



## 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 2023

# BOXSCORE

## New ASB Members Appointed for 2024

In 2024, the Actuarial Standards Board (ASB) of the American Academy of Actuaries will welcome current ASB Life Committee Chairperson Gabe Schiminovich and current ASB Health Committee member Alisa Swann as new incoming members. Current member Kevin Dyke will serve as ASB chairperson, with Laura Hanson and Dave Neve serving as vice chairpersons. Appointments go into effect Jan. 1.

Rotating off the ASB are Chairperson Rob Damler and member Liz Brill. The ASB extends its appreciation to Damler and Brill for their service to the board and the actuarial profession.

## New Year Ahead; New ASOPs on the Way

The ASB recently approved two exposure drafts and adopted two revised actuarial standards of practice (ASOPs). ASOP No. 12, *Risk Classification (for All Practice Areas)*, was approved as a first exposure draft. A proposed revision of ASOP No. 7, *Life, Health, or Property/Casualty Insurance Cash Flow Risk*, was also approved as a first exposure draft (see next story).

ASOP No. 27, now titled *Selection of Assumptions for Measuring Pension Obligations*, and ASOP No. 29, now titled *Expense Provisions for Prospective Property/Casualty Risk Transfer and Risk Retention*, were adopted as revised ASOPs.

With the exception of the already-released ASOP No. 7, the exposure drafts and revised ASOPs will be released in the first quarter of 2024.



## ASB Approves Exposure Draft of Proposed Revision of ASOP No. 7

The ASB approved an exposure draft of a proposed revision of ASOP No. 7, *Life, Health, or Property/Casualty Insurance Cash Flow Risk*. The proposed revision would apply to actuaries when performing actuarial services involving life or health cash flow risks, and also to actuaries when performing actuarial services involving property/casualty cash flow risks specific to investments.

Notable changes to ASOP No. 7 include broadening section 1.2, Scope, to include cash flow analysis an actuary performs for a noninsurance entity that insures or self-insures risk. The scope was also changed to apply to actuaries when performing actuarial services involving P/C investment cash flow risk. In addition, guidance was adjusted to include all types of cash flow analysis and to address when to perform a cash flow analysis.

As this standard applies to three practice areas, the ASB is asking for specific input from each practice area (see the Request for Comments section in the Transmittal Memo). In particular, the ASB asks three questions about how the standard applies to P/C actuaries, and one each for the life and health areas. Your input is important, so please take the time to review the draft and submit comments. The comment deadline is June 1, 2024. Information on how to submit comments can be found in the draft.

### Erica Kennedy

Director, Professionalism  
(Actuarial Standards)  
kennedy@actuary.org

### Virginia Hulme

Manager, Professionalism Content  
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

## Meetings

**MARCH 19–21, 2024**

**JUNE 4–6, 2024**

**SEPTEMBER 10–11, 2024**

**DECEMBER 10–11, 2024**

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 Director, Professionalism (Actuarial Standards) 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.

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 Second Exposure Draft of Revision of ASOP No. 36

The ASB approved a second exposure draft of a proposed a revision of ASOP No. 36, now titled *Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves*. The standard 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, under one or more of the following circumstances:

- a. the statement of actuarial opinion is prepared to comply with the NAIC Property/Casualty Annual Statement Instructions;
- b. the statement of actuarial opinion is otherwise prescribed by applicable law (statutes, regulations, and other legally binding authority); or
- c. the statement of actuarial opinion is represented by the actuary as complying with this standard.

The first exposure draft was released in July 2022 and received nine comment letters. Notable changes made to the exposure draft include revising guidance for actuaries reviewing a statement of actuarial opinion, requiring the actuary to determine the discount rate used when a material portion of the reserves within the scope of a statement of actuarial opinion is discounted, and applying material adverse deviation to the total reserves within the scope of the actuarial opinion. The comment deadline was November 1, 2023. The ASB will review a proposed final revision during its March 2024 meeting.

## ASB Adopts Revision of ASOP No. 20

The ASB also adopted a revision of ASOP No. 20, now titled *Discounting of Property/Casualty Claim Estimates*. The standard applies to actuaries when performing actuarial services that involve the discounting of claim estimates for property/casualty coverages to a present value.

Claim estimates include unpaid claim estimates and future claim estimates and represent an estimate of the obligation for future loss and loss adjustment expense payments resulting from claims due to past events. Future claim estimates represent an estimate of loss and loss adjustment expenses associated with prospective property/casualty risk transfer or risk retention.

*continued on page 4*



The exposure draft released in June 2022 received five comment letters that were considered in making changes that are reflected in the revised standard. Notable changes from the existing ASOP included expanding the scope to incorporate 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*, and modifying guidance to allow the actuary to consider the loss and loss adjustment expense elements separately in a claim estimate. The ASOP went into effect for any actuarial work product covered by the standard's scope issued on or after December 1, 2023.

## Looking Ahead...

The ASB tentatively plans to review the following drafts at its March 2024 meeting:

- a proposed new ASOP on Reinsurance Pricing (exposure draft from the Life Committee);
- a revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (proposed final draft from the Life Committee);
- a revision of ASOP No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking* (exposure draft from the Casualty Committee);
- a revision of ASOP No. 40, *Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality* (proposed final draft from the Life Committee); and
- a revision of ASOP No. 41, *Actuarial Communications* (second exposure draft from the ASOP No. 41 Task Force).

# ASB Projects

SUBJECT AREA	2023 QUARTER				COMMENTS
	1	2	3	4	
<b>CASUALTY COMMITTEE</b>					
ASOP No. 20, <i>Discounting of Property/Casualty Unpaid Claims Estimates</i>	R	F	F	F	The ASB adopted a final revision at its June 2023 meeting. The effective date is Dec. 1, 2023.
ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i>	E	E	R	F	The ASB adopted a final revision at its June 2023 meeting. The effective date is July 1, 2024.
ASOP No. 30, <i>Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking</i>	D	D	D	D	A task force presented a proposed revision to the ASB in December 2023. The ASB will continue its review of the draft during its March 2024 meeting.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	R	R	SE	SE	The ASB approved a second exposure draft of a proposed revision in June 2023 with a comment deadline of Sept. 15, 2023. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB in June 2024.
ASOP No. 39, <i>Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking</i>	D	D	D	D	A task force is drafting a proposed revision and plans to present an exposure draft to the ASB in March 2024.
<b>ENTERPRISE RISK MANAGEMENT COMMITTEE</b>					
ASOP No. 46, <i>Risk Evaluation in Enterprise Risk Management</i> , and ASOP No. 47, <i>Risk Treatments in Enterprise Risk Management</i>	R	E	R	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. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB in March 2024.
<b>GENERAL COMMITTEE</b>					
ASOP No. 12, <i>Risk Classification</i>	D	D	D	E	The ASB approved an exposure draft in May 2022 with a comment deadline of May 1, 2024.
ASOP No. 41, <i>Actuarial Communications</i>	R	R	R	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 reviewed comments, made revisions, and present a second exposure draft to the ASB at its September and December 2023 meetings. The ASB will continue its review of the draft during its March 2024 meeting.
<b>HEALTH COMMITTEE</b>					
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	R	R	R	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 ASB will adopt a final ASOP concurrent with the adoption of ASOP No. 36.
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>	P	P	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>	D	D	D	D	A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its September 2024 meeting.

## 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	
<b>LIFE COMMITTEE</b>					
ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i>	D	D	D	E	The ASB approved an exposure draft in September 2023 with a comment deadline of June 1, 2024.
ASOP No. 10, <i>Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP</i>	F	F	F	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	SE	R	R	The ASB approved a second exposure draft of a proposed revision at its June 2023 meeting with a comment deadline of Sept. 15, 2023. The task force is reviewing comments, making revisions, and plans to present a proposed final ASOP to the ASB in March 2024.
ASOP No. 40, <i>Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to Deficiency Reserve Mortality</i>	E	E	R	R	The ASB approved an exposure draft of a proposed revision in May 2023 with a comment deadline of Sept. 15, 2023. The task force is reviewing comments, making revisions, and plans to present a second exposure draft to the ASB in March 2024.
Reinsurance Pricing ASOP	D	D	D	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 March 2024 meeting.
Actuarial Compliance Guideline 4 (ACG4)	F	F	F	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.
<b>PENSION COMMITTEE</b>					
ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</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 December 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	E	R	F	The ASB adopted a final revision at its December 2023 meeting. The effective date is Jan 1, 2025.

## 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

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://actuarialstandardsboard.org)

© 2023 American Academy of Actuaries.  
All rights reserved.

