

## ASB Approves Second Exposure Draft on Principle-Based Reserves

The ASB recently 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. In response to the comment letters received, language was revised to address commentators' concerns that too much of the text was duplicative of VM-20. In addition, many other changes were made in response to comments received.

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. The second exposure draft can be viewed [here](#).

## 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. The Request for Comments document can be found [here](#). Deadline for receipt of comments is November 15, 2014.

## ASB Approves Proposals to Revise ASOP Nos. 5 and 21

The ASB recently 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 AGENDA PROJECTS

August 2014

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

<b>CASUALTY COMMITTEE</b>					
Subject Area	Qtr. 2014				Comments
	1	2	3	4	
Ratemaking	D	D			An exposure draft on Ratemaking is being drafted, which the Committee plans to present to the ASB at its September 2014 meeting.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	PD	PD			The Committee is discussing possible revisions to ASOP No. 36 and plans to present an exposure draft to the ASB at its March 2015 meeting.
ASOP No. 43, <i>Property/Casualty Unpaid Claim Estimates</i>	PD	PD			The Committee is discussing possible revisions to ASOP No. 43 and plans to present an exposure draft to the ASB at its March 2015 meeting.
<b>ENTERPRISE RISK MANAGEMENT COMMITTEE</b>					
Subject Area	Qtr. 2014				Comments
	1	2	3	4	
ORSA	D	DD			A discussion draft on ORSA is being completed, which the Committee plans to present to the ASB at its December 2014 meeting.
<b>GENERAL COMMITTEE</b>					
Subject Area	Qtr. 2014				Comments
	1	2	3	4	
ASOP No. 23, <i>Data Quality</i>	PD	PD			The Committee is discussing possible revisions to ASOP No. 23 and plans to present an exposure draft to the ASB at its December 2014 meeting.
ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i>	F	F			The ASB adopted a final revision at its March 2014 meeting subject to ASB approval of changes necessitated by the final version of the proposed new Modeling ASOP.
Modeling	R	R			The task force is currently reviewing comments and making revisions to the draft, and plans to present a final draft to the ASB at its September 2014 meeting.
ASOP No. 21, <i>Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas</i>		PD			A task force is discussing possible revisions to ASOP No. 21 and plans to present an exposure draft to the ASB at its June 2015 meeting.

<b>HEALTH COMMITTEE</b>					
<b>Subject Area</b>	<b>Qtr. 2014</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
ASOP No. 5, <i>Incurred Health and Disability Claims</i>	PD	PD			The Committee is discussing possible revisions to ASOP No. 5 and plans to present an exposure draft to the ASB at its March 2015 meeting.
Medicaid managed-care capitation rate development and certification	E	R			The task force is currently reviewing comments and making revisions to the draft, and plans to present a final draft to the ASB at its December 2014 meeting.
Minimum Value under ACA	DD	DD			The ASB Health Committee issued a discussion draft in April 2014 and suggested comments be sent by September 30, 2014.
<b>LIFE COMMITTEE</b>					
<b>Subject Area</b>	<b>Qtr. 2014</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
Principle-based reserves	R	SE			The task force is currently reviewing comments from the first exposure draft and making revisions to the language, and plans to present a second exposure draft to the ASB at its September 2014 meeting.
Life Insurance and Annuity Pricing		PD			The Life Committee is considering the need for an ASOP on life and annuity pricing, similar to those for P/C and Health.
<b>PENSION COMMITTEE</b>					
<b>Subject Area</b>	<b>Qtr. 2014</b>				<b>Comments</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
ASOP No. 34 revision ( <i>Retirement Plan Benefits in Domestic Relations Actions</i> )	D	D			A revision of ASOP No. 34 is being drafted and the Committee plans to present an exposure draft to the ASB at its September 2014 meeting.
ASOP No. 35 ( <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> )	D	D			A revision of ASOP No. 35 is being drafted and the Committee plans to present an exposure draft to the ASB at its September 2014 meeting.
Assessment and disclosure of risk	D	D			An exposure draft on Risk is being drafted, which the Committee plans to present to the ASB at its September 2014 meeting.

► **Looking Ahead...** 

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

- proposed final revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* (from the Pension Committee)
- proposed final ASOP on Modeling (from the General Committee)
- proposed exposure draft on Risk (from the Pension Committee)
- proposed exposure draft of a revision of ASOP No. 34, *Retirement Plan Benefits in Domestic Relations Actions* (from the Pension Committee)
- proposed exposure draft on Ratemaking (from the Casualty Committee)

► **Meeting Schedule of the Actuarial Standards Board** 

- *March 11–12, 2014*
- *June 12–13, 2014*
- *September 22–24, 2014*
- *December 9–10, 2014*

All ASB meetings are open to the public, and interested parties may attend. 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.*

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