

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q2 2014

ASB Approves Second Exposure Draft on Principle-Based Reserves

The ASB approved a second exposure draft of a proposed new Actuarial Standards of Practice (ASOP) titled *Principle-Based Reserves for Life Products*. The first exposure draft was issued in June 2013 and received seven comment letters. With the release of the second exposure draft, feedback also is being sought on such issues as whether the distinction between the company's responsibility and the actuary's responsibility is clear; whether the language of the standard quotes or summarizes VM-20 text appropriately and usefully; and whether it is sufficiently clear how the standard applies to actuaries who do not sign the PBR actuarial report but are involved in the preparation of principle-based reserves. The comment deadline for the second exposure draft is December 15, 2014.

ASB Issues Request for Comments on ASOPs Related to Public Pension Plan Funding and Accounting

The ASB issued a request for comments concerning the application of the ASOPs in regards to actuarial valuations and other analyses used for determining public pension and other postemployment plan funding and accounting ("public plan actuarial valuations"). Public pension plan funding has received increased national attention in the past few years as a result of the recent recession and the emerging focus on financial economics in the pension community. Although the pension-related standards have been or are in the process of being updated to strengthen the guidance, in light of these external factors, the ASB is interested in feedback from actuaries and other interested parties on whether further updates are needed. Deadline for receipt of comments is November 15, 2014.

ASB Approves Proposals to Revise ASOP Nos. 5 and 21

The ASB approved proposals to revise ASOP No. 5, *Incurred Health and Disability Claims*, and ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*. The ASOP No. 5 revision, which will be drafted by a task force of the ASB Health Committee, will be updated to be more consistent with guidance in ASOP No. 1, *Introductory Actuarial Standard of Practice*; to remove excessive educational information; to incorporate references to new standards adopted since ASOP No. 5 was approved; and to reflect changes as a result of the Affordable Care Act.

The ASOP No. 21 revision, which will be drafted by a task force of the ASB General Committee, also will be updated to be more consistent with guidance in ASOP No. 1; to incorporate requirements in effect as a result of Sarbanes Oxley; to expand the scope beyond just insurance companies; and to be more consistent with ASOP No. 41, *Actuarial Communications*. Exposure drafts for both revisions are scheduled to be reviewed by the ASB in 2015.

ASB to Meet September 22-24 in Washington

The next regularly scheduled meeting of the ASB will be held September 22-24, 2014, at the Academy offices in Washington, D.C.