

ACTUARIAL STANDARDS BOARD

annual **REPORT**

WWW.ACTUARIALSTANDARDSBOARD.ORG

2021



AMERICAN ACADEMY
of ACTUARIES

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2021

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.

For the greater part of 2021, the ASB continued its meetings and activities virtually, but remained productive, adopting five revised ASOPs, approving four exposure drafts for comment, and approving proposals to revise four existing ASOPs. In addition, the ASB presented a professionalism series webinar titled “How to Read an ASOP—and Other Nuggets from ASOP No. 1.”

Setting appropriate standards of practice is critically important, and it’s challenging and time-consuming as well—and the ASB could not fulfill its duties without the dedication of its 100+ committee and task force members. For their unwavering commitment to the standards-setting process, I say, “Thank you.” I’d also like to thank Kathy Riley and Cande Olsen for their invaluable contributions to the ASB and, in turn, welcome Chris Noble and Laura Hanson as incoming board members. With the help of our dedicated volunteers, the ASB looks forward to another successful year of serving actuaries and the public by establishing and improving actuarial standards of practice for the United States.

Darrell Knapp
Chairperson
Actuarial Standards Board



2022 Actuarial Standards Board

Back Row: Kevin Dyke (vice chairperson), Darrell Knapp (chairperson), Dave Neve, Laura Hanson

Front Row: Rob Damler (vice chairperson), Judy Stromback, Pat Woods, Chris Noble

Inset: Liz Brill



Committee Projects

Casualty Committee

The Casualty Committee, chaired by Mary Frances Miller, oversaw a task force in the development of a proposed revision of ASOP No. 29, now titled *Expense Provisions in Property/Casualty Future Cost Estimates*. The task force is chaired by Alan Putney. The ASB approved an exposure draft in December.

The Casualty Committee also oversaw a task force in the development of a proposed revision of ASOP No. 20, now titled *Discounting of Property/Casualty Unpaid or Future Claim Estimates*. The task force is chaired by Rob Walling.

The Casualty Committee also presented proposals to revise ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, ASOP No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*, and ASOP No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*. The proposals were approved by the ASB in March, June, and December, respectively.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Paul, continued discussion on plans to revise ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*.

General Committee

The General Committee, chaired by Susan Pantely, oversaw a task force in the development of a proposed revision of ASOP No. 38, now titled *Catastrophe Modeling (for All Practice Areas)*. The task force was chaired by Shawna Ackerman. The ASB adopted the revision in July.

The General Committee also oversaw the Assumptions Task Force, chaired by Maria Sarli, as it continued developing a proposed new ASOP titled *Setting Assumptions*.

Health Committee

The Health Committee, chaired by Rick Lassow, 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 was chaired by Annette James. The ASB adopted the revision in June.

In addition, the Health Committee oversaw the development of a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities*. The task force was chaired by Dave Bond. The ASB adopted the revision in September.

Lastly, the Health Committee oversaw the development of a proposed revision of ASOP No. 18, *Long-Term Care Insurance*. The task force is chaired by Bruce Stahl. The ASB approved an exposure draft in March.

Life Committee

The Life Committee, chaired by Linda Lankowski, oversaw a task force in the development of a proposed revision of ASOP No. 2, now titled *Nonguaranteed Elements for Life Insurance and Annuity Products*; oversaw a task force in the development of a proposed revision of ASOP No. 11, now titled *Treatment of Reinsurance or Similar Risk Transfer Programs Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*; and oversaw a task force in the development of a proposed revision of ASOP No. 22, now titled *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities*. Gabe Schiminovich chaired the ASOP No. 2 Task Force; Jeremy Starr chaired the ASOP No. 11 Task Force; and Laura Hanson chaired the ASOP No. 22 Task Force. The ASB adopted the revision of ASOP No. 11 in April and adopted the revisions of ASOP No. 2 and No. 22 in September.

The Life Committee also oversaw the ASOP No. 24 Task Force, chaired by Brian Lessing, as it continued work on the development of a proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. The ASB approved an exposure draft in June.

In addition, the ASB approved a proposal in June for a revision of ASOP No. 40, *Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality*. The revision is being drafted by a task force chaired by Lankowski.

Lastly, the Life Committee oversaw a task force as it continued the work of converting Actuarial Compliance Guideline 4 into an ASOP. The task force is chaired by Janice Duff.

Pension Committee

The Pension Committee, chaired by David Kausch, continued to develop a proposed revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. A third exposure draft was approved in June; subsequently, the revision was adopted in December.

Other Projects

A task force of the ASB continued to develop a proposed revision of ASOP No. 41, *Actuarial Communications*. The task force is chaired by Patricia Matson.



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.

Actuarial Standards Board



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

For the Year Ended December 31, 2021¹

Expenses:	
Staff salaries ²	\$286,059
Staff benefits	78,962
Office operating costs	83,307
Staff travel	88
Committee meetings	5,659
ASB travel reimbursement	8,893
Professional services	1,100
Printing	863
Other	534
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Total Expenses:	\$465,465

¹ The above figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries are available upon request from the Academy's office in Washington, D.C., and 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.

² Includes salaries of full-time staff members and charges for actual time spent on the ASB program by Academy employees.



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