

ACTUARIAL STANDARDS BOARD

# annual **REPORT**

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# 2019



AMERICAN ACADEMY of ACTUARIES

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2019

## 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.



### 2020 Actuarial Standards Board

*Back row, from left:* Mita Drazilov, Kathy Riley (chairperson), Cande Olsen, Dave Neve, Kevin Dyke, Darrell Knapp (vice chairperson); *front row, from left:* Pat Woods, Barbara Snyder (vice chairperson), Rob Damler

In 2019, the ASB had another banner year in standards-setting, adopting two new ASOPs, approving eight exposure drafts for comment, approving a proposal to revise one existing ASOP, and issuing one Request for Input on an ASOP on rate filings. In addition, the ASB presented a professionalism series webinar on reliance in ASOPs and provided content for several *Actuarial Update* “Professionalism Counts” articles.

Setting appropriate standards of practice is critically important as well as challenging and time-consuming work, and the ASB could not fulfill its duties without the dedication of its task force and committee members. As 2020 begins, I’d like to thank outgoing ASB members Maryellen Coggins and Christopher Carlson on their invaluable contribution to the standard-setting process and welcome incoming members Kevin Dyke and David Neve as the ASB embarks on another successful year of serving 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 Mary Frances Miller, began discussion on drafting a proposed ASOP on rate filings. The ASB issued a Request for Input for a property/casualty rate filing ASOP in October.

## 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 adopted the standard as ASOP No. 55 in June.

## General Committee

The General Committee, chaired by Margaret Tiller Sherwood, oversaw the Modeling Task Force, chaired by Dale Hagstrom, as it continued work on a proposed new ASOP titled *Modeling*. The ASB adopted the standard as ASOP No. 56 in December.

The General Committee also oversaw the Assumptions Task Force, chaired by Maria Sarli, as it issued a second exposure draft of a new ASOP titled *Setting Assumptions* in March.

## Health Committee

The Health Committee, chaired by Rick Lassow, oversaw the development of a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities*. The task force is chaired by Dave Bond.

The Health Committee also oversaw the development of a proposed revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*. The task force is chaired by Annette James.

In addition, the ASB approved a proposal in June for a task force under the Health Committee to develop a proposed revision of ASOP No. 18, *Long-Term Care Insurance*. The task force is chaired by Bruce Stahl.

## Life Committee

The Life Committee, chaired by David Brentlinger, oversaw the ASOP No. 2 Task Force, chaired by Gabe Schiminovich, as it continued work on a revision of ASOP No. 2, now titled *Nonguaranteed Elements for Life Insurance and Annuity Policies*. The ASB approved an exposure draft in March.

The Life Committee also oversaw the ASOP No. 11 Task Force, chaired by Jeremy Starr, as it continued work on a revision of ASOP No. 11, now titled *Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports*. The ASB approved an exposure draft in November.



In addition, the Life Committee oversaw the ASOP No. 22 Task Force, chaired by Laura Hanson, as it continued work on a second exposure draft of a revision of ASOP No. 22, now titled *Statements of Actuarial Opinion Based on Asset Adequacy Analysis of Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities*.



## 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 second exposure drafts of ASOP Nos. 27 and 35 in June and approved a second exposure draft of ASOP No. 4 in December.

## 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 a second exposure draft in November.



**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, 2019<sup>1</sup>

### Expenses:

Staff salaries <sup>2</sup>	\$261,948
Staff benefits	65,172
Office operating costs	78,150
New member materials	1,564
Postage and delivery services	2,760
Staff travel	4,389
Committee meetings	61,214
ASB travel reimbursement	80,502
Professional services	7,989
Printing	1,175
Other	1,052

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<b>Total Expenses:</b>	<b>\$565,915</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, DC, 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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