



Welcome to the Actuarial Standards Board's quarterly newsletter. Boxscore highlights and reports on the ASB's work in developing, updating, and promulgating actuarial standards of practice in the United States. Each issue provides information on ASB's current and upcoming projects, events, and recently completed projects.

Fall/Winter 2022

BOXSCORE

ASB Approves Exposure Draft of a Conversion of Actuarial Compliance Guideline No. 4 Into Proposed ASOP

In September, the Actuarial Standards Board (ASB) of the American Academy of Actuaries approved an exposure draft of a conversion of Actuarial Compliance Guideline (ACG) No. 4, *Statutory Statements of Opinion Not Including an Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers*, into a proposed actuarial standard of practice (ASOP) now titled *Statements of Actuarial Opinion Not Based on an Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Related Actuarial Items*. The standard will apply to actuaries when performing actuarial services with respect to providing a statement of actuarial opinion for life insurance, annuity, or health insurance reserves and related actuarial items that are within the scope of the Statement of Actuarial Opinion, NAIC Life and Accident & Health/Fraternal Annual Statement (Blue Book), when the statement is prepared to comply with applicable law and is not based on an asset adequacy analysis because of an exemption. As ACG No. 4, the last remaining ACG, remained relevant for actuaries working for companies that receive an exemption from asset adequacy analysis, the ASB decided to convert ACG No. 4 into the standard format of an ASOP. The comment deadline is Jan. 15, 2023. Information on how to submit comments can be found in the exposure draft.



ASB Adopts Revision of ASOP No. 10

In December, the ASB adopted a revision of ASOP No. 10, now titled *U.S. GAAP for Long-Duration Life, Annuity, and Health Products*. The standard applies to actuaries when performing actuarial services related to the preparation or review of insurance company financial statements in accordance with GAAP for long-duration life, annuity, or health products. The actuary should comply with the standard except to the extent it may conflict with applicable law (statutes, regulations, and other legally binding authority) or authoritative GAAP guidance (such as Accounting Standards Codification [ASC], Staff Accounting Bulletins issued by the U.S. Securities and Exchange Commission, and other guidance issued by authoritative bodies). Notable changes from the existing ASOP include revising the title, purpose, and scope to encompass long-duration life, annuity, and health products. The scope was also clarified to include the review of GAAP financial statements. The revised ASOP No. 10 will be released in early 2023.

ASB Approves Second Exposure Draft of ASOP No. 29 Revision

The ASB also approved in December a second exposure draft of a revision of ASOP No. 29, now titled *Expense Provisions for Prospective Property/Casualty Risk Transfer and Risk Retention*. The standard applies to actuaries when developing or reviewing expense provisions for prospective property/casualty risk transfer or risk retention. This includes expense provisions developed or reviewed for insurance, reinsurance, self-insurance, loss portfolio transfers, or other mechanisms for prospective property/casualty risk transfer or risk retention. If the actuary's actuarial services involve reviewing expense provisions developed by another party, the actuary should use the guidance in this ASOP to the extent practicable. The ASOP No. 29 second exposure draft will be released for comment in early 2023.

Meetings

The ASB meetings are held in compliance with the meeting policy established by the American Academy of Actuaries. The ASB office should be notified of any intent to observe the meetings at least 10 days in advance of the meeting by contacting Assistant Director of Professionalism Erica Kennedy at kennedy@actuary.org. Unless otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C.

The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of actuarial standards of practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

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ASB Approves Exposure Draft of ASOP No. 27 Revision

The ASB in December approved an exposure draft of a revision of ASOP No. 27, *Selection of Assumptions for Measuring Pension Obligations*, with guidance from ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. The standard applies to actuaries when performing actuarial services that include selecting assumptions used in the actuary's measurement of obligations under any defined benefit pension plan that is not a social insurance program within the scope of ASOP No. 32, *Social Insurance*, unless ASOP No. 32 explicitly calls for application of this standard.

In June 2020, ASOP Nos. 27 and 35 were both revised to expand the scope, provide additional guidance on the combined effect of assumptions, provide guidance on assessing assumptions not selected by the actuary, and to modify the required disclosure of rationale for assumptions selected. Throughout the past few revisions, the ASB adopted identical language in ASOP Nos. 27 and 35 where practical and improved the similarity of layout and structure to simplify the overall guidance. The final step in this simplification is to combine the two current pension assumption ASOPs into one. When the proposed revision to ASOP No. 27 is adopted as the single assumption standard for pensions, ASOP No. 35 will be repealed. The ASOP No. 27 exposure draft will be released for comment in early 2023.

ASB Projects

| SUBJECT AREA | 2022 QUARTER | | | | COMMENTS |
|---|--------------|----|----|----|---|
| | 1 | 2 | 3 | 4 | |
| CASUALTY COMMITTEE | | | | | |
| ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claims Estimates</i> | D | E | R | R | The ASB approved an exposure draft of a proposed revision at its June 2022 meeting with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its June 2023 meeting. |
| ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i> | E | R | R | SE | The ASB approved a second exposure draft of a proposed revision at its December 2022 meeting. |
| ASOP No. 30, <i>Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking</i> | TF | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in September 2023. |
| ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i> | D | E | R | R | The ASB approved an exposure draft of a proposed revision in May 2022 with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its June 2023 meeting. |
| ASOP No. 39, <i>Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking</i> | P | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in December 2023. |
| ENTERPRISE RISK MANAGEMENT COMMITTEE | | | | | |
| ASOP No. 46, <i>Risk Evaluation in Enterprise Risk Management</i> , and ASOP No. 47, <i>Risk Treatments in Enterprise Risk Management</i> | D | D | R | R | The ERM Committee presented a proposed revision of a consolidation of ASOP Nos. 46 and 47 as an exposure draft to the ASB at its September 2022 meeting. The ASB returned the draft for further revision and plans to continue review at its March 2023 meeting. |
| GENERAL COMMITTEE | | | | | |
| ASOP No. 12, <i>Risk Classification</i> | D | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its March 2023 meeting. |
| <i>Setting Assumptions</i> | TE | DS | DS | DS | The ASB suspended development of a proposed ASOP on setting assumptions and disbanded the task force with thanks . |
| ASOP No. 41, <i>Actuarial Communications</i> | D | E | R | R | The ASB approved an exposure draft of a proposed revision at its June 2022 meeting with a comment deadline of Nov. 1, 2022. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB at its June 2023 meeting. |
| HEALTH COMMITTEE | | | | | |
| ASOP No. 18, <i>Long-Term Care Insurance</i> | F | F | F | F | The ASB adopted a final revision at its March 2022 meeting. The effective date is Sept. 1, 2022. |
| ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i> | F | E | R | R | The ASB approved an exposure draft of a revised scope at its March 2022 meeting with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its June 2023 meeting. |
| ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i> | P | P | P | P | The ASB approved a proposal to revise ASOP No. 45 in October 2020. A task force will be created and will begin work after an approved exposure draft of an ASOP No. 12 revision. |
| ASOP No. 49, <i>Medicaid Managed Care Capitation Rate Development and Certification</i> | P | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in June 2023. |

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Legend:

| | | | |
|----|-----------------------|----|-----------------------|
| PD | Planning/Discussion | TE | Third Exposure Draft |
| P | Proposal for Standard | R | Revisions/Redrafting |
| D | Drafting | F | Final Pronouncement |
| DD | Discussion Draft | DS | Development Suspended |
| E | Exposure Draft | WD | Working Draft |
| SE | Second Exposure Draft | RI | Request for Input |

ASB Projects

| SUBJECT AREA | 2022 QUARTER | | | | COMMENTS |
|--|--------------|-----|---|---|---|
| | 1 | 2 | 3 | 4 | |
| LIFE COMMITTEE | | | | | |
| ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i> | D | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its June 2023 meeting. |
| ASOP No. 10, <i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP</i> | E | R | F | F | The ASB adopted a final revision at its December 2022 meeting. |
| ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i> | R | R | R | R | The ASB reviewed a second exposure draft of a proposed revision at its December 2022 meeting and will continue review in early 2023. |
| ASOP No. 40, <i>Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality</i> | D | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its March 2023 meeting. |
| Reinsurance Pricing ASOP | D | D | D | D | A task force is drafting a proposed ASOP on reinsurance pricing and plans to present an exposure draft to the ASB at its March 2023 meeting. |
| Actuarial Compliance Guideline 4 | D | D | E | D | The ASB approved an exposure draft of a conversion of Actuarial Compliance Guideline (ACG) No. 4, Statutory Statements of Opinion Not Including an Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers, into a proposed actuarial standard of practice at its September 2022 ASB meeting with a comment deadline of Jan. 15, 2023. |
| PENSION COMMITTEE | | | | | |
| ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> | F | F | F | F | The ASB adopted a final revision of ASOP No. 4 in December 2021. The effective date of the revision is Feb. 15, 2023. |
| ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i> | P | D | D | D | A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in September 2023. |
| ASOP No. 27, <i>Selection of Economic Assumptions for Measuring Pension Obligations; and ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> | F | F/P | D | E | The ASB approved an exposure draft of a proposed revision of ASOP No. 27 (consolidated with ASOP No. 35) at its December 2022 meeting. |

Legend:

PD Planning/Discussion
 P Proposal for Standard
 D Drafting
 DD Discussion Draft
 E Exposure Draft
 SE Second Exposure Draft

TE Third Exposure Draft
 R Revisions/Redrafting
 F Final Pronouncement
 DS Development Suspended
 WD Working Draft
 RI Request for Input

Archived editions of the newsletter can be found on the ASB's website. actuarialstandardsboard.org

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