



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.

Spring/Summer 2023

BOXSCORE

New 2023 ASB Member Welcomed

In December, the Actuarial Standards Board (ASB) of the American Academy of Actuaries bid farewell to member and former ASB Chairperson Darrell Knapp and, in January, welcomed former ASB Health Committee Chairperson Rick Lassow as its new board member. Lassow served as committee chairperson during the adoption of revised ASOP No. 3, *Continuing Care Retirement Communities and At Home Programs*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*; and was co-chairperson of the task force that revised ASOP No. 5, *Incurred Health and Disability Claims*.

In addition, Rob Damler, a current ASB vice chairperson, was appointed chairperson. Kevin Dyke was reappointed vice chairperson, and ASB member Laura Hanson was appointed as a new vice chairperson.

The ASB extends its appreciation to Knapp for his years of service to the board.



ASB Approves Exposure Draft of New Enterprise Risk Management ASOP

In March, the ASB approved an exposure draft of a new ASOP on enterprise risk management to replace ASOP Nos. 46 and 47, *Risk Evaluation in Enterprise Risk Management* and *Risk Treatment in Enterprise Risk Management*, respectively. The ASOP provides guidance to actuaries when performing actuarial services with respect to developing, maintaining, or reviewing all or part of an enterprise risk management (ERM) framework. ASOP Nos. 46 and 47 were the first ASOPs applying specifically to actuaries performing actuarial services for the purposes of ERM. Both ASOPs were adopted by the ASB in 2012.

In the years since ASOP Nos. 46 and 47 were adopted, actuarial practice in the field of ERM has evolved considerably, with many actuaries now working as risk practitioners and a number working in senior risk roles, including chief risk officer. Moreover, ERM nomenclature has also evolved. Additionally, ASOP No. 55, *Capital Adequacy Assessment*, covering topics with strong connections to ERM, was adopted by the ASB in 2019. Therefore, the ASB decided to revise ASOP Nos. 46 and 47 to reflect the developments of the past decade, to better reflect today's ERM practices and terminology, and to align with ASOP No. 55.

The comment deadline is Sept. 15, 2023. Information on how to submit comments can be found in the [exposure draft](#).

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Meetings

MARCH 7–9, 2023

JUNE 6–8, 2023

SEPTEMBER 6–8, 2023

DECEMBER 5–7, 2023

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.

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 Exposure Draft of Revision of ASOP No. 40

The ASB also approved an exposure draft of a revision of ASOP No. 40, now titled *Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to X Factors*. The ASOP provides guidance to actuaries when performing actuarial services with respect to adjusting deficiency reserve mortality rates using X factors pursuant to applicable law (statutes, regulations, and other legally binding authority), including applicable law based on the National Association of Insurance Commissioners (NAIC) Valuation of Life Insurance Policies Model Regulation (Model).

The NAIC Valuation Manual took effect January 1, 2017. The Valuation Manual does not require X factor calculations for business following VM-20 principle-based reserves methodology. However, these calculations are still required for the valuation of policies that were issued prior to a company's use of VM-20 and for policies that are exempted from VM-20. The appointed actuary must annually opine, for all policies subject to the *Model*, on whether the mortality rates resulting from the application of the X factors meet the requirements of the *Model*, subject to appropriate actuarial standards of practice promulgated by the ASB. Further, VM-30 in the Valuation Manual replaced the Actuarial Opinion and Memorandum Regulation (Model 822), without addressing requirements for the opinions related to the *Model*. For these reasons, the ASB formed a task force to update ASOP No. 40.

The comment deadline is Sept. 15, 2023. Information on how to submit comments can be found in the [exposure draft](#).

Looking Ahead

The ASB tentatively plans to review the following drafts at its June 2023 meeting:

- a proposed revision of ASOP No. 12, *Risk Classification (for All Practice Areas)* (exposure draft from the General Committee);
- a proposed revision of ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates* (second exposure draft from the Casualty Committee);
- a proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (second exposure draft from the Life Committee); and
- a proposed revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves* (second exposure draft from the Casualty Committee).

ASB Projects

SUBJECT AREA	2023 QUARTER				COMMENTS
	1	2	3	4	
CASUALTY COMMITTEE					
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claims Estimates</i>	R				The ASB approved an exposure draft of a proposed revision at its June 2022 meeting with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB at its June 2023 meeting.
ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i>	E				The ASB approved a second exposure draft of a proposed revision 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>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in September 2023.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	R				The ASB approved an exposure draft of a proposed revision in May 2022 with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB at its June 2023 meeting.
ASOP No. 39, <i>Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking</i>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in December 2023.
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>	R				The ERM Committee presented a proposed revision of a consolidation of ASOP Nos. 46 and 47 as an exposure draft to the ASB at its September 2022 and March 2023 meetings. The ASB approved an exposure draft at its March 2023 meeting with a comment deadline of Sept. 15, 2023.
GENERAL COMMITTEE					
ASOP No. 12, <i>Risk Classification</i>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its June 2023 meeting.
ASOP No. 41, <i>Actuarial Communications</i>	R				The ASB approved an exposure draft of a proposed revision at its June 2022 meeting with a comment deadline of Nov. 1, 2022. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB at its September 2023 meeting.
HEALTH COMMITTEE					
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	R				The ASB approved an exposure draft of a revised scope at its March 2022 meeting with a comment deadline of Sept. 30, 2022. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB at its June 2023 meeting.
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>	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>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its December 2023 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

SUBJECT AREA	2023 QUARTER				COMMENTS
	1	2	3	4	
LIFE COMMITTEE					
ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its September 2023 meeting.
ASOP No. 10, <i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP</i>	F				The ASB adopted a final revision at its December 2022 meeting. The effective date is May 1, 2023.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>	R				The ASB reviewed a second exposure draft of a proposed revision at its December 2022 meeting and will continue review in June 2023.
ASOP No. 40, <i>Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality</i>	E				The ASB approved an exposure draft of a proposed revision in May 2023 with a comment deadline of Sept. 15, 2023.
Reinsurance Pricing ASOP	D				A task force drafted a proposed ASOP on reinsurance pricing and presented an exposure draft to the ASB at its March 2023 meeting. The ASB charged the task force with making additional edits and will present revisions to the ASB at its September 2023 meeting.
Actuarial Compliance Guideline 4 (ACG4)	F				The ASB adopted a conversion of ACG4 in January 2023 as ASOP No. 57, <i>Statements of Actuarial Opinion Not Based on an Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Related Actuarial Items</i> . The effective date is June 15, 2023.
PENSION COMMITTEE					
ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i>	D				A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its March 2024 meeting.
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>	E				The ASB approved an exposure draft of a proposed revision of ASOP No. 27 (consolidated with ASOP No. 35) at its December 2022 meeting with a comment deadline of June 15, 2023.


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](https://www.actuarialstandardsboard.org)

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