



ACTUARIAL STANDARDS BOARD

□ EXPOSURE DRAFT □

**Proposed Repeal of
Actuarial Standard of Practice No. 31**

**Documentation in Health
Benefit Plan Ratemaking**

**Comment Deadline
December 31, 2008**

**Developed by the
Health Committee of the
Actuarial Standards Board**

**Approved for Exposure by the
Actuarial Standards Board
September 2008**

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September 2008

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Health Benefit Plan Ratemaking

FROM: Actuarial Standards Board (ASB)

SUBJ: Proposed Repeal of Actuarial Standard of Practice (ASOP) No. 31

This document is an exposure draft of a proposed repeal of ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*.

Please review this exposure draft and give the ASB the benefit of your comments and suggestions related to the proposed changes. Each written response and each response sent by e-mail to the address below will be acknowledged, and all responses will receive appropriate consideration by the drafting committee in preparing the final document for approval by the ASB.

The ASB accepts comments by either electronic or conventional mail. The preferred form is e-mail, as it eases the task of grouping comments by section. However, please feel free to use either form. If you wish to use e-mail, please send a message to **comments@actuary.org**. You may include your comments either in the body of the message or as an attachment prepared in any commonly used word processing format. **Please do not password protect any attachments.** Include the phrase “ASB COMMENTS” in the subject line of your message. Please note: Any message not containing this exact phrase in the subject line will be deleted by our system’s spam filter.

If you wish to use conventional mail, please send comments to the following address:

ASOP No. 31 Repeal
Actuarial Standards Board
1100 Seventeenth Street, NW, 7th Floor
Washington, DC 20036-4601

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Unsigned or anonymous comments will not be considered by the ASB nor posted to the website. The comments will not be edited, amended, or truncated in any way. Comments will be posted in the order that they are received. Comments will be removed when final action on a proposed standard is taken. The ASB website is a public website and all comments will be available to the general public. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

Deadline for receipt of responses in the ASB office: **December 31, 2008**

Background

ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*, was effective in 1998 and relied heavily on Interpretative Opinion No.3 of the *Guides and Interpretative Opinions as to Professional Conduct* of the American Academy of Actuaries.

In 2002, the ASB repealed Interpretative Opinion 3: Professional Communications of Actuaries when the Board adopted ASOP No. 41, *Actuarial Communications*, which supersedes the guidance of Interpretative Opinion No. 3. ASOP No. 41 is applicable to all areas of actuarial practice and provides guidance with respect to written, electronic, or oral communications.

The Health Committee of the ASB has reviewed ASOP No. 31 and compared its guidance to ASOP No. 41 and other ASOPs. The committee concluded that the guidance in ASOP No. 31 is addressed in ASOP No. 41 (both the existing version and the one currently being exposed for revision) and other ASOPs.

The ASB reviewed this draft at its September 2008 meeting and approved its exposure.

Health Committee of the ASB

Paul R. Fleischacker, Chairperson
Mike S. Abroe John C. Lloyd
Gary L. Brace Cynthia S. Miller
Robert G. Cosway Nancy F. Nelson
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Actuarial Standards Board

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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.

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Appendix

Note: This appendix is prepared for informational purposes only.

The Health Committee prepared the following grid, which identifies provisions of section 3 of ASOP No. 31 cross referenced against the current ASOP No. 41, *Actuarial Communications*, and other ASOPs to reflect where pertinent actuarial guidance already exists.

Section 3. Analysis of Issues and Recommended Practices		
Current Section		Cross Reference
3.1	Introduction	ASOP No. 41 (3.1, 3.3.3)
3.2	Extent of Documentation	ASOP No. 41 (3.3.3, 3.6)
3.3	Documentation Issues Related to Risk	ASOP No. 41 (3.3.3, 3.6)
3.3.1	Reinsurance	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.3.3); ASOP No. 8 (3.2.2(i)); ASOP No. 26 (3.4.1(b))
3.3.2	Operational Changes	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.2.1, 3.2.3); ASOP No. 8 (3.2.3)
3.3.3	External Influences	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.2.2, 3.2.5); ASOP No. 18 (3.3)
3.3.4	Risk Classification Plan	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.2.4); ASOP No. 12 (3.4); ASOP No. 26 (3.4.1)
3.3.5	Ratemaking Process and Exposure Distribution	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2-3.2.6, 3.2.9); ASOP No. 26 (3.4.1)
3.3.6	Experience Rating Process	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.4)
3.3.7	Investment Income	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.3.1 (d)); ASOP No. 8 (3.2.2(e)); ASOP No. 18 (3.2.6)
3.3.8	Risk Provision	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.3.1(c)); ASOP No. 18 (3.3)
3.3.9	Cost of Capital	ASOP No. 41 (3.3.3, 3.6)
3.4	Documentation Issues Related to Data	ASOP No. 41 (3.3.3, 3.6)
3.4.1	Experience Period	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.4)
3.4.2	Experience Data	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.3.1(b), 3.4); ASOP No. 8 (3.2.4); ASOP No. 18 (3.2.1)

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3.4.3	Credibility	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.4); ASOP No. 18 (3.2.1); ASOP No. 25 (Section 3)
3.4.4	External Data	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.4); ASOP No. 18 (3.2.1)
3.5	Documentation Issues Related to Determination of Experience Period Costs	ASOP No. 41 (3.3.3, 3.6)
3.5.1	Exposure Units	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2-3.2.4)
3.5.2	Claim Administration Expense	ASOP No. 41 (3.3.3, 3.6)
3.5.3	Large Claims (Shock Loss Claims)	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.3.4)
3.5.4	Policy and Provider Contract Provisions	ASOP No. 41 (3.3.3, 3.6); ASOP No. 5 (3.2.1, 3.2.2, 3.3.1(a), 3.3.6); ASOP No. 8 (3.2.2, 3.2.4, 3.2.5); ASOP No. 18 (3.1, 3.2.1); ASOP No. 26 (3.4.1)
3.5.5	Mix of Business	ASOP No. 41 (3.3.3, 3.6)
3.6	Documentation Issues Related to Expenses	ASOP No. 41 (3.3.3, 3.6)
3.6.1	Categorization of Expenses	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2(d)); ASOP No. 18 (3.2.4)
3.6.2	Start-Up Costs	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2d); ASOP No. 18 (3.2.4)
3.7	Documentation Issues Related to Trending Procedures	ASOP No. 41 (3.3.3, 3.6)
3.7.1	Trend Measurement	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2, 3.2.4)
3.7.2	Claim Cost Trend Factors	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2, 3.2.4)
3.7.3	Other Trend Factors	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2, 3.2.4)
3.7.4	Trend Selection	ASOP No. 41 (3.3.3, 3.6); ASOP No. 8 (3.2.2, 3.2.4)