

ASB Adopts Final Revision of ASOP No. 20

At its September meeting, the Actuarial Standards Board adopted a final revision of ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates*. ASOP No. 20 was originally adopted by the ASB in April 1992. The ASB charged the Casualty Committee in 2010 with preparing a revision to reflect current terminology and practice, and to provide more consistency with the language in ASOP No. 43, *Property/Casualty Unpaid Claim Estimates*. The effective date for the ASOP No. 20 revision is January 1, 2012. The final revision can be viewed on the ASB website at www.actuarialstandardsboard.org.

ASB Approves Exposure of ASOP No. 38

The ASB also approved a revised version of ASOP No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)*, during its September meeting. ASOP No. 38 was first adopted by the ASB in June 2000. Subsequent to this adoption, the ASB created a task force under the General Committee to consider expanding the scope of the ASOP to all practice areas. The ASB released the first exposure draft expanding the scope to all practice areas in October 2003 and received twenty-six comment letters. The second exposure draft incorporated several changes as a result of these comments and was released in March 2006. As a result of the comments received on the second exposure draft, the ASB referred the item back to the Casualty Committee to maintain ASOP No. 38 as a standard applicable only to the Casualty practice area. The ASB also instructed the Casualty Committee to update ASOP No. 38 to reflect current terminology and practice, and consider the suggested changes from the General Committee. The comment deadline for the ASOP No. 38 exposure draft is January 16, 2012.

ASB Approves Two Life Committee Proposals

The ASB approved two Life Committee proposals during its September meeting. The first proposal addresses the need for a standard that will provide guidance to actuaries providing professional services associated with the life settlements market. In particular, it will provide guidance to those actuaries when valuing policies and when reporting results of those valuations, including historical reports. The proposal was submitted on behalf of the Life Settlements Investor Guide Work Group of the Academy.

The second proposal was received by ASB request for the Life Committee to review ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*, with the purpose of considering whether the ASOP should be expanded, or a new ASOP be written, for application to life insurance and annuities. The Life Committee recommended that the ASOP be expanded to incorporate additional practice areas, and the Board agreed that a multi-discipline task force should be formed under the direction of the General Committee to begin drafting an exposure draft. The exposure draft would be presented to the ASB in late 2012.

October 2011

CASUALTY COMMITTEE					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
Risk transfer	D	D	D		A task force is drafting an exposure draft to be presented to the ASB in late 2012.
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claim Estimates</i>	E	R	F		The ASB adopted a final revision at its September 2011 meeting with an effective date of January 1, 2012.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>	D	D	E		The ASB approved an exposure draft at its September 2011 meeting. The comment deadline is January 16, 2012.
GENERAL COMMITTEE					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
Introduction to the ASOPs	R	R	R		The task force is revising the Introduction and will present an exposure draft to the ASB in December 2011.
HEALTH COMMITTEE					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
<i>The Use of Health Status Based Risk Adjustment Methodologies</i>	E	E	E		The ASB approved an exposure draft in March 2011 with a July 31, 2011 comment deadline. The task force is reviewing comments and plans to present a proposed final ASOP to the ASB in January 2012.
Regulatory Filings			D		The task force is drafting an exposure draft for presentation to the ASB in March 2012.
Medicaid Rate Steering and Certification			D		The task force is drafting an exposure draft for presentation to the ASB in March 2012.

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft **DD**—Discussion Draft
SE—Second Exposure Draft **R**—Revisions/Redrafting **F**—Final Pronouncement **DS**—Development Suspended

LIFE COMMITTEE					
Subject Area	Qtr. 2011				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 in 2010. However, the draft will not be released until the NAIC formally approves C-3 Phase III.
ASOP on life insurance and annuity actuarial modeling	D	D	DD		The ASB approved a proposal to develop an ASOP on life insurance and annuity actuarial modeling. A task force is preparing a discussion draft to be presented to the ASB in December 2011.
ASOP No. 25, <i>Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages</i>			P		The ASB approved a proposal to revise the ASOP for application to all practice areas. A task force is being formed.
Mortality assumptions			P		The ASB approved a proposal to develop an ASOP on mortality assumptions for the life settlement market. A task force is being formed.
PENSION COMMITTEE					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	R	R	R		These subject areas are interrelated, in totality, and resulted in the exposure draft of ASOP No. 27 as well as proposed revisions to ASOP No. 4, and will result in a proposed new standard on risk. Revisions of ASOP Nos. 4 and 27 will be presented to the ASB at its December 2011 meeting. The discussion draft on “risk” will be presented to the ASB in March 2012.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	E	E	E		
Economic value of pension plan assets and liabilities	D	D	D		
Assessment and disclosure of risk	D	D	D		
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	D	D	D		The subcommittee on retiree group benefits is drafting a revision and plans to present an exposure draft to the ASB at its December 2011 meeting.
OTHER PROJECTS					
Subject Area	Qtr. 2011				Comments
	1	2	3	4	
Enterprise risk management	DD	DD	DD		The task force issued a discussion draft in March 2011 and plans to present an exposure draft to the ASB in January 2012.

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft **DD**—Discussion 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. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (proposed exposure draft from the Pension Committee)
- Revision of ASOP No. 6, *Measuring Retiree Group Benefit Obligations* (proposed exposure draft from the Pension Committee)
- Revision of ASOP No. 27, *Using Selection of Economic Assumptions for Measuring Pension Obligations* (proposed final revision from the Pension Committee)
- Revision of *Introduction to the Actuarial Standards of Practice* (proposed exposure draft from the General Committee)

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



- ***December 15-16***
- ***January 25-27 (Combined ASB/Planning Meeting - Sarasota, Florida)***
- ***March 5-6, 2012***
- ***June 6-7, 2012***

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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