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## **ASB Approves Third Exposure Draft on Asset Valuation Methods**

**D**uring the ASB's third-quarter meeting, the board approved the third exposure draft of a proposed ASOP titled *Selection and Use of Asset Valuation Methods for Pension Valuations*. The ASB Pension Committee, chaired by Phillip Romello, prepared the draft.

The proposed ASOP applies to actuaries performing professional services with respect to selecting or using an asset valuation method for any defined benefit pension plan that is not a social insurance program.

The committee made a number of changes in response to comments on the previous draft and believed that re-exposure would be appropriate.

The comment letters on the first exposure draft revealed that actuaries are divided on the use of asset valuation methods. Some actuaries believe that the standard should require the use of market value of assets as the only appropriate value for any pension measurement. Other actuaries believe that asset valuation methods other than market value can be used appropriately, depending on the purpose, nature, and scope of the assignment.

The second exposure draft reflected the committee's conclusion that the use of market value and the use of asset valuation methods other than market value are both generally accepted actuarial practices. The second exposure draft accommodated certain practices provided they are appropriately disclosed.

The comment letters on the second exposure draft indicated that this new emphasis on disclosure was appropriate, but some commentators believed that the second exposure draft showed an inappropriate preference

towards market value. In the third exposure draft, some of the considerations that previously applied only to methods other than market value now also apply to market value. The committee hopes that the third exposure draft strikes an appropriate balance between the prior drafts with respect to representing generally accepted practice.

The exposure draft is available at [www.ActuarialStandardsBoard.org](http://www.ActuarialStandardsBoard.org) or with the November issue of the *Actuarial Update*. The comment deadline is February 28, 2006.

## **ASB Discusses Proposed Actions**

**T**he ASB discussed several administrative and professionalism matters during its recent meeting. The ASB is currently considering developing a task force to draft standards related to enterprise risk management and is likely to reach a formal decision later this year.

The ASB also expects to hold a public hearing in 2006 in order to hear opinions about the ASB's general role in setting actuarial standards of practice. More information will be provided as it becomes available.

The ASB began to review a proposed ASOP titled *Property/Casualty Unpaid Claim and Claim Adjustment Expense Estimates*. The ASB plans to continue its discussion of the proposed exposure draft at a future date.

## **ASB Launches Electronic Alert List**

**T**he ASB has created a new electronic notification list that anyone can join. The "ASB Alert" will inform list members several times each year about newly released exposure drafts or final ASOPs and provide links to those documents. To join, please send a request with your full name to [asbrequests@actuary.org](mailto:asbrequests@actuary.org) or contact the ASB office at (202) 223-8196.

## November 2005

<b>CASUALTY COMMITTEE ■</b>						
Subject Area	Qtr. 2005				Comments	
	1	2	3	4		
Property/casualty unpaid claim and claim adjustment estimates	D	D	D	D	The ASB discussed a proposed exposure draft in August but did not finish its review. The Casualty Committee plans to present the draft again in the coming months.	
ASOP No. 36 revision (statements of actuarial opinion regarding property/casualty loss and loss adjustment expense reserves)	-	-	P	P	The ASB approved a proposal to revise the standard. The Casualty Committee is currently gathering more input from the profession. The ASB will hear a status report regarding this project in December.	

<b>GENERAL COMMITTEE ■</b>						
Subject Area	Qtr. 2005				Comments	
	1	2	3	4		
ASOP No. 12 revision (risk classification for all practice areas)	E	R	R	R	The General Committee plans to present a proposed 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	R	The General Committee plans to present a proposed second exposure draft to the ASB in December.	

<b>HEALTH COMMITTEE ■</b>						
Subject Area	Qtr. 2005				Comments	
	1	2	3	4		
ASOP No. 3 revision (continuing care retirement communities)	D	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	R	The Health Committee plans to present a proposed final ASOP in December.	
ASOP No. 16 revision (actuarial practice concerning disease management programs)	-	P	D	D	The task force has begun drafting and will prepare a proposed exposure draft for the ASB to review in 2006.	

## LIFE COMMITTEE ■

Subject Area	Qtr. 2005				Comments
	1	2	3	4	
ASOP No. 15 revision (dividend determination)	D	E	E	R	The comment period expired on September 30. The task force is reviewing comment letters and revising the draft in response.
ASOP No. 24 revision (compliance with the NAIC life insurance illustrations model regulation)	D	D	D	D	The Life Committee plans to present to a proposed exposure draft to the ASB in February 2006.

## 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	R	The comment period expired on October 31. The committee is reviewing comment letters and revising the draft in response.
ASOP No. 27 revision (selection of economic assumptions for measuring pension obligations)	-	E	E	R	The comment period expired on October 31. The committee is reviewing comment letters and revising the draft in response.
ASOP No. 35 revision (selection of demographic and other noneconomic assumptions for measuring pension obligations)	-	E	E	R	The comment period expired on October 31. The committee is reviewing comment letters and revising the draft in response.
Selection and use of asset valuation methods for pension valuations	R	R	R	TE	The ASB approved a third exposure draft in September. <b>Comment deadline: February 28, 2006</b>

*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

## ■ Learn More about U.S. Actuarial Professionalism

The Council on Professionalism of the American Academy of Actuaries published an informative document titled *Structural Framework of U.S. Actuarial Professionalism*, which is an expanded and recast version of the preface that formerly accompanied the actuarial standards of practice. The document explains how such professionalism resources as ASOPs, the *Qualification Standards*, and the *Code of Professional Conduct* fit together and broadly discusses key professionalism issues. The *Structural Framework* offers insights on why professions have standards of practice and also provides a helpful context in which to apply ASOPs. The document is available online at [http://www.actuary.org/pdf/prof/framework\\_04.pdf](http://www.actuary.org/pdf/prof/framework_04.pdf).

## ■ Looking Ahead...

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

- Proposed revision of ASOP No. 3, *Continuing Care Retirement Communities* (exposure draft from the Health Committee)
- Proposed revision of ASOP No. 8, *Regulatory Filings for Health Plan Entities* (final ASOP from the Health Committee)
- Proposed revision of ASOP No. 12, *Risk Classification for All Practice Areas* (final ASOP from the General Committee)
- Proposed revision of ASOP No. 38, *Using Model's Outside the Actuary's Expertise for All Practice Areas* (second exposure draft from the General Committee)

## ■ Meeting Schedule of the Actuarial Standards Board

Dec. 12–14, 2005    Feb. 28–March 1, 2006 (Orlando)    June 14–15, 2006    Aug. 29–30, 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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