

ASB Adopts New ASOP No. 47

At its December meeting, the ASB adopted ASOP No. 47, *Risk Treatment in Enterprise Risk Management*. The ASOP, which provides guidance to actuaries when performing professional services with respect to risk treatment for the purposes of enterprise risk management, focuses on four aspects of risk treatment: determining risk tolerance, choosing risk appetites, setting risk limits, and performing risk mitigation activities. Guidance for activities related to risk evaluation is addressed in ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, which the ASB adopted in September 2012. The effective date for both ASOPs is May 1, 2013. The ASOPs can be viewed under the tab “Current Actuarial Standards of Practice” at www.actuarialstandardsboard.org.

ASB Approves Second Exposure Draft of a Revision of ASOP No. 4

The ASB also approved a second exposure draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. Some of the changes in the second exposure draft of ASOP No. 4 introduce new concepts while others are refinements to language in the first exposure draft, including using bold font in the text of the ASOP to indicate defined terms. Other refinements include modifications to the language on “funded status” and modifications to the disclosures requirements regarding the contribution allocation procedure, amortization, and types of actuarial present values of pension obligations. In addition, the ASB recognized the need for better coordination between ASOP No. 4 and ASOP No. 6, *Measuring Retiree Group Benefit Obligations*, and set a goal for the two standards to be the same where possible and different where necessary. The second exposure draft of ASOP No. 4 includes language to improve this coordination. The comment deadline for the second exposure draft, which also can be viewed on the ASB website, is May 31, 2013.

ASB to Produce Modeling Drafts

The ASB agreed to form a new multi-disciplinary task force to oversee the development of exposure drafts of Modeling Standards addressing i) “Catastrophe Modeling” for all disciplines and ii) a General Modeling Standard. An oversight task force will create two separate task forces to address these issues individually, with the oversight task force having the responsibility to coordinate these efforts regarding scope, definitions, and consistency. The task forces will operate under the direction of the ASB’s General Committee.

ASB Welcomes New Board Member

The ASB welcomes its newest Board member, Beth Fitzgerald. Prior to her appointment to the ASB, Ms. Fitzgerald served as chair of the ASB’s Casualty Committee for the past three years and most notably was responsible for the oversight of a revision of ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates*, and ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*. Ms. Fitzgerald replaces former ASB member Al Beer, who served on the Board as a member, vice chair, and chair over the course of his six years of service.

ASB AGENDA PROJECTS

January 2013

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

CASUALTY COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Risk transfer	PD	PD	PD	PD	The task force has halted drafting and a discussion with the ASB on risk transfer will be held in March 2013.
ASOP No. 38, <i>Using Models Outside the Actuary's Expertise (Property and Casualty)</i>	R	PD	PD	DS	As a result of comments received and a June discussion about whether separate standards were needed for the use of models and for the development of models, the ASB created a task force to begin developing a discussion draft on the use of models under the General Committee's direction. In light of those comments received, the ASB approved a multi-disciplinary task force to oversee the development of exposure drafts of Modeling Standards addressing "Catastrophe Modeling" for all disciplines and a General Modeling standard.
GENERAL COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Introduction to the ASOPs	E	R	R	R	The ASB approved an exposure draft at its December 2011 meeting with a comment deadline of May 31, 2012. The General Committee reviewed comments and is revising the draft with plans to present a second exposure draft to the ASB in March 2013.
ASOP No. 25, <i>Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages</i>	P	D	E	R	The ASB approved an exposure draft of the ASOP No. 25 revision at its September 2012 meeting. The comment deadline was December 31, 2012. The task force is reviewing comments and plans to present a final revised version to the ASB in March 2013.
HEALTH COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Regulatory Filings	D	D	D	D	The task force is drafting an exposure draft to present to the ASB in June 2013.
Medicaid Rate Setting	D	D	D	D	The task force is drafting an exposure draft to present to the ASB in June 2013.

LIFE COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Principles-based reserves	DD	DD	DD	DD	A discussion draft on Standards for Principle-Based Reserves for Life Products was released in June 2012. Given the recent NAIC approval of the Valuation Manual work will be restarted on this project.
Life insurance and annuity actuarial modeling	DD	DD	DD	DS	In light of the comments received on the discussion draft, the ASB approved a multi-disciplinary task force under the direction of the General Committee to oversee the development of exposure drafts of Modeling Standards addressing “Catastrophe Modeling” for all disciplines and a General Modeling standard.
Mortality assumptions for life settlement market	D	D	D	D	A task force has been drafting an ASOP on mortality assumptions for the life settlement market. An exposure draft will be presented to the ASB in March 2013.
PENSION COMMITTEE					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
ASOP No. 4 revision (<i>Measuring Pension Obligations</i>)	E	R	R	SE	These subject areas are interrelated and much work has been done on the combined effort. Revisions of ASOP Nos. 4 and 27 were approved by the ASB as an exposure draft and second exposure draft, respectively, at its December 2011 meeting. The comment deadline for both drafts was May 31, 2012. The Pension Committee presented a revised second exposure draft of ASOP No. 4 and a working draft of ASOP No. 27 to the ASB in December 2012. The revised draft of ASOP No. 4 was approved for exposure by the ASB with a comment deadline of May 31, 2013 .
ASOP No. 27 revision (<i>Selection of Economic Assumptions for Measuring Pension Obligations</i>)	SE	R	R	WD	
Economic value of pension plan assets and liabilities	D	D	D	D	
Assessment and disclosure of risk	D	DD	DD	DD	
ASOP No. 6 revision (<i>Measuring Retiree Group Benefit Obligations</i>)	E	R	R	R	A discussion draft on “risk” was released in June 2012 with a recommended comment deadline of September 30, 2012. The ASB approved an exposure draft in April 2012 with a comment deadline of July 15, 2012. The Pension Committee is reviewing comments and revising the draft with plans to present a proposed final ASOP to the ASB in March 2013.
OTHER PROJECTS					
Subject Area	Qtr. 2012				Comments
	1	2	3	4	
Enterprise risk treatment	E	E	E	F	The ASB adopted ASOP No. 47, <i>Risk Treatment in Enterprise Risk Management</i> , at its September 2012 meeting with an effective date of May 1, 2013.

► Looking Ahead...

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

- Revision of ASOP No. 25, *Credibility Procedures* (proposed final ASOP from the General Committee)
- Revision of ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions* (proposed second exposure draft from the Pension Committee)
- Revision of *Introductory Actuarial Standard of Practice* (proposed second exposure draft from the General Committee)
- Proposed new ASOP on Life Settlements Mortality Assumptions (proposed exposure draft from the Life Committee)
- Proposed new ASOP on Modeling Standards (proposed exposure draft from the General Committee)

► Meeting Schedule of the Actuarial Standards Board



- ***January 24-25, 2013 (ASB Planning Meeting)***
- ***March 21-22, 2013***
- ***June 18-19, 2013***
- ***September 19-20, 2013***
- ***December 9-10, 2013***

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

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