

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q2 2016

ASB Approves Exposure Draft of a Revision of ASOP No. 24 for Life Insurance Illustrations

The Actuarial Standards Board (ASB) recently approved an exposure draft of a proposed revision of Actuarial Standard of Practice (ASOP) No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. In 2007, ASOP No. 24 was revised to be consistent with the current ASOP format and to update and reflect current, appropriate actuarial practices with respect to illustrations prepared in compliance with the *Life Insurance Illustrations Model Regulation* (Model). In 2015, the National Association of Insurance Commissioners released Actuarial Guideline 49 (AG 49) to clarify certain requirements of the Model related to policies with index-based interest credits. The ASOP is now being revised to reflect changes in guidance as a result of AG 49 and, in particular, to add clarification regarding requirements to prevent lapse-supported illustrations. The comment deadline for the exposure draft is Sept. 30, 2016.

ASB Approves Second Exposure Draft on Proposed Pension Risk ASOP

The ASB approved a second exposure draft of a proposed new ASOP titled *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*. The ASB approved a first exposure draft in December 2014 and received 14 comment letters that were considered in making changes reflected in this second exposure draft. Key changes to the second exposure draft include expanding the scope of the proposed ASOP from applying only to funding valuations of a pension plan to also applying to certain pricing valuations. Other modifications were made to the scope, the definition of risk, disclosure requirements, and other aspects of the proposed ASOP. The comment deadline for the second exposure draft is Oct. 31, 2016.

ASB Approves Third Exposure Draft on Proposed Modeling ASOP for All Practice Areas

The ASB recently approved a third exposure draft of a proposed new ASOP titled *Modeling*. Given the extensive edits made as a result of the comment letters received on second exposure draft, key changes in the third exposure draft include narrowing the scope but, within that scope, making the guidance less subject to professional judgment as to its applicability; clarifying the definitions for “model,” “data,” and “model run”; and clarifying guidance with respect to using models designed or built by others. The ASOP would apply to actuaries in all practice areas performing actuarial services when selecting, designing, building, modifying, developing, using, reviewing, or evaluating all types of models that are not simple models. The comment deadline for the third exposure draft is also Oct. 31, 2016.

ASB Releases Pension Task Force Report; Proposed Modifications Would Affect Both Public and Private-Sector Plans

The ASB has released the report of its Pension Task Force (PTF), which began work more than a year and a half ago to consider the implications of many proposals for changes to the ASOPs related to public pension plans. After extensive discussion of the PTF’s suggestions, the ASB has directed its Pension Committee to draft appropriate proposed modifications, in accordance with ASB procedures. The proposed modifications would be applicable to both public and private-sector plans, and are part of a greater, ongoing effort by the ASB in recent years to strengthen pension-related ASOPs.

ASB to Meet September 8-9 in Washington

The next regularly scheduled meeting of the ASB will be held September 8-9, 2016, at the Academy offices in Washington, D.C.