

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q4 2015

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 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 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 to Meet March 9-10 in Washington

The next regularly scheduled meeting of the ASB will be held March 9-10, 2016, at the Academy offices in Washington, D.C.