



**ACTUARIAL
STANDARDS
BOARD**

2007 Annual Report

Actuarial Standards Board
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2007 Actuarial Standards Board



The 2007 Actuarial Standards Board (back row; l to r): David Kass, Alan Ford, Albert Beer, William Cutlip, Robert Meilander, (front row; l to r) Karen Terry, Chairperson Cecil Bykerk, Vice-Chairperson Lawrence Sher, Vice-Chairperson Godfrey Perrott

Letter from the Chairperson



The Actuarial Standards Board (ASB) serves actuaries and the public by providing guidance regarding appropriate actuarial practice through the issuance of actuarial standards of practice (ASOPs). The ASB was established in 1988 as an entity within the American Academy of Actuaries. The ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.

The year 2007 was a busy one for the ASB. The Board adopted a total of seven new or revised ASOPs in addition to the repeal of ASOP No. 16. It also began work on several new revisions to existing ASOPs that will move forward in 2008.

Our new Academy General Counsel Mary Downs and ASB

Program Manager Joe Vallina have now been with the ASB for more than a year. We appreciate their help along with our long-time associates, Standards Editor Erica Kennedy and Editorial Assistant Doreen Moaning. We once again have a solid staff to support the ASB's efforts. This year saw three new members join the Board, Albert Beer, David Kass, and Robert Meilander.

As the year draws to a close, I am sorry to say that my service with the ASB will be ending. My five years on the Board, the last two as chair, have been enlightening and rewarding as well as providing a growing experience for me. I will truly miss the ASB.

I would like to thank the board members and the chairpersons and other members of the drafting committees and task forces for their commitment to the standards-setting process. I would especially like to thank Godfrey Perrott and Larry Sher who have served as my two Vice-Chairs for the last two years. My efforts were made much easier with their help and assistance.

A handwritten signature in black ink that reads "Cecil D. Bykerk". The signature is written in a cursive, slightly slanted style.

Cecil D. Bykerk
Chairperson
Actuarial Standards Board

2007 Committee Activity

Casualty Committee

The Casualty Committee, under the leadership of Patrick Woods, oversaw the adoption of ASOP No. 43, *Property/Casualty Unpaid Claim Estimates*. The Subcommittee on Reserving, chaired by Raji Bhagavathula, drafted the document. The Casualty Committee also began drafting a repeal of ASOP No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*. The ASB exposed the repeal in June 2007 with a comment deadline of August 15, 2007. In addition, the Committee oversaw the revision of ASOP No. 13, *Trending Procedures in Property/Casualty Insurance*. The Subcommittee on Ratemaking, chaired by Beth Fitzgerald, drafted the document. (The ASB subsequently approved it for exposure in January 2008 with a comment deadline of May 1, 2008.)



ASB members Bob Meilander (l) and Larry Sher discuss a pending ASOP revision

General Committee

The General Committee, chaired by Tom Custis, oversaw the General Committee's Task Force to Revise ASOP No. 38, *Using Models Outside The Actuary's Area of Expertise*. The task force completed its work on the project when the ASB decided to keep the narrower scope of the ASOP and move it back to the jurisdiction of the Casualty Operating Committee.

The General Committee has taken up significant revisions to ASOP No. 41, *Actuarial Communications*, and plans to release an exposure draft to the public in 2008.

Health Committee

The Health Committee, chaired by Paul Fleischacker, oversaw the revision of ASOP No. 3, *Continuing Care Retirement Communities*. The Task Force to Revise ASOP No. 3, chaired by Molly Shaw, drafted the revision, which the ASB adopted in September 2007. In addition, the ASB exposed the repeal of ASOP No. 16, *Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans*, which took effect in April 2007. The repeal was drafted by the Task Force to Revise ASOP No. 16, chaired by Mary Murley.

Life Committee

The Life Committee, chaired by Charles Carroll, oversaw the following task force projects:

The Task Force on Principles-Based Reserves, chaired by former ASB member Frank Irish, continued drafting the discussion draft titled *Standards for Principles-Based Reserves for Life Products*. The Task Force on Independent Review of Principles-Based Valuations, chaired by Mr. Carroll, continued drafting the discussion draft titled *Independent Review of Principles-Based Valuations*

Pension Committee

The Pension Committee, chaired by David Fleiss, oversaw the release of ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*, in September. This new ASOP's release coincided with the revision of three other pension ASOPs: ASOP No. 4, *Measuring Pension Obligations*; ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*; and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*

Other Projects

In March the ASB moved to an all-electronic means of distributing ASOPs and other ASB documents to the public. The Board hopes that this new pdf-based system will enhance the end-user experience and make it easier for actuaries and the public to keep up to date with current ASOPs

The Board also decided to post all comments received on exposure drafts to the ASB website to promote transparency in the review process and encourage dialogue between the ASB, the membership, and the public.



ASB members Godfrey Perrott (l) and Bill Cutlip at the December ASB meeting.

2007 Financial Summary

Actuaries practicing in the United States who belong to any one or more of the five U.S.-based actuarial organizations support the operations of the Actuarial Standards Board (ASB) through a portion of their annual dues. Financial activities pertaining to the ASB are accounted for separately within the American Academy of Actuaries system of accounts. The ASB annually submits a proposed budget based on projected expenses to the Academy Secretary-Treasurer; the Academy budget makes provisions for ASB operating expenses, and expenses are allocated back to the five U.S.-based actuarial organizations. The ASB has discretion with regard to the expenditure of all funds allocated to it, subject only to accounting and audit requirements mutually determined by the Secretary-Treasurer and the ASB.



The ASB reviews the ASOP No. 43 exposure draft.

Actuarial Standards Board Statement of Expenses for Year Ended December 31, 2007

Expenses:

Staff salaries	\$229,054
Staff benefits	57,264
Office operating costs	89,331
Printing	19,109
Postage and delivery services	8,818
Staff travel	5,933
Committee meetings	24,913
Public relations	1,241
USB production	7,207
ASB travel reimbursement	63,902
Miscellaneous expenses	681

Total expenses **\$507,453**

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For more information about the Actuarial Standards Board, go to the official ASB website, <http://www.actuarialstandardsboard.org>, or call the ASB office at (202) 223-8196.