The Actuarial Standards Board (ASB) celebrated another productive year in standards setting, issuing both revised and new actuarial standards of practice (ASOPs), most notably, its 50th ASOP, Determining Minimum Value and Actuarial Value under the Affordable Care Act.

The ASB sets standards for appropriate actuarial practice in the United States through the development and promulgation of 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.

In 2015, the ASB adopted two new ASOPs, adopted one revised ASOP, approved four exposure drafts for comment, and approved four proposals for new or revised ASOPs. The ASB also approved the Pension Task Force members in March and held a public hearing in Washington, D.C., in July to discuss pension plan issues. In addition, the Board held its annual planning meeting in Ft. Lauderdale, Fla. to discuss such topics as the profession’s duty to the public and relationship with regulators. As 2015 drew to a close, the ASB bid farewell to former member and Chairperson Patricia Matson and member Thomas Levy, and welcomed new members Cande Olsen and Kathleen Riley.

Setting appropriate standards of practice is critically important, challenging, and time-consuming, and the ASB could not do it without the dedication of its many volunteers. As 2016 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 embark on my first year as chairperson, I would like to wish the Board a successful year as we continue our commitment to serve actuaries and the public through our charge to establish and improve actuarial standards of practice for the United States.

Maryellen Coggins
Chairperson
Actuarial Standards Board
Committee Projects

Casualty Committee

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

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Ingram, continued work on a proposed new standard titled *Capital Adequacy Assessment for Insurers*.

General Committee

The General Committee, chaired by Maria Sarli, oversaw the development of a proposed revision of ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*, drafted by the Task Force to Revise ASOP No. 21, chaired by Barbara Snyder. The ASB approved its exposure in September.

Also, in December, the ASB approved a proposal from the General Committee to draft a new ASOP on assumptions.

In addition, the General Committee oversaw the Data Quality Task Force, chaired by David Driscoll, as it revised ASOP No. 23, *Data Quality*. The ASB approved its exposure in December.

Lastly, the General Committee oversaw the Modeling Task Force as it continued its work on a third exposure draft of a proposed ASOP titled *Modeling*.

Health Committee

The Health Committee, chaired by Nancy Nelson, oversaw the Task Force on Medicaid Rate Setting and Certification, chaired by Robert Damler, as it prepared ASOP No. 49, *Medicaid Managed Care Capitation Rate Development and Certification*, which the ASB adopted in March.
In addition, the Health Committee oversaw the Task Force on Actuarial Value/Minimum Value under the Affordable Care Act, chaired by Timothy Wilder, as it prepared ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*, which the ASB adopted in September.

The Health Committee also oversaw the Task Force to Revise ASOP No. 5 as the task force developed a proposed revision of ASOP No. 5, *Incurred Health and Disability Claims*, which the ASB approved for exposure in December.

Lastly, in December, the ASB approved a proposal from the Health Committee to revise ASOP No. 42, *Determining Health and Disability Liabilities Other than Incurred Claims*.

**Life Committee**

The Life Committee, chaired by David Rogers, submitted a proposal for an ASOP on the actuary's role in individual life insurance and annuity pricing. The ASB approved the proposal in March. A task force chaired by David Brentlinger was formed to draft the ASOP, and began work on an exposure draft in 2015.

The Life Committee also submitted a proposal to revise ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. The ASB approved the proposal in March. A task force chaired by David Rogers began work on an exposure draft in late 2015.

Lastly, the Life Committee oversaw the Task Force on Principle-Based Reserves, chaired by Frank Irish, as it prepared an exposure draft titled *Principle-Based Reserves for Life Products*. The ASB approved the draft in June as a “pending ASOP,” and it will remain in draft form until the NAIC Valuation Manual is adopted.

**Pension Committee**

The Pension Committee, chaired by Mita Drazilov, prepared a final revision of ASOP No. 34, *Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions*, which the ASB adopted in June.

The Pension Committee also continued its work addressing comments received on the exposure draft of proposed ASOP *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, which the ASB had approved for exposure in December 2014.
Other Projects

The ASB approved the Pension Task Force members in March to review public pension input from specific sources, including the responses to the ASB’s request for comments on ASOPs and public pension plan funding and accounting, and other relevant reports and input to develop recommendations for ASB next steps.

As a result, the ASB held a public hearing in Washington, D.C., in July to discuss the need for new or revised ASOPs applicable to actuarial work regarding public pension plans.

The Board also held its annual planning meeting in Ft. Lauderdale, Fla., and discussed such topics as the profession’s duty to the public and relationship with regulators.
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.
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 secretary-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 secretary-treasurer and the ASB.

**Actuarial Standards Board Statement of Expenses**

*Year Ended December 31, 2015*¹

<table>
<thead>
<tr>
<th>Expenses:</th>
<th></th>
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<tbody>
<tr>
<td>Staff salaries</td>
<td>$203,532</td>
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<tr>
<td>Staff benefits</td>
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<td>Office operating costs</td>
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<td>New member materials</td>
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<td>Postage and delivery services</td>
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<td>Professional services</td>
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<td>Printing</td>
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<td>Public Relations</td>
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<tr>
<td>Other</td>
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</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td><strong>$459,905</strong></td>
</tr>
</tbody>
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¹The figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries will be available upon request from the Academy’s office in Washington, D.C., 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.

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