

ASB Approves Second Exposure Draft of ASOP No. 41 Revision

The ASB approved a second exposure draft of ASOP No. 41, *Actuarial Communications*, at its December meeting. In September 2008 the ASB approved the first exposure draft of a revised ASOP No. 41 and received twenty-three comment letters. Although a majority of the commentators were supportive of the effort to revise the ASOP, some indicated that the first draft was unclear as to when an actuarial report needed to be issued and had some deficiencies in regards to oral communication, and various other areas. The ASB has reviewed the comments and redrafted the ASOP. It feels a second exposure is warranted. The second exposure draft is available for comment until March 31, 2010 and can be viewed at www.actuarialstandardsboard.org.

ASB Approves Exposure Draft of ASOP No. 35 Revision

The ASB approved an exposure draft of a proposed revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, at its December meeting. The proposed changes only affect assumptions regarding mortality and mortality improvement. The exposure draft states that if a mortality assumption is used, the actuary should include an assumption as to future mortality improvement. It also provides examples of methods of incorporating mortality improvement. The disclosure of the mortality assumption now includes a description of the provision made for future mortality improvement.

The revision is proposed to be effective for actuarial valuations with measurement dates on or after June 30, 2011. The delayed effective date was chosen in recognition of the forward planning process used by many plan sponsors in budgeting pension costs. The exposure draft can be viewed at www.actuarialstandardsboard.org.

ASB Approves New Life Proposal and ERM Task Force

The ASB approved two new proposals in December. The ASB Life Committee presented a proposal on the construction and use of life insurance and annuity models. The standard would provide guidance to the actuary in such areas as a) selecting, designing, developing or modifying an appropriate model, b) validating the model, c) choosing assumptions, d) illustrating uncertainty, and e) establishing appropriate modeling governance and controls. The Life Committee plans to present an exposure draft to the ASB in late 2011.

In addition, the ASB approved a Task Force on Enterprise Risk Management (ERM) to begin assembling a document that clarifies all of the existing standards that apply to ERM work, and to identify additional specific areas of ERM practice (if any) where future standards might be developed. In addition, the task force will consider developing a proposal to draft one or more of the identified standards. The task force plans to present its initial report to the ASB in June.

ASB AGENDA PROJECTS

December 2009

CASUALTY COMMITTEE					
Subject Area	Qtr. 2009				Comments
	1	2	3	4	
ASOP No. 36 revision (<i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>)	E	R	R	R	The comment deadline ended June 15, 2009. The Subcommittee on Reserving is reviewing the comments received on the exposure draft, working to revise the ASOP, and planning to present a second exposure draft to the ASB in March.
ASOP No. 9 repeal (<i>Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations</i>)	R	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	The ASB approved the creation of a risk transfer task force in late 2009. The task force will begin discussions on the subject with plans of drafting an exposure draft to be presented to the ASB in 2011.
GENERAL COMMITTEE					
Subject Area	Qtr. 2009				Comments
	1	2	3	4	
ASOP No. 41 revision (<i>Actuarial Communications</i>)	R	R	R	SE	The ASB approved a second exposure draft at its December meeting. The comment deadline is March 31, 2010.
HEALTH COMMITTEE					
Subject Area	Qtr. 2009				Comments
	1	2	3	4	
ASOP No. 28			R	R	The ASB approved a proposal from the Health Committee to revise ASOP No. 28. The Health Committee plans to present an exposure draft to the ASB in June.
Considerations in risk adjustment methodologies			P	R	The ASB approved a proposal from the Health Committee to create a standard on considerations in the design, implementation, and maintenance of risk adjustment methodologies used in health benefit plan ratemaking. The Health Committee is currently working on a draft and plans to present an exposure draft to the ASB in late 2010.

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. 2009				Comments
	1	2	3	4	
Standards for principles-based capital for life products	D	D	D	D	The task force is monitoring developments in regulation in this area and has begun work on a proposed standard. The task force plans to present an exposure draft to the ASB in March.
ASOP No. 10 revision (<i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP</i>)	D	D	D	D	The Board authorized the committee to create a task force to update ASOP No. 10 to make it current with regard to the changes in accounting standards. The task force is currently drafting the proposed ASOP and plans to present a draft to the ASB in September.

PENSION COMMITTEE					
Subject Area	Qtr. 2009				Comments
	1	2	3	4	
ASOP No. 27 (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	R	R	R	R	The committee has determined that these three subject areas are interrelated and potentially could overlap in affecting ASOP No. 27; could affect other ASOPs in addition to ASOP No. 27 (for example., ASOP No. 4, <i>Measuring Pension Obligations</i>); and/or could lead to the creation of an additional new ASOP. The committee is discussing issues arising in each of these subject areas; this includes a review of the comments received on the ASOP No. 27 "Request for Comments."
Economic value of pension plan assets and liabilities	PD	PD	PD	PD	
Assessment and disclosure of risk		PD	PD	PD	
Assumptions regarding mortality and mortality improvement		PD	PD	E	The committee presented a revision of ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> , to the Board at its December meeting, and the ASB approved an exposure draft. The comment deadline is March 31, 2010.
ASOP No. 6 (<i>Measuring Retiree Group Benefit Obligations</i>)			PD	PD	The Board authorized the committee to form a subcommittee on retiree group benefit obligations. The subcommittee will continue the review of 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. 2009				Comments
	1	2	3	4	
Introduction to the ASOPs	R	R	R	R	The task force is reviewing comment letters and plans to present a proposed final draft to the ASB in 2010.

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 March meeting:

- Revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves* (second exposure draft from the Casualty Committee)
- Proposed ASOP, *Standards for Life-Insurance Required Capital Levels* (proposed exposure draft from the Life Committee)

► Meeting Schedule of the Actuarial Standards Board

- **March 8-9**
- **June 7-8**
- **September 16-17**
- **December 9-10**

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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