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ASB Approves Proposal for New ASOP on Risk Transfer

During the ASB's June meeting, the ASB approved a proposal to develop a new ASOP on risk transfer.

Risk transfer has become a key element in financial reporting in recent years. Actuaries may be called upon to address questions about whether risk transfer exists in certain situations. At present, however, actuaries have no ASOPs to provide guidance on the subject.

The proposed ASOP would provide guidance about the steps actuaries should consider when determining the existence or extent of risk transfer in a given situation and might also provide guidance about how such matters could be resolved.

The ASB intends to create a new task force under the Casualty Committee that includes representatives from the life and health practice areas to develop an exposure draft.

ASOP on CCRCs to be Revised

Also in June, the ASB began to review a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities*, which was prepared by a task force chaired by Molly Shaw under the Health Committee. The ASB did not finish reviewing the proposed revision and intends to continue discussion at its next meeting on August 23–25.

The Interim Actuarial Standards Board originally adopted ASOP No. 3 in 1987, and the ASB last updated the standard in 1994. The proposed revision is intended to reflect the evolution in practice since then and to reflect the current style and format of ASOPs.

ASB Holds Information Session

The ASB held a public information-gathering session on May 16 to obtain feedback regarding the ASOPs and the ASB's general procedures. ASB chairperson Cecil Bykerk moderated the session. Speakers David Kass and Mark Ruloff made presentations that were followed by questions and answers with the audience. Several people later submitted written comments to the ASB. The ASB is grateful for the participation and feedback and hopes to hold similar sessions at various meetings later this year.

Annual Report Highlights ASOP Projects

In 2005, the ASB released five exposure drafts for comment and adopted four final revised ASOPs. The *2005 Annual Report of the Actuarial Standards Board* discusses these projects and summarizes the development of ASOPs by subject area; it also contains a financial summary of the ASB. The Annual Report is available on the ASB's Web site at <http://ActuarialStandardsBoard.org>.

Are Your ASOPs Up-to-Date?

The ASB recommends that actuaries review their standards library several times each year to make sure all ASOPs are current. The latest Table of Contents of the Standards Library contains the current document numbers for all ASOPs and is also a quick reference guide to which ASOPs commonly apply in each practice area. It is available at the ASB Web site.

August 2006

CASUALTY COMMITTEE ■					
Subject Area	Qtr. 2006				Comments
	1	2	3	4	
Property/casualty unpaid claim and claim adjustment expense estimates	E	E	R		The comment deadline on the exposure draft was June 30. The subcommittee is currently reviewing comments and revising the draft in response. It hopes to present a new draft to the ASB in late 2006 or early next year.
ASOP No. 36 revision (statements of actuarial opinion regarding property/casualty loss and loss adjustment expense reserves)	P	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	R		The comment deadline on the second exposure draft was July 15. The task force is currently reviewing comments and revising the draft in response. It hopes to present a new draft to the ASB in December.

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

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	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	E		The ASB approved an exposure draft in April. Comment deadline: August 1, 2006
Principles-based approach reserves	PD	P	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	R		The committee 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	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	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	R		The committee plans to present a fourth exposure draft to the ASB in August.

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

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

■ ASOP No. 15 Revision Now Effective

A final revision of ASOP No. 15, *Dividends for Individual Participating Life Insurance, Annuities, and Disability Insurance*, became effective on August 1, 2006.

The 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. It is available at http://ActuarialStandardsBoard.org/pdf/asops/asop015_102.pdf.

■ Looking Ahead...

The ASB tentatively plans to review the following documents at its August 23–25 meeting:

- Proposed revision of ASOP No. 3, *Continuing Care Retirement Communities* (exposure draft)
- Proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (third exposure draft)
- Proposed ASOP, *Selection and Use of Asset Valuation Methods for Pension Valuations* (fourth exposure draft)

■ Meeting Schedule of the Actuarial Standards Board

August 23–25, 2006 (Philadelphia)

November 29–December 1, 2006

March 1–2, 2007 (Phoenix)

June 27–28, 2007

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 at asb@actuary.org 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