

ACTUARIAL STANDARDS BOARD

annual REPORT



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2017



AMERICAN ACADEMY of ACTUARIES

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2017

Letter From the Chairperson

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. Established in 1988, the ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.



2018 Actuarial Standards Board

(l to r): Darrell Knapp, Christopher Carlson, Barbara Snyder, Maryellen Coggins (vice chairperson), Beth Fitzgerald (chairperson), Kathleen Riley (vice chairperson), Robert Damler, Cande Olsen, Mita Drazilov

In 2017, the ASB concluded another banner year in standards-setting by adopting three new ASOPs and one revised ASOP, approving five exposure drafts for comment, and approving three proposals to revise existing ASOPs. In addition, the board presented a professionalism webinar on a proposed new ASOP on assumptions.

Setting appropriate standards of practice is important yet challenging, and the ASB could not do it without the dedication of its many task force and committee volunteers. As 2018 begins, I'd like to thank the members of those committees and task forces for all their hard work and dedication, as well as my fellow board members—including outgoing ASB members Frank Todisco and Ross Winkelman—for their time and commitment. As I embark on my 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.

Beth Fitzgerald

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 Retention*. The task force was chaired by Patrick Woods. The ASB adopted the standard as ASOP No. 53 in December.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by Frank Pierson, continued work on a proposed new ASOP titled *Capital Adequacy Assessment for Insurers*. The board approved a second exposure draft in September.

General Committee

The General Committee, chaired by Margaret Tiller Sherwood, oversaw the Modeling Task Force as it continued its work on a proposed new ASOP titled *Modeling*. The task force is chaired by Dale Hagstrom.

The General Committee also oversaw the ASOP No. 17 Task Force, chaired by David Godofsky, as it worked on developing a proposed revision of ASOP No. 17, *Expert Testimony by Actuaries*. The ASB approved an exposure draft in March.

In addition, the General Committee oversaw the Assumptions Task Force, chaired by Maria Sarli, as it continued work on a proposed new ASOP titled *Setting Assumptions*.

Health Committee

The Health Committee, chaired by Donna Novak, oversaw the revision of ASOP No. 5, *Incurred Health and Disability Claims*. The revision, developed by the ASOP No. 5 Task Force, which was chaired by Richard Lassow, was adopted by the ASB in March.

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*. The revision was drafted by the ASOP No. 42 Task Force, which was chaired by Matthew Chamblee. The ASB approved an exposure draft in May.

In addition, the Health Committee presented a proposal to the ASB to revise ASOP No. 3, *Continuing Care Retirement Communities*. The ASB approved the proposal to revise the ASOP in December.

Life Committee

The Life Committee, chaired by David Brentlinger, oversaw the Task Force on Principle-Based Reserves, chaired by Linda Lankowski, as it developed a proposed ASOP titled *Principle-Based Reserves for Life Products under the NAIC Valuation Manual*. The ASB approved an exposure draft in March and adopted the standard as ASOP No. 52 in September.

The Life Committee oversaw the Life Insurance and Annuity Pricing Task Force, also chaired by David Brentlinger, as it continued work on a proposed new ASOP titled *Pricing of Life Insurance and Annuity Products*. The ASB approved a second exposure draft in June.

The Life Committee continued to oversee the ASOP No. 2 Task Force, chaired by Gabe Schiminovich, as it continued work on a revision of ASOP No. 2, *Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*.

In addition, the Life Committee oversaw the ASOP No. 11 Task Force, chaired by Jeremy Starr, as it began work on a revision of ASOP No. 11, *Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance*. The ASB approved the proposal to revise the ASOP in March.

The Life Committee also oversaw the ASOP No. 22 Task Force, chaired by Laura Hanson, as it began work on a revision of ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*. The ASB approved the proposal to revise the ASOP in September.

Pension Committee

The Pension Committee, chaired by Christopher Noble, oversaw the development of a proposed new ASOP titled *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*. The ASB adopted the standard as ASOP No. 51 in September.

In addition, the Pension Committee continued work on ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*; ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*; and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* in response to recommendations from the Pension Task Force.

Other Projects

The ASB oversaw the ASOP No. 32 Task Force, chaired by Janet Barr, as it continued work on a revision of ASOP No. 32, *Social Insurance*. The task force reported directly to the ASB.

The ASB approved the formation of an IFRS 17 Task Force in September to assess the impact of IFRS 17, *Insurance Contracts*, on U.S. actuarial practice and to develop a recommendation as to whether further ASB action is warranted. The task force reported to the ASB General Committee.



The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the U.S. actuarial profession.



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, 2017¹

Expenses:

Staff salaries ²	\$236,376
Staff benefits	57,983
Office operating costs	80,297
New member materials	2,628
Postage and delivery services	2,387
Staff travel	5,731
Committee meetings	38,597
ASB travel reimbursement	78,866
Professional services	8,155
Printing	1,075
Other	684

Total Expenses:	\$512,799
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¹ The above 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.



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