The Actuarial Standards Board (ASB) celebrated another productive year in standards setting, issuing several revised actuarial standards of practice (ASOPs) and continuing development of several other proposed new standards and revisions of existing standards.

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 the United States.

In 2016, the ASB adopted three revised ASOPs, approved seven exposure drafts for comment, approved a proposal for one revised ASOP, and issued a final report from the ASB’s Pension Task Force. In addition, the ASB approved the formation of a task force to revise ASOP No. 32, *Social Insurance*, and presented a webinar on cross-practice standards. The ASB held its annual planning meeting in Sanibel Island, Fla., where it discussed such topics as reputational risk and stakeholder engagement.

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 2017 begins, I’d like to thank members of the committees and task forces of the ASB—including outgoing ASB committee chairpersons Mita Drazilov, David Ingram, David Rogers, and Maria Sarli—for all their hard work and dedication, as well as my fellow ASB members for their time and commitment. As I embark on my second year as chairperson, I would like to wish the ASB 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 Kenneth Kasner, oversaw the Ratemaking Task Force as it continued its work on a proposed new ASOP titled *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding*. The task force was chaired by Patrick Woods. The ASB approved a third exposure draft in December.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Ingram, drafted a proposed new ASOP titled *Capital Adequacy Assessment for Insurers*. The ASB approved an exposure draft in September.

General Committee

The General Committee, chaired by Maria Sarli, oversaw the Modeling Task Force as it continued its work on a proposed new ASOP titled *Modeling*. The ASB approved a third exposure draft in June. The task force was chaired by Dale Hagstrom.

The General Committee also oversaw the ASOP No. 21 Task Force, chaired by Barbara Snyder, as it revised ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*. The ASB adopted the revision in September.

In addition, the General Committee oversaw the development of a proposed new ASOP titled *Setting Assumptions*, drafted by the Assumptions Task Force, also chaired by Maria Sarli. The ASB approved an exposure draft in December.

The General Committee also oversaw the Data Quality Task Force, chaired by David Driscoll, as it revised ASOP No. 23, *Data Quality*. The ASB adopted the revision in December.

Lastly, the General Committee oversaw the ASOP No. 17 Task Force, chaired by David Godofsky, as it worked on developing proposed revisions to ASOP No. 17, *Expert Testimony by Actuaries*.
Health Committee

The Health Committee, chaired by Donna Novak, oversaw the continuing development of a proposed revision of ASOP No. 5, *Incurred Health and Disability Claims*. The revision was being developed by the ASOP No. 5 Task Force, chaired by Richard Lassow.

The Health Committee also oversaw the continuing development of a proposed revision of ASOP No. 42, *Determining Health and Disability Liabilities Other than Incurred Claims*, being drafted by the ASOP No. 42 Task Force, chaired by Matthew Chamblee.

Life Committee

The Life Committee, chaired by David Rogers, oversaw the development of a proposed new ASOP titled *Pricing Life Insurance and Annuity Products*. The ASOP was drafted by the Life Insurance and Annuity Pricing Task Force, chaired by David Brentlinger. The ASB approved an exposure draft in March.

The Life Committee also oversaw the revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*, which the ASB approved for exposure in June. The Task Force to Revise ASOP No. 24 was also chaired by David Rogers. The ASB adopted a final revision of the ASOP in December.

In addition, the Life Committee presented a proposal to revise ASOP No. 2, *Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*. The ASB approved the proposal in December.

Lastly, the Life Committee oversaw the Task Force on Principle-Based Reserves, chaired by Linda Lankowski, as it continued development of an updated exposure draft titled *Principle-Based Reserves for Life Products*, which will reflect modifications made to the National Association of Insurance Commissioners’ Valuation Manual.

Pension Committee

The Pension Committee, chaired by Mita Drazilov, prepared 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 the second exposure draft in June.
Other Projects

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 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.

The ASB also approved the formation of a task force to revise ASOP No. 32, *Social Insurance*, chaired by Janet Barr. The task force reports directly to the ASB.
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 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, 2016

Expenses:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries</td>
<td>$225,906</td>
</tr>
<tr>
<td>Staff benefits</td>
<td>53,036</td>
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<tr>
<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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<tr>
<td>Staff travel</td>
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<tr>
<td>Committee meetings</td>
<td>40,806</td>
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<tr>
<td>ASB travel reimbursement</td>
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<tr>
<td>Professional services</td>
<td>10,489</td>
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<tr>
<td>Printing</td>
<td>2,465</td>
</tr>
<tr>
<td>Other</td>
<td>323</td>
</tr>
</tbody>
</table>

Total Expenses: $500,097

1 The 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.

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