

ASB Approves Exposure Draft of ASOP No. 5 Revision

The Actuarial Standards Board (ASB) recently approved an exposure draft of a revision to Actuarial Standard of Practice (ASOP) No. 5, *Incurred Health and Disability Claims*. The proposed revision to ASOP No. 5 reflects a number of changes to other standards that have been made since the 2000 revision, including updating the ASOP, where appropriate, to incorporate references to new standards that have been issued since the 2000 revision; eliminating guidance that does not conform to current ASOP practices regarding references to other standards of practice; and making consistent the definitions used in the standard with those of other standards of practice.

Key changes in the proposed revision include explicitly addressing certain considerations in estimating and analyzing incurred claims, including behavior of claimants, claim seasonality, credibility, payments and recoveries under government programs, and the purpose and intended use of the unpaid claim estimate; and expanding guidance regarding provider contractual arrangements. The exposure draft, which can be viewed [here](#), has a comment deadline of April 30, 2016.

ASB Approves Second Exposure Draft of Proposed Ratemaking ASOP

The ASB also approved a second exposure draft of a proposed ASOP, *Property/Casualty Ratemaking*. In September 2014, the ASB approved a first exposure draft of the proposed ASOP, which received 22 comment letters considered in making changes that are reflected in the second exposure draft. The changes include revisions to the following:

- the scope of the ASOP to clarify the practice areas for which it is applicable and the actuarial activities to which it is applicable;
- the reference to estimating “expected value of all future costs” so that it refers to “estimating all future costs”; and
- the guidance provided in the proposed ASOP regarding the estimating of future costs in total as well as by underlying levels that comprise the estimate of future cost.

The proposed new ASOP addresses items in the Considerations section of the Statement of Principles Regarding Property/Casualty Ratemaking, as well as ratemaking items not currently addressed in existing ASOPs. The second exposure draft, which can be viewed [here](#), has a comment deadline of April 30, 2016.

ASB Welcomes New Chairperson, Board Members, Committee Chairpersons

In January 2016, Maryellen Coggins began service as the ASB’s new chairperson, after having served as one of its members since 2014. Coggins, a Boston-based managing director at PricewaterhouseCoopers, has worked extensively in both the casualty and enterprise risk management practice areas. Also in January, Cande Olsen and Kathy Riley began service as the ASB’s newest members. Olsen, representing the life practice area, previously served as vice president of the Academy’s Life Practice Council (LPC) and is a past LPC chairperson. Riley, representing the pension practice area, previously served as a member of the Actuarial Board for Counseling and Discipline (ABCD) and is a former vice president of the Council on Professionalism. In addition, existing ASB member Frank Todisco was appointed as a new vice chairperson alongside existing Vice Chairperson Beth Fitzgerald. The ASB also welcomed Donna Novak as the new chairperson for its Health Committee and Kenneth Kasner as the new chairperson for its Casualty Committee.

ASB AGENDA PROJECTS

February 2016

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 **RC**—Request for Comments

CASUALTY COMMITTEE					
Subject Area	Qtr. 2015				Comments
	1	2	3	4	
Ratemaking	R	R	R	SE	The ASB approved a second exposure draft in December 2015. The comment deadline is April 30, 2016.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	PD	DS	DS	DS	The committee discussed possible revisions to ASOP Nos. 36 and 43 and decided neither ASOP should be revised at this time.
ASOP No. 43, <i>Property/Casualty Unpaid Claim Estimates</i>	PD	DS	DS	DS	
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Subject Area	Qtr. 2015				Comments
	1	2	3	4	
Capital adequacy assessment	DD	D	D	D	The committee is drafting an ASOP and plans to present an exposure draft to the ASB at its June 2016 meeting.
GENERAL COMMITTEE					
Subject Area	Qtr. 2015				Comments
	1	2	3	4	
ASOP No. 23, <i>Data Quality</i>	PD	D	E	E	The ASB approved an exposure draft of a revision to ASOP No. 23 in November 2015. The comment deadline is February 29, 2016.
ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i>	F	F	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	E	R	R	R	The committee is reviewing comments on the second exposure draft and making revisions to the draft, and plans to present a third exposure draft to the ASB at its June 2016 meeting.
ASOP No. 21, <i>Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas</i>	PD	D	E	R	The ASB approved an exposure draft of a revision to ASOP No. 21 at its September 2015 meeting with a comment deadline of December 31, 2015. The committee is reviewing comments on the exposure draft and making revisions to the draft, and plans to present a final draft to the ASB at its June 2016 meeting.

HEALTH COMMITTEE					
Subject Area	Qtr. 2015				Comments
	1	2	3	4	
ASOP No. 5, <i>Incurred Health and Disability Claims</i>	PD	D	D	E	The ASB approved an exposure draft of a revision to ASOP No. 5 in December 2015. The comment deadline is April 30, 2016.
<i>Determining Minimum Value and Actuarial Value under the Affordable Care Act</i>	E	R	F	F	The ASB adopted the standard as ASOP No. 50 at its September 2015 meeting with an effective date of January 31, 2016.
LIFE COMMITTEE					
Subject Area	Qtr. 2015				
	1	2	3	4	
Principle-based reserves	R	F	F	F	The ASB adopted a pending ASOP at its June 2015 meeting but the ASOP will remain in draft form until the NAIC Valuation Manual is adopted.
Life insurance and annuity pricing	D	D	D	D	A task force is drafting an ASOP and plans to present an exposure draft to the ASB at its March 2016 meeting.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>				D	A task force is drafting a revision to ASOP No. 24 and plans to present an exposure draft to the ASB at its March 2016 meeting.
PENSION COMMITTEE					
Subject Area	Qtr. 2015				Comments
	1	2	3	4	
ASOP No. 34 revision, <i>Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions</i>	R	F	F	F	The ASB adopted a final revision at its June 2015 meeting with an effective date of December 1, 2015.
<i>Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions</i>	E	R	R	R	The committee is reviewing comments on the exposure draft and making revisions to the draft, and plans to present a second exposure draft to the ASB at its June 2016 meeting.
<i>Request for Comments on ASOPs and Public Pension Plan Funding and Accounting</i>	RC	PD	PD	PD	The ASB issued a request for comments to solicit the views of actuaries and others who are interested in the application of the ASOPs to public plan actuarial valuations, and held a hearing in July on the topic to gather additional feedback. The ASB and Pension Task Force are continuing deliberations on the issues that were raised.

► Looking Ahead...

The ASB tentatively plans to review the following drafts during its March 2016 meeting:

- a revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (proposed exposure draft from the Life Committee); and
- a new ASOP titled, *The Actuary's Responsibility When Pricing Life and Annuity Products* (proposed exposure draft from the Life Committee)

► Meeting Schedule of the Actuarial Standards Board



- ***March 9-10, 2016***
- ***June 8-9, 2016***
- ***September 8-9, 2016***
- ***December 6-7, 2016***

All ASB meetings are open to the public, and interested parties may attend. The ASB office should be notified 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) 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.

The ASB Boxscore

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