

ACTUARIAL STANDARDS BOARD

# annual REPORT



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# 2018



AMERICAN ACADEMY of ACTUARIES

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2018

## 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.



### 2019 Actuarial Standards Board

(l to r): Maryellen Coggins (Vice Chairperson), Patrick Woods, Christopher Carlson, Barbara Snyder, Darrell Knapp (Vice Chairperson), Kathleen Riley (Chairperson), Mita Drazilov, Robert Damler, Cande Olsen

In 2018, the ASB accomplished another exceptional year in standards-setting, adopting one new ASOP and two revised ASOPs, approving five exposure drafts for comment, and approving a proposal to revise one existing ASOP. In addition, the board presented a professionalism series webinar, “The Anatomy of the ASOPs,” and provided content for several *Actuarial Update* Professionalism Counts articles.

Setting appropriate standards of practice is challenging yet important and valuable work, which the ASB could not complete without the dedication of its many task force and committee volunteers. As 2019 begins, I’d like to thank the committee and task force members for all of their hard work and commitment, as well as my fellow board members—including outgoing ASB member and former Chairperson Beth Fitzgerald. As I begin my tenure as chairperson, I would like to wish the board a successful year as we continue our service to actuaries and the public by establishing and improving actuarial standards of practice for the United States.

*Kathy Riley*

Chairperson

Actuarial Standards Board

# Committee Projects

## Casualty Committee

The Casualty Committee, chaired by Kenneth Kasner, began discussion on drafting a proposed ASOP on rate filings. A task force was approved in November.

## Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by Frank Pierson, continued work on a proposed new ASOP titled *Capital Adequacy Assessment*. The ASB approved a third exposure draft in November.

## 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*. A fourth exposure draft was approved in December. 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 adopted a revision in June.

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

## Health Committee

The Health Committee, chaired by Donna Novak, oversaw the continuing development of a proposed revision of ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*, drafted by the ASOP No. 42 Task Force and chaired by Matthew Chamblee. The ASB adopted the revision in March.

Also in March, the ASB approved a task force under the Health Committee to revise ASOP No. 3, *Continuing Care Retirement Communities*. The task force is chaired by Dave Bond.

In addition, the Health Committee presented a proposal to revise ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*. The board approved the proposal in June, and a task force led by Annette James was approved in September.

## Life Committee

The Life Committee oversaw the Pricing Life Insurance and Annuity Products Task Force as it continued work on a proposed new ASOP titled *Pricing of Life Insurance and Annuity Products*. David Brentlinger is the chairperson of the Life Committee and the Pricing Life Insurance and Annuity Products Task Force. The ASB adopted the standard as ASOP No. 54 in June.

The Life Committee oversaw 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 continued work on a revision of ASOP No. 11, *Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance*, and the ASOP No. 22 Task Force, as it continued work on a revision of ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*. The ASOP No. 22 task force is chaired by Laura Hanson.



## Pension Committee

The Pension Committee, chaired by Chris Noble, continued work on a revision of 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*. The ASB approved all three exposure drafts in March.

## 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 ASB approved an exposure draft in October.

The ASB continued to oversee an IFRS 17 Task Force chaired by Susan Pantely, which was formulated 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 reports 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, 2018<sup>1</sup>

### Expenses:

Staff salaries <sup>2</sup>	\$261,594
Staff benefits	64,823
Office operating costs	85,881
New member materials	3,858
Postage and delivery services	3,307
Staff travel	3,520
Committee meetings	58,477
ASB travel reimbursement	100,459
Professional services	8,463
Printing	1,419
Other	1,344

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<b>Total Expenses:</b>	<b>\$593,145</b>
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<sup>1</sup> 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.

<sup>2</sup> 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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