

ASB Approves ERM Risk Treatment Exposure Draft

The Task Force on Enterprise Risk Management (ERM) presented a proposed exposure draft on risk treatment to the ASB as its June meeting titled *Risk Treatment in Enterprise Risk Management*. The ASB approved the exposure, which has been drafted to guide the actuary in preparing for requirements and requests for assessment of the risk treatment part of the risk management system. The ERM Task Force was formed in the fall of 2009 to revisit the need for ERM standards that were previously addressed by an earlier task force in 2007. In June 2010, the Task Force presented findings to the ASB and was then asked to go forward with the development of standards for two broad topics relating to ERM: Risk Evaluation and Risk Treatment. The exposure draft on risk evaluation was released for comment in April. The risk treatment exposure draft can be viewed on the ASB website. The comment deadline is September 10, 2012.

Discussion Draft on Risk (Pension) Presented to the ASB

The ASB Pension Committee presented a discussion draft to the ASB titled *Assessment and Disclosure of Risk Associated with Pension Obligations, Plan Costs, and Plan Contributions*. As previously indicated in the January 2011 Discussion Draft for ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, the Pension Committee has been reviewing all of the pension-related standards and has been working on a new standard regarding the assessment, disclosure and management of pension risk as part of the larger review project. The Committee has tentatively decided that a new standard should be issued, with such standard to provide guidance on assessment and disclosure of pension risk. The Committee has also decided that it will not attempt, at this time, to issue guidance with respect to management of pension risk.

The discussion draft was released for comment in June. The Pension Committee may create an exposure draft, thereafter, that will draw on the ideas in the discussion draft, modified by discussions with and comments received from interested parties. If so, the exposure draft will go through the normal ASOP process. Comments on the discussion draft will be reviewed as they are received, but it is suggested that they be sent by September 30, 2012.

Principle-Based Reserves Discussion Draft Updated

The discussion draft, *Standards for Principle-Based Reserves for Life Products*, was recently updated by the Task Force on Principles-Based Reserves of the Actuarial Standards Board to reflect the changes to the National Association of Insurance Commissioners' (NAIC) *Valuation Manual-20*. The task force released the updated discussion draft to illustrate how an actuarial standard of practice might work in conjunction with a model regulation on principle-based reserving. Once the NAIC adopts a PBR model regulation, the ASB task force plans to create an exposure draft.

ASB AGENDA PROJECTS

July 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

CASUALTY COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Risk transfer	PD	PD			The task force has halted drafting and a discussion with the ASB on risk transfer will be held in September 2012.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>	R	PD			As a result of comments received and a June discussion about whether separate standards were needed for the use of models and for the development of models, the ASB is working to create a task force to begin developing a discussion draft on the use of models under the General Committee's direction.
GENERAL COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Introduction to the ASOPs	E	R			The ASB approved an exposure draft at its December 2011 meeting with a comment deadline of May 31, 2012. The General Committee is reviewing comments and revising the draft with plans to present a proposed final ASOP to the ASB in December 2012.
ASOP No. 25, <i>Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages</i>	P	D			The task force is drafting an exposure draft to present to the ASB in September 2012.
HEALTH COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Regulatory Filings	D	D			The task force is drafting an exposure draft to present to the ASB in September 2012.
Medicaid Rate Setting	D	D			The task force is drafting an exposure draft to present to the ASB in December 2012.

LIFE COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP Nos. 22 and 28 Scope Revisions	E	E			The ASB approved an exposure draft in March 2012 with a comment deadline of May 15, 2012. The Life Committee is reviewing comments and plans to present proposed final ASOPs to the ASB in September 2012.
Principles-based approach to risk-based capital for life insurance (C-3 Phase III)	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.
Principles-based reserves	DD	DD			A new discussion draft on Standards for Principle-Based Reserves for Life Products was released in June 2012. This standard is waiting on NAIC action to approve principle-based reserves.
Life insurance and annuity actuarial modeling	DD	DD			A discussion draft on Modeling was released in February 2012 with a recommended comment deadline of May 15, 2012. In light of the comments received, the ASB will discuss the direction of this draft at its September meeting.
Mortality assumptions for life settlement market	D	D			The ASB approved a proposal to develop an ASOP on mortality assumptions for the life settlement market. A task force has begun drafting, and will present an exposure draft in December 2012.
PENSION COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	E	R			These subject areas are interrelated and much work has been done on the combined effort. Revisions of ASOP Nos. 4 and 27 were presented to the ASB as an exposure draft and second exposure draft, respectively, at its December 2011 meeting with a comment deadline for both drafts is May 31, 2012. The Pension Committee is reviewing comments and revising the drafts with plans to present proposed final ASOPs to the ASB in December 2012.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	SE	R			
Economic value of pension plan assets and liabilities	D	D			
Assessment and disclosure of risk	D	DD			
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	E	R			The ASB approved an exposure draft in April 2012 with a comment deadline of July 15, 2012. The Pension Committee is reviewing comments and revising the draft with plans to present a proposed final ASOP to the ASB in December 2012.
OTHER PROJECTS					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Enterprise risk management	E	R			The ASB approved an exposure draft on risk evaluation in April 2012 with a comment deadline of June 30, 2012. The task force is reviewing comments and revising the draft with plans to present a proposed final ASOP to the ASB in September 2012.
Enterprise risk treatment	E	E			The ASB approved an exposure draft on risk treatment at its June 2012 meeting. The comment deadline is September 10, 2012.

► Looking Ahead...

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

- *Risk Evaluation in Enterprise Risk Management* (proposed final ASOP from the Enterprise Risk Management Task Force)
- Revision of ASOP Nos.22/28 scopes (proposed final ASOPs from the Life Committee)
- Regulatory Filings (*not yet titled*) (proposed exposure draft from the Health Committee)
- Credibility (*not yet titled*) (proposed exposure draft from the General Committee)

► Meeting Schedule of the Actuarial Standards Board

- ***September 18-19***
- ***December 10-11***
- ***January 23, 2013***
- ***January 24-25, 2013 (ASB Planning Meeting)***
- ***March 21-22, 2013***

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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