

## ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q4 2011

### **ASB Reviews ASOP Nos. 4 and 27**

At its December meeting, the Actuarial Standards Board reviewed a proposed exposure draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, and a proposed second exposure draft of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 4, which was presented as a discussion draft in January 2011, is being revised to provide additional guidance on such issues as fully funded plans, spread gain actuarial cost methods, and types of actuarial present values of pension obligations. ASOP No. 27, which was released as an exposure draft also in January 2011, is being further revised in response to the twenty comment letters received on various issues such as geometric and arithmetic return, estimates and observations, and assumption rationale. Both drafts are being further revised and are scheduled to be released for comment in early 2012.

### **ASB Reviews Introduction**

The ASB General Committee presented edits to the Introduction to Actuarial Standards of Practice at the ASB's December meeting. The Introduction was updated in October 2008 to make clear that the ASB, in promulgating ASOPs, seeks to define an appropriate level of practice (rather than simply codifying current practices), to remove references to "prescribed statements of actuarial opinion" in light of revisions made to the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinions, and to conform the provisions on deviations from the ASOPs to the deviation provisions of ASOP No. 41, Actuarial Communications, in accordance with the ASB's project to standardize the "deviation" provisions in all ASOPs. The ASB received a number of comments on the Introduction at the time of the 2008 revision and concluded that further review would be appropriate. The proposed revision is a result of that review and is scheduled to be released for comment in early 2012.

### **Discussion Draft on Modeling Presented to ASB**

The ASB Life Committee presented a draft to the ASB titled Modeling in Life Insurance and Annuities. As it increasingly appears that models will be used for life insurance company financial reporting, the Life Committee believes it is appropriate to set a standard for actuarial modeling, at least in certain high importance and reliance situations, such as where the results of the model directly enter the financial report or are relied upon by at least one party in a merger, acquisition, securitization or other financial transaction. The discussion draft will be released for comment in early 2012. The Life Committee expects to create an exposure draft, thereafter, that will draw on the ideas in this discussion draft, modified by discussions with and comments received from interested parties and unfolding events. The exposure draft will go through the normal ASOP process.

### **ASB Life Committee Proposes Revision of ASOP Nos. 22 and 28 Scopes**

The ASB Life Committee recently presented a proposal to the ASB to revise the scopes of ASOP Nos. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, and 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*, to reflect comparable guidance for actuaries on preparing actuarial opinions related to liabilities. The Board recommended that the Life Committee prepare an exposure draft with a cover letter discussing the proposed revised scopes of both ASOPs for discussion in early 2012.

### **ASB to Meet March 5-6 in Washington**

The next regularly scheduled meeting of the ASB will be held March 5-6, 2012, at the Academy offices in Washington, D.C.