

ASB Adopts New ASOP No. 46

At its September meeting, the ASB adopted a new ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*. The ASOP provides guidance to actuaries when performing professional services with respect to risk evaluation systems used for the purposes of enterprise risk management, including designing, developing, implementing, using, maintaining, and reviewing those systems. This standard also focuses on five aspects of risk evaluation: risk evaluation models, economic capital, stress testing, emerging risks, and other risk evaluations. An ASOP providing guidance for activities related to risk treatment is being addressed in a proposed ASOP titled, *Risk Treatment in Enterprise Risk Management*, which will be released later in 2012. These two standards will cover the risk evaluation and risk treatment activities within risk management work but will not cover other ERM practices that are performed by insurers, pension plans, other financial service firms, and other businesses or organizations. These two topics were chosen because they cover the most common actuarial services performed within risk management systems of organizations. ASOP No. 46 will be effective May 1, 2013 and can be viewed at www.actuarialstandardsboard.org.

ASB Approves Exposure Draft of Revision of ASOP No. 25

The ASB also approved a revision of ASOP No. 25, *Credibility Procedures*, at its September meeting. The original standard, adopted in 1996, was a product of the Health Committee and the Casualty Committee of the ASB. The scope of the standard was limited to accident and health, group term life, and property/casualty coverages. In 2011, the ASB asked the Life Committee to consider whether the scope of ASOP No. 25 should be expanded to incorporate additional practice areas. The Life Committee agreed that the scope of ASOP could be expanded, and the Board asked that a multi-discipline task force be formed under the direction of the General Committee to begin drafting an exposure draft. The revision is applicable to all practice areas and provides guidance to actuaries in the selection of a credibility procedure and the assignment of credibility values to sets of data. The comment deadline for the exposure draft, which can be viewed on the ASB website, is December 31, 2012.

Final Updates to ASOP Nos. 22 and 28 Adopted

The ASB adopted final revisions of ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*. The revisions include changes to section 3.1 of ASOP No. 22 to indicate that the actuary should review and apply ASOP No. 28 in doing work covered by ASOP No. 22. In addition, the definition of Health Benefit Plan in ASOP No. 22 is changed to be consistent with that in ASOP No. 28. Finally, the scope of ASOP No. 28 is changed to remove the exclusion for work covered by ASOP No. 22. The ASB adopted these revisions at its September meeting, to be effective for actuarial opinions issued on or after December 31, 2012. The updated ASOP Nos. 22 and 28 can be viewed on the ASB website under the tab, "Current Actuarial Standards of Practice." A document discussing the revisions can be viewed under the tab, "Other Documents."

ASB AGENDA PROJECTS

October 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	PD		The task force has halted drafting and a discussion with the ASB on risk transfer will be held in March 2013.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>	R	PD	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 created 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	R		The ASB approved an exposure draft at its December 2011 meeting with a comment deadline of May 31, 2012. The General Committee reviewed comments and is revising the draft with plans to present a second exposure draft to the ASB in March 2013.
ASOP No. 25, <i>Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages</i>	P	D	E		The ASB approved an exposure draft of the ASOP No. 25 revision at its September 2012 meeting. The comment deadline is December 31, 2012 .
HEALTH COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Regulatory Filings	D	D	D		The task force is drafting an exposure draft to present to the ASB in March 2013.
Medicaid Rate Setting	D	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	F		The ASB adopted the final revisions of ASOP Nos. 22 and 28 at its September 2012 meeting. The revisions are effective for actuarial opinions issued on or after December 31, 2012.
Principles-based approach to risk-based capital for life insurance (C-3 Phase III)	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.
Principles-based reserves	DD	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	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 continue discussion of the direction of this draft at its December meeting.
Mortality assumptions for life settlement market	D	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	R		These subject areas are interrelated and much work has been done on the combined effort. 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 is reviewing comments and revising the drafts with plans to present a revised draft of ASOP No. 4 to the ASB in December 2012 and a revised draft of ASOP No. 27 in March 2013. The discussion draft on “risk” was released in June 2012 with a recommended comment deadline of September 30, 2012.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	SE	R	R		
Economic value of pension plan assets and liabilities	D	D	D		
Assessment and disclosure of risk	D	DD	DD		
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	E	R	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 evaluation	E	R	F		The ASB adopted ASOP No. 46, <i>Risk Evaluation in Enterprise Risk Management</i> , at its September 2012 meeting with an effective date of May 1, 2013.
Enterprise risk treatment	E	E	E		The ASB approved an exposure draft on risk treatment at its June 2012 meeting. The comment deadline was September 10, 2012. The task force plans to present a proposed final ASOP to the ASB at its December 2012 meeting.

► Looking Ahead...

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

- *Risk Treatment in Enterprise Risk Management* (proposed final ASOP from the Enterprise Risk Management Task Force)
- 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 Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions* (proposed exposure draft from the Pension Committee)
- Proposed new ASOP on Medicaid (proposed exposure draft from the Health Committee)
- Proposed new ASOP on Life Settlements Mortality Assumptions (proposed exposure draft from the Life Committee)

► Meeting Schedule of the Actuarial Standards Board



- **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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