



## 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 2020

## BOXSCORE

## ASB Adopts ASOP Nos. 27 and 35 Revisions

The Actuarial Standards Board (ASB) of the American Academy of Actuaries recently adopted revisions of Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, and No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance to actuaries when performing actuarial services that include selecting (including giving advice on selecting) economic assumptions—primarily investment return, discount rate, post-retirement benefit increases, inflation, and compensation increases—for measuring obligations under defined benefit pension plans. ASOP No. 35 provides guidance to actuaries when performing actuarial services that include selecting (including giving advice on selecting) demographic and other noneconomic assumptions for measuring obligations under defined benefit pension plans. Both ASOP Nos. 27 and 35 underwent two exposure periods and received a combined 26 and 22 comment letters, respectively. ASOP Nos. 27 and 35 are effective for actuarial reports issued on or after Aug. 1, 2021, and when the measurement date in the actuarial report is on or after Aug. 1, 2021.



## ASB Adopts ASOP No. 32 Revision

The ASB recently adopted a revision of ASOP No. 32, *Social Insurance*. The standard applies to actuaries when performing actuarial services in connection with an actuarial analysis of a Social Insurance Program whether the actuary's principal is or is not a government agency with responsibility for the valuation of a Social Insurance Program. The standard also applies to actuaries with oversight responsibility for the actuarial services for Social Insurance Programs when serving as an auditor, reviewer, a member of an actuarial advisory committee, or a member of a technical panel. Such actuaries should follow the guidance to the extent practicable. The ASOP, which underwent two exposures periods and received eight comments, is effective for work commenced on or after Sept. 1, 2021.

## ASB Approves Exposure Draft of Proposed ASOP No. 28 Revision

The ASB approved an exposure draft of a revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*. The ASOP provides guidance to actuaries when performing actuarial services with respect to issuing or reviewing a statement of actuarial opinion (sometimes referred to as "actuarial opinion" or "opinion") regarding health insurance assets and liabilities. The ASOP also applies to actuaries when performing actuarial services with respect to issuing or reviewing statements of actuarial opinion and any associated actuarial memorandum with respect to health insurance assets and liabilities of insurance companies, reinsurance companies, or other health insurance financing systems (such as health benefit plans provided by self-insured or government plan sponsors) that provide similar coverages. Notable changes from the existing ASOP include expanding guidance on asset and liability evaluation to address the use of an explicit provision for adverse deviation as well as implicit conservatism in assumptions. The comment deadline for the exposure draft is Nov. 13, 2020.

## ASB Introduces New Template for Submitting Comments on Exposure Drafts

The ASB is pleased to announce a new process for the submission of comments. Comments on exposure drafts should be submitted via the comment template, which can be accessed [here](#) and found at a link in the transmittal letter of exposure drafts. The template will streamline the process for drafting committees to review and respond to comments. The template also is designed to encourage commentators to include both suggested edits and the rationale for such suggested edits. While general comments are always welcome, suggestions for alternative wording and the rationale for the suggested wording helps the ASB better understand the commentator's concern about the guidance in an exposure draft.



## ASB Approves Second Exposure Draft of Proposed ASOP No. 2 Revision

The ASB approved a second exposure draft of a revision of ASOP No. 2, now titled *Nonguaranteed Elements for Life Insurance and Annuity Products*. The ASOP applies to actuaries when performing actuarial services with respect to the determination and, if applicable, illustration of nonguaranteed elements (NGEs) for all life insurance and annuity policies written on individual policy forms where NGEs may vary at the discretion of the insurer except where noted in the ASOP. This would include determination of NGEs on in-force policies that were issued before the ASOP took effect. The standard also applies to actuaries when performing similar actuarial services for group master contracts with individual certificates where NGEs are determined in a similar manner to products written on individual life and annuity policy forms. The comment deadline for the second exposure draft is Nov. 13, 2020.

## ASB Approves Second Exposure Draft of Proposed ASOP No. 22 Revision

The ASB approved a second exposure draft of a 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*. The ASOP applies to actuaries when performing actuarial services with respect to providing a statement of actuarial opinion based on asset adequacy analysis of life insurance, annuity, or health insurance reserves and other liabilities when a) the statement of actuarial opinion is prepared to comply with applicable law based on the model Standard Valuation Law and VM-30 of the NAIC Valuation Manual, or b) the statement of actuarial opinion is prepared for an insurance company to comply with other applicable law. Notable changes from the first exposure draft include clarifying the scope, revising guidance on the discount rate, and removing several defined terms including “investment yield risk” and “moderately adverse deviation.” The comment deadline for the exposure draft is Nov. 30, 2020.



## Looking Ahead

The ASB tentatively plans to review the following drafts during its September 2020 meeting:

- a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities* (exposure draft from the Health Committee);
- a proposed revision of ASOP No. 38, *Catastrophe Modeling (for All Practice Areas)* (exposure draft from the General Committee); and
- a new ASOP, *Setting Assumptions* (third exposure draft from the General Committee).

## Meetings

**SEPTEMBER 15–16, 2020**  
(VIRTUAL)

**DECEMBER 9–10, 2020**

**MARCH 3–4, 2021**

**JUNE 2–3, 2021**

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.

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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 Projects

SUBJECT AREA	2020 QUARTER				COMMENTS
	1	2	3	4	
<b>CASUALTY COMMITTEE</b>					
Rate Filings ASOP	RI	RI			The ASB issued a Request for Input in October 2019 with a comment deadline of Feb. 28, 2020. The committee is reviewing input received.
<b>ENTERPRISE RISK MANAGEMENT COMMITTEE</b>					
No Activity					
<b>GENERAL COMMITTEE</b>					
ASOP No. 32, <i>Social Insurance</i>	SE	F			The ASB approved a second exposure draft in November 2019 with a comment deadline of Feb. 14, 2020. The ASB adopted a final revision at its March 2020 meeting. The effective date is Sept. 1, 2021.
ASOP No. 38, now titled <i>Catastrophe Modeling (for All Practice Areas)</i>	F	D			The ASB adopted a final revision at its March 2014 meeting subject to ASB approval of changes necessitated by ASOP No. 56. The task force is drafting an exposure draft of proposed revisions of ASOP No. 38 to reflect language in ASOP No. 56, Modeling.
ASOP No. 56, <i>Modeling</i>	F	F			The ASB adopted ASOP No. 56 at its December 2019 meeting. The effective date is Oct. 1, 2020.
<i>Setting Assumptions</i>	R	R			The ASB approved a second exposure draft at its March 2019 meeting with a comment deadline of July 31, 2019. A task force is drafting a proposed revision and plans to present a third exposure draft to the ASB at its September 2020 meeting.
<b>HEALTH COMMITTEE</b>					
ASOP No. 3, <i>Continuing Care Retirement Communities</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its September 2020 meeting.
ASOP No. 18, <i>Long-Term Care Insurance</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its December 2020 meeting.
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	R	E			The ASB approved an exposure draft at its March 2020 meeting with a comment deadline of Nov. 13, 2020.
<b>LIFE COMMITTEE</b>					
ASOP No. 2, now titled <i>Nonguaranteed Elements for Life Insurance and Annuity Products</i>	R	SE			The ASB approved a second exposure draft at its June 2020 meeting with a comment deadline of Nov. 13, 2020.
ASOP No. 11, now titled <i>Reinsurance Involving Life Insurance, Annuities, or Health Coverages in Financial Reports</i>	E	R			The ASB approved an exposure draft in November 2019 with a comment deadline of June 30, 2020. A task force is making revisions and plans to present a proposed final ASOP to the ASB in December 2020.
ASOP No. 22, <i>Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Insurers</i>	R	SE			The ASB approved a second exposure draft at its March 2020 meeting with a comment deadline of Nov. 30, 2020.
<b>PENSION COMMITTEE</b>					
ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i>	SE	SE			The ASB approved a second exposure draft at its December 2019 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>	R	F			The ASB approved second exposure drafts of proposed revisions of ASOP Nos. 27 and 35 at its June 2019 meeting with a comment deadline of September 15, 2019. The ASB adopted final revisions of ASOP Nos. 27 and 35 in June 2020. The effective date for both ASOPs is Aug. 1, 2021.

## 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](http://actuarialstandardsboard.org)

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