revision now encompasses all statements of actuarial opinion regarding health plan liabilities. The exposure draft is available for comment until October 30, 2010 and can be viewed at www.actuarialstandardsboard.org.

General Committee Provides Update on ASOP No. 41

The ASB General Committee presented a progress report to the ASB in June regarding issues that arose from the second exposure draft of ASOP No. 41, *Actuarial Communications*. Of the 37 comment letters received, the four most common issues raised by commentators were in regards to actuarial reports; definitions; the repeal of ASOP No. 9; and inconsistencies with ASOP No. 4. The General Committee plans to provide an updated draft to the Board at its September 2010 meeting reflecting edits made in these areas to determine if a third exposure draft is needed.

ERM Task Force to Explore Insurance Areas

The Enterprise Risk Management Task Force presented a proposal to the ASB recommending that the ASB authorize the development of a series of new standards specifically related to ERM practices for insurance organizations. They did not feel that changes to existing ASOPS regarding ERM could be made efficiently. The Board recommended the ERM Task Force submit proposals to begin developing standards in the areas of risk evaluation and risk treatment that could be used by actuaries to support ERM activities, and present drafts to the Board at its September meeting.

ASB AGENDA PROJECTS

July 2010

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			The ASB approved a second exposure draft at its March meeting. The comment deadline was June 30, 2010.
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.
Risk transfer	D	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.
GENERAL COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 41 revision (<i>Actuarial Communications</i>)	SE	R			The comment period ended March 31, 2010. The General Committee is reviewing comments received on the second exposure draft and making revisions.
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			The ASB approved an exposure draft at its June meeting. The comment deadline is October 30, 2010.
Considerations in risk adjustment methodologies	R	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

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			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	E			The ASB approved an exposure draft at its June meeting. The comment deadline is September 30, 2010.
PENSION COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	R	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	D			
Assessment and disclosure of risk	D	D			
Assumptions regarding mortality and mortality improvement	E	R			The committee is evaluating 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> , which was issued in December 2009.
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	PD	PD			A subcommittee looking at retiree group benefit obligations was formed. The subcommittee will review 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.
OTHER PROJECTS					
Subject Area	Qtr. 2010				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 2010.
Enterprise risk management	P	P			The task force is drafting two proposals in the areas of risk evaluation and risk treatment, which will be presented to the Board at its September meeting.

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. 2, *Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88* (exposure draft from Pension Committee)
- Revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* (second exposure draft from Pension Committee)
- Revision of ASOP No. 41, *Actuarial Communications* (third exposure draft from the General Committee)

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



- *September 16-17*
- *December 9-10*
- *March 7-8, 2011*
- *June 8-9, 2011*

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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