

ASB Approves Exposure Draft of Proposed New ASOP on Life Insurance and Annuity Pricing

The Actuarial Standards Board (ASB) recently approved an exposure draft of a proposed new actuarial standard of practice (ASOP) titled *Pricing Life Insurance and Annuity Products*. The proposed ASOP would apply to actuaries when performing actuarial services with respect to the pricing of life insurance and annuity products, including riders, that are sold in the future. In this context, actuarial services include advising on the design of the product, its rates and benefits, and evaluating the product's profitability and risks. The proposed standard would not address other considerations that may affect the ultimate price charged, such as marketing goals and competition. The exposure draft, which can be viewed [here](#), has a comment deadline of Aug. 31, 2016.

ASB Publishes Its 2015 Annual Report

The ASB recently published the 2015 *Annual Report*, highlighting its work over the past year, which includes the adoption of two new ASOPs, the adoption of one revised ASOP, the approval of four exposure drafts for comment, and the approval of four proposals for new or revised ASOPs. In addition, the ASB approved the Pension Task Force members in March 2015 and held a public hearing in Washington, D.C. in July to discuss pension plan issues. To read the annual report, click [here](#).

ASB Approves Proposals for a New and a Revised ASOP

The ASB recently approved proposals for a new ASOP on assumptions and to revise ASOP No. 42, *Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims*.

The proposed assumptions ASOP would apply to actuaries setting assumptions, giving advice on setting assumptions, or reviewing assumptions set by others, if such assumptions are to be used in an actuarial work product. Setting assumptions includes, but is not limited to, activities that may involve developing, selecting, or choosing assumptions, and may include an analysis of data or experience, industry studies, trends, economic forecasts, and other analyses, as appropriate. A task force under the direction of the ASB General Committee is drafting an exposure draft, which is expected to be presented to the ASB in September.

A task force also has been formed to revise ASOP No. 42, which was adopted in 2004. The ASOP is being revised to consider the significant legal and regulatory changes imposed by the Affordable Care Act, to reflect the valuation of actuarial assets in addition to actuarial liabilities, and for consistency with new and revised ASOPs that have been adopted since ASOP No. 42 was originally drafted. The task force, under the direction of the ASB Health Committee, is drafting an exposure draft, which is also expected to be presented to the ASB in September.

ASB AGENDA PROJECTS

April 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. 2016				Comments
	1	2	3	4	
Ratemaking	SE				The ASB approved a second exposure draft in December 2015. The comment deadline is April 30, 2016.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
Capital adequacy assessment	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. 2016				Comments
	1	2	3	4	
ASOP No. 23, <i>Data Quality</i>	R				The task force is reviewing comments on the exposure draft and making revisions to the draft, and plans to present a final revision to the ASB at its September 2016 meeting.
ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i>	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	R				The task force 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>	R				The task force is reviewing comments on the exposure draft and making revisions to the draft, and plans to present a final revision to the ASB at its June 2016 meeting.
Assumptions	D				A task force is drafting an ASOP and plans to present an exposure draft to the ASB at its September 2016 meeting.
ASOP No. 17, <i>Expert Testimony</i>	PD				A task force has been formed and will be discussing revisions for the ASOP with plans of presenting an exposure draft to the ASB at its December 2016 meeting.

HEALTH COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
ASOP No. 5, <i>Incurred Health and Disability Claims</i>	E				The ASB approved an exposure draft of a revision to ASOP No. 5 in December 2015. The comment deadline is April 30, 2016.
ASOP No. 42, <i>Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims</i>	D				The committee is drafting a revision to ASOP No. 42 and plans to present an exposure draft to the ASB at its September 2016 meeting.
LIFE COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
<i>Principle-Based Reserves for Life Products</i>	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.
Pricing Life Insurance and Annuity Products	E				The ASB approved an exposure draft in March 2016. The comment deadline is August 31, 2016.
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 June 2016 meeting.
PENSION COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
<i>Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions</i>	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.
Request for Comments on ASOPs and Public Pension Plan Funding and Accounting	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 2015 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 June 2016 meeting:

- a revision of ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations* (proposed final ASOP from the General Committee);
- a new ASOP titled *Modeling* (proposed third exposure draft from the General Committee);
- a new ASOP titled *Capital Adequacy Assessment for Insurers* (proposed exposure draft from the Enterprise Risk Management Committee);
- 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 *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions* (proposed second exposure draft from the Pension Committee).

► Meeting Schedule of the Actuarial Standards Board



- **June 8-10, 2016**
- **September 8-9, 2016**
- **December 6-7, 2016**
- **March 8-9, 2017**

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

Erica Kennedy
ASB Program Manager
kennedy@actuary.org

Virginia Hulme
ASB Standards Editor
hulme@actuary.org

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, D.C. 20036
Phone: (202) 223-8196 • Fax: (202) 223-1248
www.actuarialstandardsboard.org
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