



ACTUARIAL STANDARDS BOARD

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.

Fall/Winter 2020

BOXSCORE

ASB Approves Exposure Draft of Proposed ASOP No. 38 Revision

The Actuarial Standards Board (ASB) of the American Academy of Actuaries recently approved an exposure draft of a proposed revision of Actuarial Standard of Practice (ASOP) No. 38, now titled *Catastrophe Modeling (for All Practice Areas)*. The standard was last revised in 2010. In conjunction with the development of ASOP No. 56, *Modeling*, this standard was revised to apply to all practice areas and all forms of catastrophe models, including natural catastrophes such as hurricanes, earthquakes, and severe convective storms, and other catastrophes such as terrorist acts and pandemics. Although a revised standard was adopted by the ASB in 2014, the revision was not released pending the adoption of ASOP No. 56. Subsequently, changes also were made to ASOP No. 38 to be consistent with ASOP No. 56 and other recent ASOPs. In addition, the scope of the ASOP was expanded to include the activities “selecting, reviewing, and evaluating” models in addition to the existing activity of “using” a model when performing actuarial services. The comment deadline for the exposure draft is Jan. 15, 2021.



ASB Approves Exposure Draft of Proposed ASOP No. 3 Revision

The ASB also recently approved an exposure draft of a proposed revision of Actuarial Standard of Practice (ASOP) No. 3, now titled *Continuing Care Retirement Communities and At Home Programs*. The standard, which was last revised in 2008, applies to actuaries when performing actuarial services, including giving advice, in connection with Continuing Care Retirement Communities (CCRCs) (including nonprofit and for-profit entities) or At Home Programs that are not regulated as insurance entities. These actuarial services may be performed for owners, operators, financing entities, current or prospective residents or members, as well as for other professionals or regulatory bodies. The standard does not apply to actuaries when performing actuarial services with respect to At Home Programs regulated as insurance entities. When performing actuarial services with respect to such organizations, the actuary should review ASOP No. 18, *Long-Term Care Insurance*, for applicability.

Notable changes made to the existing standard that are reflected in the exposure draft include revising the ASOP to address actuarial practice for At Home Programs that are not regulated as an insurance entity, and revising the ASOP to include new disclosure requirements intended to enhance the quality of actuarial communications regarding CCRCs and At Home Programs. The comment deadline for the exposure draft is Feb. 1, 2021.

ASB Approves Third Exposure Draft of Proposed Setting Assumptions ASOP

The ASB recently approved a third exposure draft of a proposed ASOP titled *Setting Assumptions*. The ASOP provides guidance to actuaries when performing actuarial services that involve setting assumptions, giving advice on setting assumptions, or assessing the reasonableness of assumptions set by others. Twenty-five comment letters were received on the second exposure draft and considered in making changes that are reflected in the third exposure draft. Notable changes reflected in the third exposure draft include significant revisions made to coordinate with ASOP No. 56, expanding the purpose to make it more consistent with the scope, and changing guidance on assumption margins to acknowledge that margins can be either explicit or implicit. The comment deadline for the third exposure draft is April 15, 2021.



ASB Announces New Members; Chairperson Appointments

On Jan. 1, 2021, the ASB will welcome new members Judy Stromback (pension) and Elizabeth Brill (life). The appointments are for a three-year term.

Stromback is currently chairperson of the ASB General Committee. Stromback also served as a member of the Modeling Task Force and as a member of the ASB Pension Committee. Stromback will replace outgoing member Mita Drazilov. Drazilov served on the ASB since 2018 and was a past chairperson of the ASB's Pension Committee. He also served as ASB liaison to the Academy's Pension Practice Council.

Brill has been an Academy Board member, a member of the Committee on Professional Responsibility, and served as chairperson of the Solvency Committee. Brill will replace outgoing member Barbara Snyder. Snyder, currently an ASB vice chairperson, has been on the ASB since 2015 and has served on the ASB's General Committee, Modeling Task Force, and Life Committee.

Current Vice Chairperson Darrell Knapp (health) will serve as the ASB's new chairperson, with Kathy Riley (pension) and Rob Damler (health) serving as vice chairpersons. Knapp was reappointed last year for a second full three-year term and was an ASB vice chairperson in 2019 and 2020. He has been on the ASB since 2015, is a past Academy Board member, has served on many Academy committees and task forces including the Audit Committee and the Financial Reporting Committee, was chairperson of the Health Practice Financial Reporting Committee, and served as ASB liaison to multiple ASOP task forces. Riley has been chairperson of the ASB since 2019 and on the ASB since 2016. Damler was first appointed to the ASB for a three-year term beginning in 2018 and reappointed for a second three-year term this year. He is ASB liaison to the Health Practice Council.

The ASB thanks Drazilov and Snyder for their years of service and looks forward to continuing its standard-setting work with its incoming members.



Looking Ahead

The ASB tentatively plans to review the following drafts during its March 2021 meeting:

- a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (third exposure draft from the Pension Committee);
- a proposed revision of ASOP No. 11, *Reinsurance Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports* (final ASOP from the Life Committee);
- a proposed revision of ASOP No. 18, *Long-Term Care Insurance* (exposure draft from the Health Committee): and
- a proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (exposure draft from the Life Committee).

Meetings

MARCH 2–4, 2021

JUNE 2–4, 2021

SEPTEMBER 20–22, 2021

DECEMBER 6–7, 2021

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.

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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	2020 QUARTER				COMMENTS
	1	2	3	4	
CASUALTY COMMITTEE					
Rate Filings	RI	RI	DS	DS	The ASB accepted the Rate Filing Task Force recommendation in October to not proceed with drafting a Rate Filing ASOP, and disbanded the task force with thanks.
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claims Estimates</i>				P	The ASB approved a proposal in December 2020 for the Committee to revise ASOP No. 20.
ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i>				P	The ASB approved a proposal in December 2020 for the Committee to revise ASOP No. 29.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
ASOP No. 46, <i>Risk Evaluation in Enterprise Risk Management</i> , and ASOP No. 47, <i>Risk Treatments in Enterprise Risk Management</i>				P	The ASB approved a proposal in October 2020 for the Committee to revise and consider combining ASOP Nos. 46 and 47 into a single ASOP.
GENERAL COMMITTEE					
ASOP No. 12, <i>Risk Classification</i>				P	The ASB approved a proposal in October 2020 for a task force of the Committee to revise ASOP No. 12.
ASOP No. 32, <i>Social Insurance</i>	SE	F	F	F	The ASB adopted a final revision at its March 2020 meeting. The effective date is Sept. 1, 2021.
ASOP No. 38, now titled <i>Catastrophe Modeling (for All Practice Areas)</i>	F	D	E	E	The ASB approved an exposure draft in October 2020 with a comment deadline of Jan. 15, 2021.
ASOP No. 56, <i>Modeling</i>	F	F	F	F	The ASB adopted ASOP No. 56 at its December 2019 meeting. The effective date is Oct. 1, 2020.
Setting Assumptions	R	R	TE	TE	The ASB approved a third exposure draft in October 2020 with a comment deadline of April 15, 2021.
HEALTH COMMITTEE					
ASOP No. 3, <i>Continuing Care Retirement Communities</i>	D	D	D	E	The ASB approved an exposure draft in November 2020 with a comment deadline of Feb. 1, 2021.
ASOP No. 18, <i>Long-Term Care Insurance</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 2021 meeting.
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	R	E	E	R	The ASB approved an exposure draft at its March 2020 meeting with a comment deadline of Nov. 13, 2020. The task force is reviewing comments and plans to present a proposed final ASOP to the ASB in June 2021.
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>				P	The ASB approved a proposal in October 2020 for a task force of the Committee to revise ASOP No. 45.
LIFE COMMITTEE					
ASOP No. 2, now titled <i>Nonguaranteed Elements for Life Insurance and Annuity Products</i>	R	SE	SE	R	The ASB approved a second exposure draft at its June 2020 meeting with a comment deadline of Nov. 13, 2020. The task force is reviewing comments and plans to present a proposed final ASOP to the ASB in June 2021.
ASOP No. 11, now titled <i>Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports</i>	E	R	R	R	The ASB approved an exposure draft in November 2019 with a comment deadline of June 30, 2020. A task force is making revisions and plans to present a proposed final ASOP to the ASB in March 2021.
ASOP No. 22, <i>Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Insurers</i>	R	SE	SE	R	The ASB approved a second exposure draft at its March 2020 meeting with a comment deadline of Nov. 30, 2020. The task force is reviewing comments and plans to present a proposed final ASOP to the ASB in June 2021.
ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i>				P	The ASB approved a proposal in December 2020 for the Committee to revise ASOP No. 7.
ASOP No. 10, <i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP</i>				P	The ASB approved a proposal in December 2020 for the Committee to revise ASOP No. 10.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>				P	The ASB approved a proposal in December 2020 for the Committee to revise ASOP No. 24.

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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ASB Projects

SUBJECT AREA

2020 QUARTER

COMMENTS

PENSION COMMITTEE

	2020 QUARTER				COMMENTS
	1	2	3	4	
ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i>	SE	SE	R	R	The ASB approved a second exposure draft at its December 2019 meeting. The comment deadline was extended to July 31, 2020. The Committee is reviewing comments and plans to present a third exposure draft to the ASB in March 2021.
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	F	F	F	The ASB adopted final revisions of ASOP Nos. 27 and 35 in June 2020. The effective date for both ASOPs is Aug. 1, 2021.



Legend:

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

TE
R
F
DS
WD
RI

Third Exposure Draft
Revisions/Redrafting
Final Pronouncement
Development Suspended
Working Draft
Request for Input

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