

ASB Approves Exposure Draft on Modeling

At its June meeting, the ASB approved the exposure draft, *Modeling*. The proposed ASOP applies to actuaries selecting, designing, building, modifying, developing, or using models when performing professional services, and applies to all forms of models in all practice areas. Based upon numerous discussions on the topic of modeling, the ASB created two multi-disciplinary task forces under the direction of the General Committee: i) a general Modeling Task Force, charged with developing an ASOP to address modeling applications in all practice areas, and ii) a Task Force to consider expanding ASOP No. 38 to all practice areas while still maintaining the significant influence that ASOP No. 38 currently commands among property/casualty actuaries and regulators. Work is currently being done by another task force on the revision of ASOP No. 38. The comment deadline for the *Modeling* exposure draft, which can be viewed on the ASB website, is September 30, 2013.

ASB Approves Second Exposure Draft of a Revision of ASOP No. 25

The ASB approved a second exposure draft of a revision of ASOP No. 25, *Credibility Procedures*. The first exposure draft was issued in September 2012 with a comment deadline of December 31, 2012. Twenty comment letters were received and the Credibility Task Force expanded language in several sections in response, including clarifying the scope as well as the purpose and use of credibility procedures, which resulted in the draft being approved as a second exposure draft and sent out again for further comment. The comment deadline for the second exposure draft is September 30, 2013.

ASB Approves Exposure Draft on Rate Filing; Revision of ASOP No. 8

The ASB also recently approved an exposure draft of a revision of ASOP No. 8, now titled, *Regulatory Filings for Health Benefits, Health Insurance, and Entities Providing Health Benefits*. The proposed ASOP provides guidance to actuaries when performing professional services with respect to preparing or reviewing required regulatory filings related to rates or financial projections for health plan entities and health benefit plans provided by health plan entities. The comment deadline for the exposure draft is October 15, 2013.

ASB Approves Principle-Based Reserves Exposure Draft

The ASB also approved the exposure draft, *Principle-Based Reserves for Life Products*. Over the past few years, the Principle-Based Reserves Task Force has worked to create a draft containing actuarial guidance that is useful in calculating principle-based reserves and is consistent with VM-20 (the relevant chapter of the *Valuation Manual*) as it was developed. That discussion draft went through many permutations as useful suggestions came from many sources, and as the draft of VM-20 itself changed significantly from year to year. The proposed standard applies to actuaries when performing professional services on behalf of life insurers, including fraternal benefit societies, in connection with the calculation or review of reserves for individual life insurance policies, where such reserves are represented as being in compliance with the provisions of the *Standard Valuation Law* and the *Valuation Manual* governing principle-based reserves. The comment deadline for the exposure draft is December 16, 2013.

ASB AGENDA PROJECTS

July 2013

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 **WD**-Working Draft

CASUALTY COMMITTEE					
Subject Area	Qtr. 2013				Comments
	1	2	3	4	
Risk transfer	PD	DS			The ASB discussed risk transfer at its June meeting and suspended development on a proposed ASOP.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Subject Area	Qtr. 2013				Comments
	1	2	3	4	
N/A					
GENERAL COMMITTEE					
Subject Area	Qtr. 2013				Comments
	1	2	3	4	
ASOP No. 25, <i>Credibility Procedures</i>	R	SE			The ASB approved an exposure draft of the ASOP No. 25 revision at its September 2012 meeting. The comment deadline was December 31, 2012. The task force presented a proposed final revision to the ASB in June 2013, which the ASB approved as a second exposure draft instead for additional comment on expanded areas. The comment deadline is September 30, 2013.
ASOP No. 38, <i>Using Models Outside The Actuary's Area of Expertise (Property and Casualty)</i>	D	D			Work on a revision to ASOP No. 38 is underway with the intent of limiting its scope to catastrophe models and expanding it to apply to all practice areas. The task force plans to present the new draft to the ASB in September 2013.
Modeling	D	E			A new standard on general modeling, applicable to all practice areas, was discussed at the March ASB meeting. The ASB suggested several changes to the draft and approved it at its June meeting. The comment deadline is September 30, 2013.

HEALTH COMMITTEE

Subject Area	Qtr. 2013				Comments
	1	2	3	4	
ASOP No. 8, <i>Regulatory Filings for Health Plan Entities</i>	D	E			The ASB approved an exposure draft at its June 2013 meeting. The comment deadline is October 15, 2013.
Medicaid Rate Setting	D	D			The task force is drafting an exposure draft to present to the ASB in December 2013.
Minimum Value under ACA	DD	DD			The ASB received a report from the task force on this subject area and charged them with developing a discussion draft to be presented to the ASB in September 2013.

LIFE COMMITTEE

Subject Area	Qtr. 2013				Comments
	1	2	3	4	
Principles-based reserves	D	E			The ASB approved an exposure draft at its June 2013 meeting. The comment deadline is December 16, 2013.
Life settlements mortality	E	E			The ASB approved an exposure draft in May. The comment deadline is July 31, 2013.

PENSION COMMITTEE

Subject Area	Qtr. 2013				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	SE	SE			<p>These subject areas are interrelated and much work has been done on the combined effort.</p> <p>Revisions of ASOP Nos. 4 and 27 were approved by the ASB as an exposure draft and second exposure draft, respectively, at its December 2011 meeting. The comment deadline for both drafts was May 31, 2012. The Pension Committee presented a revised second exposure draft of ASOP No. 4 and a working draft of ASOP No. 27 to the ASB in December 2012. The revised draft of ASOP No. 4 was approved for exposure by the ASB with a comment deadline of May 31, 2013. Proposed final versions of ASOPs No. 27 and No.4 are expected to be presented to the ASB in September and December, respectively.</p> <p>A discussion draft on “risk” was released in June 2012 with a recommended comment deadline of September 30, 2012.</p>
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	WD	WD			
Economic value of pension plan assets and liabilities	D	D			
Assessment and disclosure of risk	DD	DD			
ASOP No. 6 revision (<i>Measuring Retiree Group Benefits Obligations</i>)	SE	SE			The ASB approved a second exposure draft at its March 2013 meeting. The comment deadline is August 30, 2013.

► Looking Ahead...

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

- Revision of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* (proposed final ASOP from the Pension Committee)
- Revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* (proposed exposure draft from the Pension Committee)
- Revision ASOP No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)* (proposed exposure draft from the General Committee)

► Meeting Schedule of the Actuarial Standards Board



- **January 24-25, 2013 (ASB Planning Meeting)**
- **March 21-22, 2013**
- **June 18-19, 2013**
- **September 19-20, 2013**
- **December 9-10, 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

Erica Kennedy
ASB Program Manager
kennedy@actuary.org

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, D.C. 20036
Phone: 202-223-8196 • Fax: 202-223-1248
www.actuarialstandardsboard.org
© 2013. All rights reserved