



Welcome to the Actuarial Standards Board's quarterly newsletter. Boxscore highlights and reports on the ASB's work in developing, updating, and promulgating actuarial standards of practice in the United States. Each issue provides information on ASB's current and upcoming projects, events, and recently completed projects.

October 2019

BOXSCORE

ASB Reviews Proposed Revisions of ASOP Nos. 11, 28, and 32

The Actuarial Standards Board (ASB) reviewed proposed revisions of ASOP No. 11, now titled *Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports*; ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*; and ASOP No. 32, *Social Insurance*, at its September meeting.

ASOP No. 11 was first adopted in 1989. The original standard superseded Recommendation No. 4 and Interpretation No. 4-A of the *Financial Reporting Recommendations and Interpretations* of the American Academy of Actuaries, which covered certain aspects of generally accepted accounting principles financial reporting on reinsurance ceded by life and health insurance companies. The ASOP was revised in 2005 to reflect changes in reinsurance practice and related accounting guidance. Since 2005, significant new guidelines and requirements for life insurance policies and annuity contracts had emerged. The current proposed revision of ASOP No. 11 will apply to actuaries when performing actuarial services in connection with preparing, determining, analyzing, or reviewing financial reports for internal or external use that reflect reinsurance programs on life insurance, annuities, or health coverages. The ASOP is scheduled to be released for comment in late 2019.

A proposed revision of ASOP No. 28 was also reviewed and will apply to actuaries when performing actuarial services with respect to issuing or reviewing statements of actuarial opinion related to health insurance assets and liabilities of insurance companies, reinsurance companies, or other health insurance financing systems (such as health benefit plans provided by self-insured or government plan sponsors) that provide similar coverages. Since the last update of the standard in 2011, changes had been made to ASOP No. 5, *Incurred Health and Disability Claims*, and ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*, due in part to the changes imposed by

Continued on page 2



Continued from page 1

the Affordable Care Act. In addition, some assets and liabilities that are included in the scope of the actuarial opinion have changed and others have gained prominence. Therefore, the proposed revision of ASOP No. 28 will reflect these changes in actuarial practice. The proposed revision to the standard also addresses concerns reported by regulatory actuaries relating to the need for improved consistency of the information provided in the actuarial memorandum supporting actuarial opinions. The ASB will continue its review of the proposed revision at its December 2019 meeting.

Lastly, the ASB reviewed ASOP No. 32, *Social Insurance*, which was originally adopted in January 1998 and updated for deviation language in 2011. In 2016, the ASB reviewed ASOP No. 32, and appointed a task force to further review and produce an exposure draft of a revised standard. The task force members include actuaries practicing in each of the listed programs covered by the standard, actuaries with experience in related areas, and a non-actuary with expertise in the field of social insurance. The reasons for the review include acknowledging that some government programs covered by the standard, and some not covered by the standard, had evolved significantly since 1998; that standards in related practice areas had evolved significantly since 1998; and the financial status of social insurance programs have become the subject of intense public scrutiny. The standard will apply to actuaries when performing actuarial services in connection with an actuarial analysis of a social insurance program when the actuary's principal is a government agency with responsibility for the valuation of a social insurance program. The ASB also will continue its review of the proposed revision in late 2019.

ASB Announces New Members; Chair Appointments

On January 1, 2020, the ASB will welcome new members Kevin Dyke and David Neve. Dyke, chief actuary of the Michigan Department of Insurance and Financial Services and an Academy member since 1996, has served on the Council on Professionalism and the Committee on Property and Liability Financial Reporting. Neve, the Academy's current vice president, life, is also an Academy Board member whose term will be ending in November. He joined the Academy in 1981 and has served on numerous groups and committees including the Executive Committee, multiple principle-based reserving committees and groups, and the Life Products Committee and Life Valuation Committee. January 1st begins the first year of a three-year term. Board members are allowed up to two three-year terms. Dyke will replace outgoing member Chris Carlson and Neve will replace outgoing member, former Chairperson, and current Vice Chairperson Maryellen Coggins. Kathy Riley has been reappointed as the ASB's chairperson, with Darrell Knapp returning as a vice chairperson and Barbara Snyder assuming the role as a new vice chairperson. The ASB thanks Carlson and Coggins for their years of dedicated service to the ASB.



Looking Ahead

The ASB tentatively plans to review the following drafts during its December 2019 meeting:

- a new ASOP titled *Modeling* (proposed final draft from the General Committee);
- a revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (proposed second exposure draft from the Pension Committee);
- a revision of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets* (proposed exposure draft from the Health Committee); and
- a revision of ASOP No. 22, *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Insurers* (proposed final ASOP from the Life Committee).

Meetings

DECEMBER 3–5, 2019

MARCH 4–5, 2020

JUNE 3–4, 2020

SEPTEMBER 15–16, 2020

The ASB meetings are held in compliance with the meeting policy established by the American Academy of Actuaries. The ASB office should be notified of any intent to observe the meetings at least 10 days in advance of the meeting by contacting Assistant Director of Professionalism Erica Kennedy at kennedy@actuary.org. Unless otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C.

Erica Kennedy

Assistant Director of Professionalism
(Actuarial Standards)
kennedy@actuary.org

Virginia Hulme

ASB Standards Editor/
Professionalism Coordinator
hulme@actuary.org

Actuarial Standards Board
1850 M Street NW, Suite 300
Washington, DC 20036
Phone: 202-223-8196
Fax: 202-223-1248
actuarialstandardsboard.org

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.

ASB Projects

SUBJECT AREA	2019 QUARTER				COMMENTS
	1	2	3	4	
CASUALTY COMMITTEE					
Rate Filings ASOP	PD	PD	RI		The ASB approved a task force in November 2018 to draft an ASOP on rate filings. The task force has issued a Request for Input.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Capital Adequacy Assessment	R	F	F		The ASB adopted the standard as ASOP No. 55 at its June 2019 meeting. The effective date is Nov. 1, 2019.
GENERAL COMMITTEE					
ASOP No. 32, <i>Social Insurance</i>	R	R	R		The ASB approved an exposure draft in October 2018, with a comment deadline of Feb. 1, 2019. The ASB is reviewing the revision as a proposed second exposure draft.
ASOP No. 38, now titled <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>	FE	R	R		The ASB approved a fourth exposure draft at its December 2018 meeting, with a comment deadline of May 15, 2019. The task force is making revisions and plans present a proposed final ASOP to the ASB at its December 2019 meeting.
<i>Setting Assumptions</i>	SE	SE	R		The ASB approved a second exposure draft at its March 2019 meeting, with a comment deadline of July 31, 2019. A task force is drafting a proposed revision and plans to present a third exposure draft to the ASB at its March 2020 meeting.
HEALTH COMMITTEE					
ASOP No. 3, <i>Continuing Care Retirement Communities</i>	D	D	D		A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its March 2020 meeting.
ASOP No. 18, <i>Long-Term Care Insurance</i>		P	D		A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its June 2020 meeting.
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	D	D	R		A review committee is making additional revisions and plans to present a revised exposure draft to the ASB at its December 2019 meeting.
LIFE COMMITTEE					
ASOP No. 2, now titled <i>Nonguaranteed Elements for Life Insurance and Annuity Products</i>	E	E	R		The ASB approved an exposure draft at its March 2019 meeting with a comment deadline of July 15, 2019. The task force is making revisions and plans to present a final ASOP to the ASB at its March 2020 meeting.
ASOP No. 11, now titled <i>Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports</i>	D	D	R		The ASB approved an exposure draft at its September 2019 meeting. Additional edits are being made and the exposure draft will be released for comment in late 2019.
ASOP No. 22, <i>Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Insurers</i>	E	R	R		The ASB approved an exposure draft at its December 2018 meeting with a comment deadline of June 1, 2019. The task force is making revisions and plans to present a final ASOP to the ASB at its December 2019 meeting.
PENSION COMMITTEE					
ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i>	R	R	R		The committee is making revisions and plans to present a proposed second exposure draft to the ASB at its December 2019 meeting.
ASOP No. 27, <i>Selection of Economic Assumptions for Measuring Pension Obligations</i> ; and ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i>	R	SE	R		The ASB approved second exposure drafts of proposed revisions of ASOP Nos. 27 and 35 at its June 2019 meeting with a comment deadline of September 15, 2019. The committee is making revisions and the ASB plans to review proposed final ASOPs at its March 2020 meeting.

Legend:

PD Planning/Discussion
P Proposal for Standard
D Drafting
DD Discussion Draft
E Exposure Draft
SE Second Exposure Draft

TE Third Exposure Draft
R Revisions/Redrafting
F Final Pronouncement
DS Development Suspended
WD Working Draft
RI Request for Input

Archived editions of the newsletter can be found on the ASB's website. actuarialstandardsboard.org

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