

ASB Adopts Revision of ASOP No. 21

The Actuarial Standards Board (ASB) adopted a [revision](#) of Actuarial Standard of Practice (ASOP) No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations* at its September board meeting. As financial audits, financial reviews, and financial examinations have evolved significantly in the past 10 years, the ASB decided that a revision of ASOP No. 21 was necessary. The prior version of ASOP No. 21 did not address the actuary's responsibility with respect to process and controls in the Sarbanes-Oxley environment, and was adopted before the National Association of Insurance Commissioners promulgated the Model Audit Rule. Furthermore, audits and examinations are increasingly conducted on a risk-focused basis and this contributed to the need for a revision of ASOP No. 21. A key change reflected in the revision includes expanding and clarifying the applicability of the ASOP to financial audits, financial reviews, and financial examinations relative to current practices, especially the risk-focused and prospective view used in these financial audits, financial reviews, and financial examinations. The standard will be effective for any actuarial work in connection with a financial audit, financial review, or financial examination for fiscal periods beginning on or after Dec. 15, 2016.

ASB Approves Exposure Draft on Proposed Capital Adequacy Assessment ASOP

The ASB also approved an [exposure draft](#) of a proposed new ASOP titled *Capital Adequacy Assessment for Insurers*. The proposed ASOP would apply to actuaries involved in capital adequacy assessment work for life or health insurers, including fraternal benefit societies and health benefit plans, property and casualty insurers, mortgage and title insurers, financial guaranty insurance companies, complex insurance organizations, and similar organizations. The ASB released a discussion draft of a proposed standard in May 2015. The exposure draft reflects many of the comments received on that discussion draft. The comment deadline for the exposure draft is Jan. 31, 2017. Information on how to submit comments can be found in the draft.

ASB Welcomes New Committee Chairpersons

The ASB welcomes Margaret Tiller Sherwood as new chairperson for its General Committee, succeeding Maria Sarli; Frank Pierson as new chairperson for its Enterprise Risk Management Committee, succeeding David Ingram; David Brentlinger as new chairperson for its Life Committee, succeeding David Rogers; and Chris Noble as new chairperson for its Pension Committee, succeeding Mita Drazilov. All of the incoming chairpersons are currently members of their respective committees. The new appointments begin on Jan. 1, 2017. Kenneth Kasner and Donna Novak will continue as chairpersons of the Casualty Committee and Health Committee, respectively. The ASB thanks its outgoing chairpersons for their leadership and hard work.

ASB AGENDA PROJECTS

November 2016

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft **DD**—Discussion Draft **SE**—Second Exposure Draft
TE—Third 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 (now titled <i>Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding</i>)	SE	R	R		The task force is reviewing comments on the second exposure draft, making revisions, and plans to present a third exposure draft to the ASB at its December 2016 meeting.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
Capital Adequacy Assessment	D	D	E		The ASB approved an exposure draft in September 2016. The comment deadline is Jan. 31, 2017.
GENERAL COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
ASOP No. 17, <i>Expert Testimony by Actuaries</i>	PD	PD	D		A task force is drafting a revision to ASOP No. 17 and plans to present an exposure draft to the ASB at its March 2017 meeting.
ASOP No. 21, <i>Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas</i>	R	R	F		The ASB adopted a final revision at its September 2016 meeting with an effective date of Dec. 15, 2016.
ASOP No. 23, <i>Data Quality</i>	R	R	R		The task force is reviewing comments on the exposure draft, making revisions, and plans to present a final revised ASOP to the ASB at its December 2016 meeting.
ASOP No. 32, <i>Social Insurance</i>			P/D		A task force to revise ASOP No. 32 has been formed and will begin drafting an exposure draft to present to the ASB in 2017. (Note: This task force will report directly to the ASB instead of the General Committee.)
ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i>	F	F	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.
<i>Modeling</i>	R	TE	R		The task force is reviewing comments on the exposure draft and plans to present a revised ASOP to the ASB at its June 2017 meeting.
<i>Assumptions</i>	D	D	D		A task force presented an exposure draft to the ASB at its September 2016 meeting and is making further revisions.

HEALTH COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
ASOP No. 5, <i>Incurred Health and Disability Claims</i>	E	R	R		The task force is reviewing comments on the exposure draft, making revisions, and plans to present a final revised ASOP to the ASB at its March 2017 meeting.
ASOP No. 42, <i>Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims</i>	D	D	D		The committee is drafting a revision to ASOP No. 42 and plans to present an exposure draft to the ASB at its March 2017 meeting.
LIFE COMMITTEE					
Subject Area	Qtr. 2016				Comments
	1	2	3	4	
<i>Principle-Based Reserves for Life Products</i>	F	R	R		The ASB adopted a pending ASOP at its June 2015 meeting. However, a task force has been created to make revisions to the draft to reflect changes to the rules, regulations, and statutory guidance in the National Association of Insurance Commissioner's Valuation Manual effective Jan. 1, 2017.
<i>Pricing Life Insurance and Annuity Products</i>	E	E	R		The task force is reviewing comments on the exposure draft, making revisions, and plans to present a final revised ASOP to the ASB at its March 2017 meeting.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>	D	E	R		The task force is reviewing comments on the exposure draft, making revisions, and plans to present a final revised ASOP to the ASB at its December 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	SE	R		The committee will begin reviewing comments on the exposure draft and begin making revisions.
Pension Task Force report (follow-up to the Request for Comments on ASOPs and Public Pension Plan Funding and Accounting)	PD	F	R		The Pension Task Force completed its review of comments received on the application of the ASOPs to public plan actuarial valuations and from feedback received at the ASB's July 2015 hearing and issued a final report on its findings, which the ASB released in July 2016. The ASB has directed the Pension Committee to draft appropriate proposed modifications to the actuarial standards of practice, in accordance with ASB procedures, based upon the ASB's deliberations in consideration of the Pension Task Force report. The proposed modifications would be applicable to both public and private-sector pension plans. The committee is developing proposed revisions of ASOP Nos. 4, 27, and 35.

► Looking Ahead...

The ASB tentatively plans to review the following drafts during its December 2016 meeting:

- a revision of ASOP No. 23, *Data Quality* (proposed final ASOP from the General Committee);
- a revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (proposed final ASOP from the Life Committee); and
- a new ASOP tentatively titled *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding* (formerly titled *Rate-making*) (proposed third exposure draft from the Casualty Committee).

► Meeting Schedule of the Actuarial Standards Board



- **December 6-7, 2016**
- **March 8-9, 2017**
- **June 7-8, 2017**
- **September 20-21, 2017**
- **December 5-6, 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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