

ACTUARIAL STANDARDS BOARD

# annual REPORT



AMERICAN ACADEMY of ACTUARIES

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2014

## Letter From the Chairperson

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. Established in 1988, the ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.



### 2014 Actuarial Standards Board

(l to r): Maryellen Coggins, Thomas Levy, Michael Abroe, Patricia Matson (chairperson), Robert Meilander (vice chairperson), James Verlautz, Christopher Carlson, Beth Fitzgerald, James Murphy (vice chairperson)

In 2014, the Board adopted four final revised ASOPs, approved six exposure drafts for comment, approved four proposals for new or revised ASOPs, and issued two requests for comments on potential new or revised ASOPs. The Board also provided comment to the International Actuarial Association on the exposure draft of International Standard of Practice 3, *Actuarial Practice under IAS 19 Employee Benefits*, and also held its annual planning meeting in Sarasota, Fla. As 2014 drew to a close, the Board bid farewell to former ASB members Robert Meilander, James Murphy, and James Verlautz, all of whom made significant contributions to standard setting during their time on the Board, and welcomed new ASB members Barbara Snyder, Frank Todisco, and Ross Winkelman.

Setting appropriate standards of practice is critically important as well as challenging and time-consuming, and the ASB could not do it without the dedication of its many volunteers. So as 2015 begins, I'd like to thank members of the committees and task forces of the ASB for all their hard work and dedication, as well as my fellow Board members for their time and commitment. As I continue my second year as chairperson, I would like to wish the Board a successful 2015 as continue our commitment to serve actuaries and the public through our charge to establish and improve actuarial standards of practice for the U.S.

*Patricia E. Matson*

Chairperson

Actuarial Standards Board

# Committee Projects

## Casualty Committee

The Casualty Committee, chaired by David Otto, prepared an exposure draft titled *Property/Casualty Ratemaking*, which the ASB approved for exposure in September. The proposed ASOP was drafted by the Task Force on Ratemaking, chaired by Patrick Woods.

In addition, the ASB approved a proposal in March for the Casualty Committee to begin work on a revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, and ASOP No. 43, *Property/Casualty Unpaid Claim Estimates*.

## Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Ingram, began work on a proposed new standard initially titled *Preparation and Review of Own Risk & Solvency Assessment Reports*, but redrafted as *Capital Adequacy Assessment for Insurers*.

## General Committee

The General Committee, chaired by Maria Sarli, oversaw the development of a second exposure draft titled *Modeling*. The proposed ASOP, which was drafted by the Modeling Task Force chaired by Dale Hagstrom, was approved for exposure in November. A revision of ASOP No. 38, *Catastrophe Modeling (for All Practice Areas)*, was adopted by the ASB in March, with its release subject to any changes necessitated by the final version of the proposed new *Modeling* ASOP.

In addition, the ASB approved a proposal in June for the General Committee to revise ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*.

## Health Committee

The Health Committee, chaired by Nancy Nelson, issued a discussion draft in April and ultimately drafted a proposed new standard titled *Determining Minimum Value and Actuarial Value under the Affordable Care Act*, which the ASB approved as an exposure draft in December.

Also, the Health Committee oversaw the Task Force on Regulatory Filings, chaired by Donna Novak, as it prepared a final revision of ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*, which the ASB adopted in March.

In addition, the ASB approved a proposal in March for the Health Committee to revise ASOP No. 5, *Incurred Health and Disability Claims*.

## Life Committee

The Life Committee, chaired by David Rogers, oversaw the development of a second exposure draft titled *Principle-Based Reserves for Life Products*. The proposed ASOP, which was drafted by the Task Force on Principles-Based Reserves chaired by Frank Irish, was approved for exposure in June.

## Pension Committee

The Pension Committee, chaired by Mita Drazilov, oversaw the Subcommittee on Retiree Group Benefits, chaired by Don Morgan, as it prepared a final revision of ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, which the ASB adopted in May.

The Pension Committee prepared a final revised version of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, which the ASB adopted in September.

The Pension Committee also prepared an exposure draft of ASOP No. 34, *Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions*, which the ASB approved in September.

In addition, the Pension Committee drafted a proposed new standard titled *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, which the ASB approved as an exposure draft in December.

## Other Projects

The ASB issued a *Request for Comments on ASOPs and Public Pension Plan Funding and Accounting* in July and a request for comments on Life Insurance and Annuity Pricing in October.

The ASB also provided comment to the International Actuarial Association on the exposure draft of International Standard of Practice 3, *Actuarial Practice under IAS 19 Employee Benefits*.

Lastly, the Board held its annual planning meeting in Sarasota, Fla, and discussed such topics as the level of prescription in standards, obtaining feedback on standards, and better marketing of the importance of ASOPs.



**The ASB establishes and improves standards of actuarial practice. These 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.**

## Actuarial Standards Board



The ASB meets four times a year. 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.

# Financial Summary

Actuaries who belong to any of the five U.S.-based actuarial organizations support the operations of the Actuarial Standards Board through a portion of their annual dues. Financial activities pertaining to the ASB are accounted for separately within the American Academy of Actuaries' system of accounts. The ASB annually submits a proposed budget based on projected expenses to the Academy treasurer; the Academy budget makes provisions for ASB operating expenses. The ASB has discretion with regard to the expenditure of all funds allocated to it, subject only to accounting and audit requirements mutually determined by the treasurer and the ASB.

## Actuarial Standards Board Statement of Expenses

Year Ended December 31, 2014<sup>1</sup>

### Expenses:

Staff salaries <sup>2</sup>	\$199,498
Staff benefits	43,742
Office operating costs	68,528
New member materials	7,033
Postage and delivery services	2,585
Staff travel	5,970
Committee meetings	35,599
ASB travel reimbursement	83,781
Professional services	12,363
Printing	658
Other	831

**Total Expenses:** **\$460,588**

<sup>1</sup> The above figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries are available upon request from the Academy's office in Washington, DC, and will be available on the Academy's website. Many members of the actuarial profession have contributed significant amounts of time to the activities of the ASB without compensation. This financial summary does not reflect the value of those contributed services.

<sup>2</sup> Includes salaries of full-time staff members and charges for actual time spent on the ASB program by other Academy employees.



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