

ASB Adopts Final ASOP No. 35 Revision

At its September meeting, the Actuarial Standards Board adopted a final revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. The ASB adopted ASOP No. 35 in 1999 as one of several standards designed to provide guidance on key elements in measuring pension obligations. The Board first revised ASOP No. 35 in 2007 to conform with simultaneous revisions made to ASOP No. 4, *Measuring Pension Obligations*. However, as mortality rates continued to decline over time, concern increased about the impact of potential future mortality improvements on the magnitude of pension commitments. Therefore, the ASOP underwent another revision to provide further guidance with respect to mortality improvement, clarify language regarding disclosures, and to conform to current ASOP format. The standard will be effective for any actuarial valuation with a measurement date on or after June 30, 2011. The revision can be viewed on the ASB website at www.actuarialstandardsboard.org.

ASB Approves Exposure Draft of ASOP No. 2 Repeal

The ASB approved an exposure draft of a repeal of ASOP No. 2, *Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88*. ASOP No. 2 was issued by the Interim Actuarial Standards Board in 1987 in response to the promulgation of what were then known as Statements of Financial Accounting Standards Nos. 87 and 88. The methodology in those accounting statements was controversial at that time and the profession needed guidance as to how to respond. However, after the ASB Pension Committee reviewed ASOP No. 2 and compared its six sections to ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, it concluded that ASOP No. 2 was redundant with ASOP No. 4, and should be repealed to avoid confusion. The exposure draft is available for comment until November 30, 2010 and can be viewed at the ASB website.

ASOP No. 41 Returned to General Committee for Further Revision

The ASB also reviewed a proposed final revision of ASOP No. 41, *Actuarial Communications*, at its September meeting. In December 2009, the ASB approved a second exposure draft of a revised ASOP No. 41, reflecting significant modifications of the first draft. Thirty-seven comment letters were received in response. The proposed final revision reflected clarification to the guidance within the standard, in particular to recognize that in some internal and informal settings complete disclosure of all applicable supporting information is neither practical nor necessary. Accordingly, section 3.3, Specific Circumstances, was moved to section 3.5 and expanded to provide guidance in these situations. The ASB returned the draft to the General Committee to make further revisions to the proposed language in this section and will review the draft again at its December 2010 meeting.

ASB AGENDA PROJECTS

October 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	R		The Casualty Committee is revising the draft in response to comments received and will present a proposed final revision to the ASB at its December 2010 meeting.
ASOP No. 9 repeal (<i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i>)	R	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	D		A task force is working on an exposure draft to be presented to the ASB in June 2011.
GENERAL COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 41 revision (<i>Actuarial Communications</i>)	SE	R	R		The General Committee is revising the draft and will present a proposed final revision to the ASB at its December 2010 meeting.
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	E		The ASB approved an exposure draft at its June meeting. The comment deadline is October 30, 2010.
Considerations in risk adjustment methodologies	P	P	D		A task force is working on an exposure draft to be presented to the ASB in March 2011.

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	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...in Accordance with GAAP</i>)	R	E	R		The Life Committee is revising the draft in response to comments received and will present a proposed final revision to the ASB at its December 2010 meeting.
ASOP on life insurance and annuity actuarial modeling			D		The ASB approved a Life Committee proposal to develop an ASOP on life insurance and annuity actuarial modeling. A task force is working on an exposure draft to be presented in late 2011 or early 2012.
PENSION COMMITTEE					
Subject Area	Qtr. 2010				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	R	R	R		These 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.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	R	R	R		
Economic value of pension plan assets and liabilities	D	D	D		
Assessment and disclosure of risk	D	D	D		
Assumptions regarding mortality and mortality improvement	E	R	F		A revision of ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> , was finalized and approved by the ASB in September 2010 with an effective date of June 30, 2011.
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	PD	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	R		The task force is reviewing comment letters and plans to present a proposed final revision to the ASB in 2011.
Enterprise risk management	P	P	D		The task force drafted two proposals in the areas of risk evaluation and risk treatment, and presented them to the Board at its September meeting. The task force is working on a discussion draft for review in early 2011.

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 December meeting:

- Revision of ASOP No. 10, *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with US GAAP* (proposed final revision from the Life Committee)
- Revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves* (proposed final revision from the Casualty Committee)
- Revision of ASOP No. 41, *Actuarial Communications* (proposed final revision from the General Committee)

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



- *December 9-10*
- *March 7-8, 2011*
- *June 8-9, 2011*
- *September 14-15, 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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