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ASB Adopts Revision of ASOP No. 11

During the ASB's June meeting, the ASB adopted the final revision of ASOP No. 11, *Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance*, which was prepared by a task force chaired by Allan Ryan.

ASOP No. 11 applies to actuaries when performing professional services in connection with preparing, reviewing, or analyzing financial statement items that reflect reinsurance ceded or reinsurance assumed on life insurance (including annuities) or health insurance.

The revised ASOP becomes effective for actuarial services performed in connection with financial statements for periods beginning on or after January 1, 2006 and is available at www.ActuarialStandardsBoard.org or with the August issue of the *Actuarial Update*.

Actuarial Appraisals ASOP Adopted

The ASB adopted a revision of ASOP No. 19, *Appraisals of Casualty, Health, and Life Insurance Businesses*, which a task force chaired by Charles Carroll prepared.

The revised ASOP applies to actuaries when performing professional services with respect to appraisals of casualty, health, and life insurance businesses, such as insurance companies or HMOs, collections of policies or contracts in force that cover insurance risk, or distribution systems that sell such policies or contracts.

The revised ASOP becomes effective on November 1, 2005 and is available at www.ActuarialStandardsBoard.org or with the August issue of the *Actuarial Update*.

ASB Plans to Strengthen ASOP on Property/Casualty Reserve Opinions

The ASB has approved a proposal from the Casualty Actuarial Society (CAS) to revise ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*.

The proposal recommended that the ASB strengthen the disclosure section of ASOP No. 36 in order to require that the actuary (1) identify differences, if any, that exist between management's "best estimate" of the loss and loss adjustment expense reserves as of a valuation date and the actuary's "best estimate" of the reserve need as of that valuation date within the statement of actuarial opinion; and (2) summarize changes in the actuary's estimates from one period to the next, including discussion of significant factors underlying the changes.

An initial survey of the Casualty Actuarial Society's Member Advisory Panel indicated support for such disclosure.

The ASB does not anticipate making an extensive revision of the rest of the ASOP but may update portions to reflect the typical format and wording of recent ASOPs. The ASB Casualty Committee will prepare an exposure draft for the ASB to consider later this year.

Property/casualty actuaries showed great interest in ASOP No. 36 during its original development; the standard underwent three exposure drafts and a public hearing before its adoption in 1999.

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CASUALTY COMMITTEE ■					
Subject Area	Qtr. 2005				Comments
	1	2	3	4	
Property/casualty claim liability estimates	D	D	D		The ASB discussed a proposed exposure draft in June but did not finish its review. The Casualty Committee plans to present the draft again in September.
ASOP No. 36 revision (statements of actuarial opinion regarding property/casualty loss and loss adjustment expense reserves)	-	-	P		The ASB approved a proposal to revise the standard. The Casualty Committee plans to present the draft to the ASB in September.

GENERAL COMMITTEE ■					
Subject Area	Qtr. 2005				Comments
	1	2	3	4	
ASOP No. 12 revision (risk classification for all practice areas)	E	R	R		The task force continues to review comment letters and revise the draft in response. The General Committee plans to present a final ASOP to the ASB in December.
ASOP No. 38 revision (using models outside the actuary's expertise for all practice areas)	R	R	R		The task force is revising the draft and the General Committee plans to present a second exposure draft to the ASB in December.

HEALTH COMMITTEE ■					
Subject Area	Qtr. 2005				Comments
	1	2	3	4	
ASOP No. 3 revision (continuing care retirement communities)	D	D	D		The task force is preparing a proposed exposure draft, which the Health Committee plans to present to the ASB in December.
ASOP No. 8 revision (regulatory filings for health plan entities)	E	R	R		The task force is reviewing comment letters on the exposure draft. The Health Committee plans to present a final ASOP in December.
ASOP No. 16 revision (actuarial practice concerning disease management programs)	-	P	D		A task force has been formed, and the Health Committee plans to present an exposure draft to the ASB in 2006.

LIFE COMMITTEE ■

Subject Area	Qtr. 2005				Comments
	1	2	3	4	
ASOP No. 11 revision (financial statement treatment of reinsurance transactions involving life or health insurance)	SE	R	F		The ASB adopted a final revision in June. The revised ASOP becomes effective for actuarial services performed in connection with financial statements for periods beginning on or after January 1, 2006.
ASOP No. 15 revision (dividend determination)	D	E	E		The ASB approved an exposure draft at its March meeting. Comment deadline: September 30
ASOP No. 19 revision (appraisals of casualty, health, and life insurance businesses)	R	R	F		The ASB adopted a final revision in June. The revised ASOP becomes effective on November 1, 2005.
ASOP No. 24 revision (compliance with the NAIC life insurance illustrations model regulation)	D	D	D		The task force is preparing a proposed exposure draft, which the Life Committee plans to present to the ASB in September.

PENSION COMMITTEE ■

Subject Area	Qtr. 2005				Comments
	1	2	3	4	
ASOP No. 4 revision (measuring pension obligations and determining pension plan costs or contributions)	R	SE	SE		The ASB approved a second exposure draft at its March meeting. Comment deadline: October 31
ASOP No. 27 revision (selection of economic assumptions for measuring pension obligations)	-	E	E		The ASB approved an exposure draft at its March meeting. Comment deadline: October 31
ASOP No. 35 revision (selection of demographic and other noneconomic assumptions for measuring pension obligations)	-	E	E		The ASB approved an exposure draft at its March meeting. Comment deadline: October 31
Selection of asset valuation methods	R	R	R		The committee is completing its review of comment letters and plans to present a final ASOP or third exposure draft in September.

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

■ Exposure Drafts Open for Comment

The ASB welcomes your feedback on the following proposed standards:

- Proposed revision of ASOP No. 15, *Dividends for Individual Participating Life Insurance, Annuities, Disability Insurance, and Long-Term Care Insurance* (Comment deadline: September 30, 2005)
- Proposed Revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (Second exposure draft) (Comment deadline: October 31, 2005)
- Proposed Revision of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* (Comment deadline: October 31, 2005)
- Proposed Revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* (Comment deadline: October 31, 2005)

■ Looking Ahead...

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

- Proposed ASOP, *Property/Casualty Claim Liability Estimates* (exposure draft from the Casualty Committee)
- Proposed revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves* (exposure draft from the Casualty Committee)
- Proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (exposure draft from the Life Committee)
- Proposed ASOP, *Selection and Use of Asset Valuation Methods* (from the Pension Committee)

■ Meeting Schedule of the Actuarial Standards Board

Aug. 31–Sept. 1, 2005 Dec. 12–14, 2005 Feb. 28–March 1, 2006 (Orlando) June 5–6, 2006

All ASB meetings are open to the public, and attendance by interested parties is encouraged. Unless 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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