

ACTUARIAL STANDARDS BOARD

annual



REPORT

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2020



AMERICAN ACADEMY of ACTUARIES

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2020

Letter From the Chairperson

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. Established in 1988, the ASB has the sole authority to develop, obtain comment upon, revise, and adopt ASOPs for the actuarial profession.

In 2020, despite an unprecedented year that moved most ASB meetings and activities to a virtual format, the ASB adopted three revised ASOPs, approved five exposure drafts for comment, and approved proposals to revise 10 existing ASOPs and one actuarial compliance guideline. In addition, the ASB presented a professionalism series webinar titled “The New Modeling ASOP: ASOP No. 56.” Also, because receiving comments on exposure drafts is such an integral part of the standard-development process, the ASB migrated to a new comment template format to make the task of receiving and reviewing comments more seamless.

As 2021 begins, I'd like to thank Kathy Riley for her two years of outstanding service as chairperson and also thank ASB members Mita Drazilov and Barbara Snyder for their invaluable contribution to the standard-setting process. Setting appropriate standards of practice is critically important as well as challenging and time-consuming work, and the ASB could not fulfill its duties without the dedication of its 100+ committee and task force members. As the ASB continues in its endeavors, it welcomes incoming board members Elizabeth Brill and Judy Stromback, who will assist the ASB in another successful year of serving actuaries and the public by establishing and improving actuarial standards of practice for the United States.

Darrell Knapp
Chairperson
Actuarial Standards Board



2020 Actuarial Standards Board

Back row, from left: Mita Drazilov, Kathy Riley (Chairperson), Cande Olsen, Dave Neve, Kevin Dyke, Darrell Knapp (Vice Chairperson); front row, from left: Pat Woods, Barbara Snyder (Vice Chairperson), Rob Damler

Committee Projects

Casualty Committee

The Casualty Committee, chaired by Mary Frances Miller, presented proposals to revise ASOP No. 20, *Discounting of Property/Casualty Unpaid Claim Estimates*; and ASOP No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*. The ASB approved the proposals in December.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by David Paul, presented a proposal to revise ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*; and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*. The ASB approved the proposal in September.

General Committee

The General Committee, chaired by Judy Stromback, oversaw a revision of ASOP No. 38, *Catastrophe Modeling (for All Practice Areas)*, and approved an exposure draft of the revision in September. The task force is chaired by Shawna Ackerman.

The General Committee also oversaw the Assumptions Task Force, chaired by Maria Sarli, as it continued work on a proposed ASOP titled *Setting Assumptions*. The ASB approved a third exposure draft of the proposed ASOP in October.

Lastly, the General Committee in collaboration with the Casualty Committee presented a proposal to revise ASOP No. 12, *Risk Classification (for All Practice Areas)*. The ASB approved the proposal in September.

Health Committee

The Health Committee, chaired by Rick Lassow, oversaw the development of a proposed revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities*. The task force is chaired by Annette James. The ASB approved an exposure draft of the revision in March.

In addition, the Health Committee oversaw the development of a proposed revision of ASOP No. 3, *Continuing Care Retirement Communities*. The task force is chaired by Dave Bond. The ASB approved an exposure draft of the revision in November.

The Health Committee also oversaw the development of a proposed revision of ASOP No. 18, *Long-Term Care Insurance*. The task force is chaired by Bruce Stahl.

Lastly, the Health Committee presented a proposal to revise ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*. The ASB approved the proposal in September.

Life Committee

The Life Committee, chaired by Linda Lankowski, oversaw the ASOP No. 2 Task Force, chaired by Gabe Schiminovich, as it continued work on a revision of ASOP No. 2, now titled *Nonguaranteed Elements for Life Insurance and Annuity Products*. The ASB approved a second exposure draft in June.

The Life Committee also oversaw the ASOP No. 11 Task Force, chaired by Jeremy Starr, as it continued work on a revision of ASOP No. 11, now titled *Reinsurance Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*; and the ASOP No. 22 Task Force, chaired by Laura Hanson, as it continued work on 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*.

Lastly, the Life Committee presented a proposal to draft an ASOP on pricing of life, annuity, and health benefit plan reinsurance. The ASB approved the proposal in September. The Life Committee also presented proposals to revise ASOP No. 7, *Analysis of Life, Health, or Property/Casualty Insurer Cash Flows*; ASOP No. 10, *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP*; ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*; and to convert Actuarial Compliance Guideline 4 into an ASOP. The ASB approved the proposals in December.

Pension Committee

The Pension Committee, chaired by David Kausch, continued work on ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. The ASB adopted both revisions in June.

The Pension Committee also continued its work on ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*.

Other Projects

The ASB adopted a revision of ASOP No. 32, *Social Insurance*, in June. The ASOP No. 32 Task Force was chaired by Janet Barr.

The ASB also introduced a new Comment Template to aid in the process of submitting comments.

Lastly, in December, the ASB approved a proposal to revise ASOP No. 41, *Actuarial Communications*.



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. actuarial profession.

Financial Summary

Actuaries who belong to any of the five U.S.-based actuarial organizations support the operations of the Actuarial Standards Board through a portion of their annual dues. Financial activities pertaining to the ASB are accounted for separately within the American Academy of Actuaries' system of accounts. The ASB annually submits a proposed budget based on projected expenses to the Academy secretary-treasurer; the Academy budget makes provisions for ASB operating expenses. The ASB has discretion with regard to the expenditure of all funds allocated to it, subject only to accounting and audit requirements mutually determined by the secretary-treasurer and the ASB.

Actuarial Standards Board Statement of Expenses

Year Ended December 31, 2020¹

Expenses:	
Staff salaries ²	\$273,333
Staff benefits	68,906
Office operating costs	78,177
Postage and delivery services	504
Staff travel	3,555
Committee meetings	25,747
ASB travel reimbursement	21,904
Professional services	4,667
Printing	1,110
Other	1,162
Total Expenses:	\$479,065

¹ The above figures represent unaudited financial results associated with the ASB. Copies of the audited financial statements of the American Academy of Actuaries will be available upon request from the Academy's office in Washington, DC, and will be available on the Academy's website. Many members of the actuarial profession have contributed significant amounts of time to the activities of the ASB without compensation. This financial summary does not reflect the value of those contributed services.

² Includes salaries of full-time staff members and charges for actual time spent on the ASB program by other Academy employees.



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