

ASB Approves Exposure of ASOP Nos. 22 and 28 Revisions

At its March meeting, the ASB approved an exposure draft of revisions to ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*. ASOP No. 28 provides an explicit exclusion for actuaries preparing statements of actuarial opinion for life insurance companies. The ASB believes that the standards of practice delineated in ASOP No. 28 are appropriate for health insurance liabilities and health insurance assets included in statements of actuarial opinion for life insurance companies, and should be made applicable. The exposure draft provides new language for certain sections of ASOP Nos. 22 and 28. Section 3.1 of ASOP No. 22 is changed to indicate that the actuary should review and apply ASOP No. 28 in doing work covered by ASOP No. 22. In addition, the definition of Health Benefit Plan in ASOP No. 22 is changed to be consistent with that in ASOP No. 28. Finally, the scope of ASOP No. 28 is changed to remove the exclusion for work covered by ASOP No. 22. The document can be viewed on the ASB website at www.actuarialstandardsboard.org. The comment deadline is May 15, 2012.

ASB Approves Risk Evaluation Exposure Draft

The Task Force on Enterprise Risk Management (ERM) presented a proposed exposure draft on risk evaluation to the ASB as its March meeting. The ASB approved the exposure, which has been drafted to guide the actuary in preparing for requirements and requests for assessment of the risk evaluation part of the risk management system. The ERM Task Force was formed in the fall of 2009 to revisit the need for ERM standards that were previously addressed by an earlier task force in 2007. In June 2010, the Task Force presented findings to the ASB and was then asked to go forward with the development of standards for two broad topics relating to ERM: Risk Evaluation and Risk Treatment. The Task Force plans to present its exposure draft on risk treatment to the ASB in June. The risk evaluation exposure draft can be viewed on the ASB website. The comment deadline is June 30, 2012.

ASOP No. 6 Approved as Exposure Draft

The Subcommittee on Retiree Group Benefits recently presented a proposed revision of ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions*, to the ASB. In 1999, the ASB convened a special task force of knowledgeable practitioners in the retiree group benefits field to draft a revision of this standard. The Task Force on Retiree Group Benefits updated ASOP No. 6 and, after revisions were made to reflect comments on the exposure draft, the ASB adopted it in December 2001. Since the update of ASOP No. 6 in 2001, practice has continued to evolve. With ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, being an “umbrella” standard for pension plans parallel to the role that ASOP No. 6 serves for retiree group benefits plans, the ASB appointed a Retiree Group Benefits Subcommittee to the Pension Committee and tasked it with the responsibility for updating ASOP No. 6 and, where appropriate, making it consistent with ASOP No. 4, which was also released as an exposure draft this year. The revision can be viewed on the ASB website, and the comment deadline is July 15, 2012.

ASB 2011 Annual Report Available



The ASB’s 2011 Annual Report is now available, which includes a 2011 review of each Committee’s accomplishments, projects currently in progress, and the ASB’s 2011 financial summary. The report can be viewed on the ASB website under “Annual and Quarterly Reports.”

ASB AGENDA PROJECTS

April 2012

CASUALTY COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Risk transfer	PD				The task force has halted drafting and a discussion with the ASB on risk transfer will be held in December 2012.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>	R				The ASB approved an exposure draft at its September 2011 meeting with a comment deadline of January 16, 2012. The task force is reviewing comments and will present a final revision to the ASB in September 2012.
GENERAL COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Introduction to the ASOPs	E				The ASB approved an exposure draft at its December 2011 meeting. The comment deadline is May 31, 2012.
ASOP No. 25, <i>Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages</i>	P				The ASB approved a proposal to revise the ASOP for application to all practice areas. A task force is being formed.
HEALTH COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>	F				The ASB adopted ASOP No. 45 in January 2012 with an effective date of July 1, 2012.
Regulatory Filings	D				The task force is drafting an exposure draft to present to the ASB in June 2012.
Medicaid Rate Setting	D				The task force is drafting an exposure draft to present to the ASB in June 2012.

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

LIFE COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP Nos. 22 and 28 Scope Revisions	E				The ASB approved an exposure draft in March 2012. The comment deadline is May 15, 2012.
Principles-based approach to the C-3 Phase III of life insurance risk-based capital	E				The ASB approved an exposure draft in 2010. However, the draft will not be released until the NAIC formally approves C-3 Phase III.
Principles-based reserves	DD				A discussion draft on Standards for Principle-Based Reserves for Life Products was released in 2010. An update to the draft will be presented in early 2012.
Life insurance and annuity actuarial modeling	DD				A discussion draft on Modeling was released in February 2012 with a recommended comment deadline of May 15, 2012. An exposure draft will be presented to the ASB in September 2012.
Mortality assumptions for life settlement market	D				The ASB approved a proposal to develop an ASOP on mortality assumptions for the life settlement market. A task force has begun drafting, and will present an exposure draft in June 2012.
PENSION COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	E				These subject areas are interrelated, in totality, and originally resulted in the exposure draft of ASOP No. 27 as well as proposed revisions to ASOP No. 4, and will result in a proposed new standard on risk. Revisions of ASOP Nos. 4 and 27 were presented to the ASB as an exposure draft and second exposure draft, respectively, at its December 2011 meeting. The comment deadline for both drafts is May 31, 2012. The discussion draft on “risk” will be presented to the ASB in June 2012.
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	SE				
Economic value of pension plan assets and liabilities	D				
Assessment and disclosure of risk	D				
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	E				The ASB approved an exposure draft in April 2012. The comment deadline is July 15, 2012.
OTHER PROJECTS					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Enterprise risk management	E				The ASB approved an exposure draft on risk evaluation in April 2012. The comment deadline is June 30, 2012 . An exposure draft on risk treatment will be presented to the ASB in June 2012.

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

► Looking Ahead...

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

- Proposed new ASOP on Enterprise Risk Treatment (Enterprise Risk Management Task Force)
- Proposed new ASOP on Regulatory Filings (Health Committee)
- Proposed new ASOP on Medicaid Rate Setting and Certification (Health Committee)
- Proposed new ASOP on Life Settlements Mortality Assumptions (Life Committee)

► Meeting Schedule of the Actuarial Standards Board

- *June 6-7*
- *September 18-19*
- *December 10-11*
- *January 24-25, 2013 (ASB Planning Meeting)*

All ASB meetings are open to the public, and attendance by interested parties is encouraged. 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.*

The ASB Boxscore

Erica Kennedy
ASB Program Manager
kennedy@actuary.org

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, D.C. 20036
Phone: 202-223-8196 • Fax: 202-223-1248
www.actuarialstandardsboard.org
© 2012. All rights reserved