



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.

December 2019

# BOXSCORE

## ASB Adopts ASOP No. 56

The Actuarial Standards Board (ASB) adopted a new actuarial standard of practice (ASOP)—No. 56—titled *Modeling* during its December 2019 meeting. The ASOP underwent four exposure drafts and received over 100 comments in addition to an additional 19 comments received when it was released as a discussion draft in February 2012. The ASOP was developed in response to the increases in the number and importance of modeling applications in actuarial science, with the results of actuarial models sometimes being reflected in financial statements. The ASOP applies to actuaries in any practice area when performing actuarial services with respect to designing, developing, selecting, modifying, or using all types of models. Therefore, any actuary using a model developed by others in which the actuary is responsible for the model output is subject to the standard as well. A notable change made to the fourth exposure draft included removing a section on margins because it did not provide clear guidance. While margins are appropriately used or even required in some practice areas and for some intended purposes, they are inappropriate and not used in other practice areas and for other intended purposes. Additional changes also were made to improve readability, clarity, or consistency. The ASOP will be released in early 2020.



## ASB Approves Second Exposure Draft of Proposed ASOP No. 4 Revision

The ASB approved a second exposure draft of a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, during its December meeting. The first exposure draft of ASOP No. 4 was approved in March 2018 and received 67 comment letters that were considered in making changes that are reflected in the second exposure draft. Notable changes included expanding the ASOP's scope to clarify the guidance when an assumption or method is not selected by the actuary; renaming the Investment Risk Defeasement Measure section to Low-Default-Risk Obligation Measure and substantially modifying its guidance for calculating such a measure; and modifying the Output Smoothing Method section to clarify how to determine whether a reasonable relationship exists with the actuarially determined contribution without regard to the output smoothing method. The second exposure draft will be released in early 2020 with a comment deadline of April 30, 2020.

## ASB Reviews Proposed Revisions of ASOP Nos. 22 and 28

During the December meeting, the ASB also reviewed a second exposure draft of a proposed revision of ASOP No. 22 now titled *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life, Annuity, or Health Liabilities*, and continued review of a proposed revision of ASOP No. 28 now titled *Statements of Actuarial Opinion Regarding Health Insurance Actuarial Assets and Liabilities*.

The ASOP No. 22 revision would provide guidance to actuaries when performing actuarial services with respect to providing a statement of actuarial opinion relating to asset adequacy analysis of liabilities related to life, annuity, or health products, pursuant to applicable law based on the model Standard Valuation Law and VM-30 of the NAIC Valuation Manual or other applicable law.

ASOP No. 28, whose proposed revision was first presented to the ASB during its September meeting, would provide guidance to actuaries when performing actuarial services with respect to issuing or reviewing a statement of actuarial opinion regarding health insurance assets and liabilities.

The ASB will continue its review of both proposed revisions in March 2020.



## Looking Ahead

The ASB tentatively plans to review the following drafts during its March 2020 meeting:

- a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities* (exposure draft from the Health Committee);
- a new ASOP, *Setting Assumptions* (third exposure draft from the General Committee);
- continued review of a proposed revision of ASOP No. 22, now titled *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life, Annuity, or Health Liabilities* (second exposure draft from the Life Committee); and
- continued review of a proposed revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Actuarial Assets and Liabilities* (exposure draft from the Health Committee).

## Meetings

**MARCH 4–5, 2020**

**JUNE 3–4, 2020**

**SEPTEMBER 15–16, 2020**

**DECEMBER 9–10, 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](mailto:kennedy@actuary.org). Unless otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C.

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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	
<b>CASUALTY COMMITTEE</b>					
Rate Filings ASOP	PD	PD	RI	RI	The ASB issued a Request for Input in October 2019. The comment deadline is Feb. 28, 2020.
<b>ENTERPRISE RISK MANAGEMENT COMMITTEE</b>					
Capital Adequacy Assessment	R	F	F	F	The ASB adopted the standard as ASOP No. 55 at its June 2019 meeting. The effective date is Nov. 1, 2019..
<b>GENERAL COMMITTEE</b>					
ASOP No. 32, <i>Social Insurance</i>	R	R	R	SE	The ASB approved a second exposure draft in November 2019. The comment deadline is Feb. 14, 2020.
ASOP No. 38, now titled <i>Catastrophe Modeling (for All Practice Areas)</i>	F	F	F	R	The ASB adopted a final revision at its March 2014 meeting subject to ASB approval of changes necessitated by ASOP No. 56. The task force will review the ASOP for consistency with ASOP No. 56.
ASOP No. 56, <i>Modeling</i>	FE	R	R	F	The ASB adopted ASOP No. 56 at its December 2019 meeting. The effective date will be in late 2020.
<i>Setting Assumptions</i>	SE	SE	R	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.
<b>HEALTH COMMITTEE</b>					
ASOP No. 3, <i>Continuing Care Retirement Communities</i>	D	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	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, now titled <i>Statements of Actuarial Opinion Regarding Health Insurance Actuarial Assets and Liabilities</i>	D	D	R	R	The ASB reviewed an exposure draft at its September and December 2019 meetings, and plans to continue review of the proposed revision in March 2020.
<b>LIFE COMMITTEE</b>					
ASOP No. 2, now titled <i>Nonguaranteed Elements for Life Insurance and Annuity Products</i>	E	E	R	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 June 2020 meeting.
ASOP No. 11, now titled <i>Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports</i>	D	D	R	E	The ASB approved an exposure draft in November 2019. The comment deadline is March 31, 2020.
ASOP No. 22, now titled <i>Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life, Annuity, or Health Liabilities</i>	E	R	R	R	The ASB reviewed a second exposure draft at its December 2019 meeting, and plans to continue review of the proposed revision in March 2020.
<b>PENSION COMMITTEE</b>					
ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i>	R	R	R	SE	The ASB approved a second exposure draft at its December 2019 meeting. The comment deadline is April 30, 2020.
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	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 June 2020 meeting.

## Legend:

PD	Planning/Discussion	TE	Third Exposure Draft
P	Proposal for Standard	R	Revisions/Redrafting
D	Drafting	F	Final Pronouncement
DD	Discussion Draft	DS	Development Suspended
E	Exposure Draft	WD	Working Draft
SE	Second Exposure Draft	RI	Request for Input

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F	Final Pronouncement
DS	Development Suspended
WD	Working Draft
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