



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.

Summer 2022

# BOXSCORE

## ASB Approves Proposed ASOP No. 36 Revision and Proposed ASOP No. 28 Scope Revision for Exposure

The Actuarial Standards Board (ASB) of the American Academy of Actuaries approved an exposure draft of a proposed revision of Actuarial Standard of Practice (ASOP) No. 36, now titled *Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves*. The ASOP applies to actuaries when performing actuarial services with respect to a written statement of actuarial opinion regarding property/casualty loss, loss adjustment expense, or other reserves of an insurance company or other property/casualty risk financing system when 1) the statement of actuarial opinion is prepared to comply with the NAIC Property/Casualty Annual Statement Instructions; 2) the statement of actuarial opinion is otherwise prescribed by applicable law (statutes, regulations, and other legally binding authority); or 3) the statement of actuarial opinion is represented by the actuary as complying with the standard. "Other reserves" include such items as retrospective reinsurance premium reserves, unearned premium reserves for property/casualty long-duration contracts, unearned premium reserves for extended reporting endorsements, or other reserve items for which the actuary is providing a statement of actuarial opinion.

In addition, the ASB approved an exposure draft of a proposed revision of the scope of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*. The scope of ASOP No. 28 is being revised to remove a conflict with ASOP No. 36. The current guidance excludes statements of actuarial opinion subject to ASOP No. 36 from the scope. The revision removes that exclusion and clarifies that if an actuary issues a statement of actuarial opinion that includes both health insurance assets and liabilities, and property/casualty insurance loss and loss adjustment expense reserves, both ASOP Nos. 28 and 36 may apply.

The comment deadline for both exposure drafts is Sept. 30, 2022. Information on how to submit comments can be found in the drafts.



## ASB Approves Proposed ASOP No. 20 Revision for Exposure

The ASB approved an exposure draft of a revision of ASOP No. 20, now titled *Discounting of Property/Casualty Claim Estimates*. The ASOP applies to actuaries when performing actuarial services that involve the discounting of claim estimates for property/casualty coverages to a present value. Notable changes made to the exposure draft include expanding the scope of the standard to include the discounting of future claim estimates for prospective risk transfer or risk retention, as addressed by ASOP No. 53, *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention*; adding definitions for such terms as “claim estimate,” “insurance risk,” and “coverage”; and adding guidance on discount rate selection and appropriateness. The comment deadline is Sept. 30, 2022. Information on how to submit comments can be found in the exposure draft.

## ASB Votes to Discontinue Development of Proposed Settings Assumptions ASOP

The ASB voted to discontinue development of a proposed ASOP on setting assumptions and disbanded the task force with appreciation for their development efforts. The proposed standard was initially exposed in December 2016 with the goal of supplementing the guidance contained in practice-specific standards. After three exposure drafts, the proposed ASOP was examined against other ASOPs, and the ASB noted considerable duplication with the guidance in existing ASOPs. Most notably, since the initial exposure of the proposed setting assumptions ASOP, the ASB in 2019 adopted ASOP No. 56, *Modeling*, as a cross-practice standard containing substantial guidance on setting assumptions within models. In addition, the ASB noted that the guidance for assumptions in the practice-specific ASOPs was often more comprehensive than the guidance in the proposed ASOP. Lastly, after reviewing the history of comment letters received on all three exposure drafts, the ASB noted that the perceived need for a separate ASOP on setting assumptions remained mixed. Therefore, after much deliberation, the ASB concluded that the proposed ASOP would not add meaningful guidance to the existing body of standards and voted to discontinue development of the ASOP. The ASB would like to thank the Assumptions Task Force, the ASB General Committee, and all the commentators who contributed to the proposed ASOP.

### 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 Approves Proposed ASOP No. 41 Revision for Exposure

The ASB also approved an exposure draft of a proposed revision of ASOP No. 41, *Actuarial Communications*. The ASOP applies to actuaries when issuing actuarial communications in any form (written, electronic, or oral) within any practice area. The standard does not apply to actuaries when issuing a communication that does not include the rendering of actuarial services. Along with the standard, the actuary should also refer to the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (U.S. Qualification Standards) and the *Code of Professional Conduct* as they relate to actuarial communications. Notable changes made to the proposed revision include improving definitions in section 2 to clarify the differences among actuarial communications, actuarial reports, and actuarial documentation; adding clarity in sections 3 and 4 regarding the disclosure requirements that apply to all actuarial communications versus those that apply only to actuarial reports; and adding specific guidance regarding the actuary opining on assumptions that do not conflict with what the actuary believes is reasonable. The comment deadline is Nov. 1, 2022. Information on how to submit comments can be found in the exposure draft.

In addition, the Academy will host a webinar on Friday, Sept. 30, from noon to 1:30 p.m. EDT, featuring ASB and ASB committee members who will summarize the proposed revision and address professionalism standards as they relate to actuarial communications.

## Looking Ahead...

The ASB tentatively plans to review the following drafts at its September 2022 meeting:

- a revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (second exposure draft from the Life Committee);
- a revision of ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*, as a consolidated ASOP (exposure draft from the ERM Committee); and
- a conversion of Actuarial Compliance Guideline 4, *Statutory Statements of Opinion Not Including an Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers*, into an ASOP (exposure draft from the Life Committee).

## Meetings

**SEPTEMBER 20-22, 2022**

**DECEMBER 6-7, 2022**

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.

# ASB Projects

SUBJECT AREA	2022 QUARTER				COMMENTS
	1	2	3	4	
<b>CASUALTY COMMITTEE</b>					
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claims Estimates</i>	D	E			The ASB approved an exposure draft at its June 2022 meeting with a comment deadline of Sept. 30, 2022.
ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i>	E	R			The ASB approved an exposure draft at its December 2021 meeting with a comment deadline of May 31, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its December 2022 meeting.
ASOP No. 30, <i>Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking</i>	TF	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in early 2023.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	D	E			The ASB approved an exposure draft in May 2022 with a comment deadline of Sept. 30, 2022.
ASOP No. 39, <i>Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking</i>	P	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in late 2023.
<b>ENTERPRISE RISK MANAGEMENT COMMITTEE</b>					
ASOP No. 46, <i>Risk Evaluation in Enterprise Risk Management, and ASOP No. 47, Risk Treatments in Enterprise Risk Management</i>	D	D			The ERM Committee is drafting a proposed revision of a consolidation of ASOP Nos. 46 and 47 and plans to present an exposure draft to the ASB at its September 2022 meeting.
<b>GENERAL COMMITTEE</b>					
ASOP No. 12, <i>Risk Classification</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its December 2022 meeting.
<i>Setting Assumptions</i>	TE	DS			The ASB suspended development of a proposed ASOP on setting assumptions and disbanded the task force with thanks.
ASOP No. 41, <i>Actuarial Communications</i>	D	E			The ASB approved an exposure draft at its June 2022 meeting with a comment deadline of Nov. 1, 2022.
<b>HEALTH COMMITTEE</b>					
ASOP No. 18, <i>Long-Term Care Insurance</i>	F	F			The ASB adopted a final revision at its March 2022 meeting. The effective date is Sept. 1, 2022.
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	F	E			The ASB approved an exposure draft of a revised scope at its March 2022 meeting with a comment deadline of Sept. 30, 2022.
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>	P	P			The ASB approved a proposal to revise ASOP No. 45 in October 2020. A task force will be created and will begin work after an approved exposure draft of an ASOP No. 12 revision.
ASOP No. 49, <i>Medicaid Managed Care Capitation Rate Development and Certification</i>	P	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in early 2023.
<b>LIFE COMMITTEE</b>					
ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its December 2022 meeting.
ASOP No. 10, <i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP</i>	E	R			The ASB approved an exposure draft at its March 2022 meeting with a comment deadline of June 30, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its December 2022 meeting.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>	R	R			The ASB approved an exposure draft at its June 2021 meeting with a comment deadline of Sept. 30, 2021. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB at its September 2022 meeting.
ASOP No. 40, <i>Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its December 2022 meeting.

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## 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

# ASB Projects

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	1	2	3	4	
<b>LIFE COMMITTEE (continued)</b>					
Reinsurance Pricing ASOP	D	D			A task force is drafting a proposed ASOP on reinsurance pricing and plans to present an exposure draft to the ASB at its December 2022 meeting.
Actuarial Compliance Guideline 4	D	D			The ASB reviewed a proposed revision of a conversion of ACG4 into an exposure draft at its December 2021 meeting and will continue review at its September 2022 meeting.
<b>PENSION COMMITTEE</b>					
ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i>	F	F			The ASB adopted a final revision of ASOP No. 4 in December 2021. The effective date of the revision is Feb. 15, 2023.
ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i>	P	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in late 2023.
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>	F				The ASB adopted final revisions of ASOP Nos. 27 and 35 in June 2020. The effective date for both ASOPs is Feb. 15, 2023. The committee is drafting a proposal to consolidate ASOP Nos. 27 and 35 and will present the proposal to the ASB at its September 2022 meeting.

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