



Welcome to the Actuarial Standards Board's 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 2024

BOXSCORE

ASB Adopts Revisions of ASOP Nos. 28 and 36

The Actuarial Standards Board (ASB) of the American Academy of Actuaries recently adopted a revision of Actuarial Standard of Practice (ASOP) No. 36, now titled [Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves](#). The ASOP provides guidance to the actuaries when performing actuarial services with respect to a written statement of actuarial opinion regarding property/casualty loss, loss adjustment expense, or other reserves. The ASOP underwent two exposure periods and received 13 comment letters. Notable changes from the existing ASOP No. 36 include expanding the purpose and scope beyond “issuing” and “providing” to “performing actuarial services with respect to a written statement of actuarial opinion regarding property/casualty loss, loss adjustment expense, or other reserves”; adding definitions for “counterparty” and “recoverable”; and revising guidance on the stated basis of the reserve to include characteristics of other reserves being opined upon.

Successively, the scope of the 2022 adopted revision of ASOP No. 28, [Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities](#), was further revised to clarify that ASOP No. 36 may apply to the standard in addition to ASOP No. 28 and ASOP No. 22, [Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities](#).

The effective date for ASOP Nos. 28 and 36 is Oct. 1, 2024.



ASB Adopts Revision of ASOP No. 27

The ASB adopted a revision of ASOP No. 27, now titled *Selection of Assumptions for Measuring Pension Obligations*. The standard provides guidance to actuaries when performing actuarial services that involve selecting assumptions, including giving advice on selecting assumptions, for measuring defined benefit pension plan obligations.

In June 2020, ASOP No. 27 and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, were both revised to expand the scope, provide additional guidance on the combined effect of assumptions, provide guidance on assessing assumptions not selected by the actuary, and to modify the required disclosure of rationale for assumptions selected.

Throughout the past few revisions, the ASB adopted identical language in ASOP Nos. 27 and 35 where practical and improved the similarity of layout and structure to simplify the overall guidance. The final step in the simplification was to combine the two current pension assumption ASOP Nos. 27 and 35 into one. When the revised ASOP No. 27 is effective as the single assumption standard for pensions, ASOP No. 35 will be repealed, and technical corrections will be made to ASOPs referencing ASOP No. 35. The ASB generally attempted to avoid changing the current guidance in both ASOPs except when the two standards took different approaches to the assumption selection framework.

During the exposure period, six comment letters were received and considered in making changes that are reflected in the revised ASOP No. 27, including clarifying that the standard applies when the actuary selects assumptions for the measurement of retiree group benefits obligations, as specified in ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*.

ASOP No. 27 is effective for any actuarial report that meets the following criteria: (a) the actuarial report is issued on or after January 1, 2025; and (b) the measurement date in the actuarial report is on or after January 1, 2025.

Meetings

JUNE 4–6, 2024

SEPTEMBER 10–11, 2024

DECEMBER 10–12, 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 Board) 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.

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ASB Adopts Revision of ASOP No. 40

The ASB adopted a revision of Actuarial Standard of Practice (ASOP) No. 40, now titled [*Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to X Factors*](#). The standard applies to actuaries when performing actuarial services with respect to adjusting deficiency reserve mortality rates using X factors pursuant to applicable law, including applicable law based on the National Association of Insurance Commissioners (NAIC) *Valuation of Life Insurance Policies Model Regulation (Model)*. The standard provides specific guidance for actuaries complying with requirements consistent with the *Model*, and actuaries complying with requirements that differ materially from the *Model* should apply the guidance in the standard to the extent appropriate.

Notable changes to the revision, which underwent one exposure period and received four comment letters, include making the ASOP applicable to all actuaries performing actuarial services related to compliance with the *Model*, rather than only to the appointed actuary; eliminating or updating definitions for clarity; and eliminating descriptions of *Model* requirements throughout section 3. The standard will be effective for all statements of actuarial opinion provided for reserves with a valuation date on or after September 15, 2024.

ASB Approves Third Exposure Draft of ASOP No. 24 Revision

The ASB approved a third exposure draft of a proposed revision of ASOP No. 24, now titled [*NAIC Life Insurance Illustrations Model Regulation*](#). The ASOP applies to actuaries when performing actuarial services in support of a certification or representation that life insurance illustrated scales are in conformity with the National Association of Insurance Commissioners (NAIC) *Life Insurance Illustrations Model Regulation (Model)* or applicable actuarial guidelines. Such a certification or representation may be made in an illustration actuary's certification pursuant to applicable law (statutes, regulations, and other legally binding authority) based on the *Model* or may be made in the absence of an applicable law based on the *Model*.

The second exposure draft of the proposed revision was released in July 2023, and six comment letters were received and considered in making changes that are reflected in the third exposure draft. Notable changes reflected in the third exposure draft include revising guidance on “timeframe” and “adjustments to actual experience,” and adding guidance on “hedge costs” and “consistency of experience factors” as well as a disclosure for actions or events reflected in the experience factors for which experience has not yet emerged.

The comment deadline is July 1, 2024. Information on how to submit comments can be found in the draft.



ASB Adopts Revision of ASOP No. 29

The ASB adopted a revision of ASOP No. 29, now titled *Expense Provisions for Prospective Property/Casualty Risk Transfer and Risk Retention*. The standard applies to actuaries when performing actuarial services with respect to developing or reviewing expense provisions for prospective property/casualty risk transfer or risk retention. This includes expense provisions developed or reviewed for insurance, reinsurance, self-insurance, loss portfolio transfers, or other mechanisms for prospective property/casualty risk transfer or risk retention. If the actuary's actuarial services involve reviewing expense provisions developed by another party, the actuary should use the guidance in the ASOP to the extent practicable within the scope of the actuary's assignment.

The revision, which was exposed for comment twice, received 13 comment letters. Notable changes made to the standard include:

- The expansion of scope and new guidance on loss adjustment expense categories, intended measure, the timing of residual market expenses, the timing of statutory assessments, and documentation;
- Definitions for “coverage,” “expense provision,” “risk retention,” and “risk transfer” were added; and
- The list of required disclosures was expanded.

This standard is effective for work performed on or after July 1, 2024.

Looking Ahead...

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

- a proposed new ASOP titled *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans* (exposure draft from the Life Committee);
- a proposed new ASOP titled *Enterprise Risk Management* (final ASOP from the ERM 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); and
- a revision of ASOP No. 41, *Actuarial Communications* (second exposure draft from the ASOP No. 41 Task Force).



ASB Approves Exposure Draft of ASOP No. 12 Revision

The ASB approved an exposure draft of a proposed revision of ASOP No. 12, *Risk Classification (for All Practice Areas)*. The ASOP applies to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, reviewing, evaluating, or opining on any elements of a risk classification framework in connection with financial or personal security systems. The standard also applies to actuaries when performing actuarial services with respect to using any elements of a risk classification framework in connection with financial or personal security systems, to the extent practical and consistent with the scope of the actuary's assignment.

The original ASOP No. 12, adopted in 1989, was developed as the need for more formal guidance on risk classification increased as the selection process became more complex and more subject to public scrutiny. The ASOP was updated in 2005 to reflect ongoing changes in actuarial work related to risk classification at that time. In light of the evolution in practice since 2005, the ASB believes it is appropriate to revise the standard in order to reflect current generally accepted actuarial practice.

Notable changes include the removal of several existing definitions and the addition of new definitions such as "risk measure" and "unintended bias"; the addition of several new sections such as 3.2.4, Multivariate Effects, and 3.4, Potential for Unintended Bias; and revising the scope to expand the list of activities to which the standard applies. The comment deadline was May 1, 2024.

ASB Projects

SUBJECT AREA	2024 QUARTER				COMMENTS
	1	2	3	4	
CASUALTY COMMITTEE					
ASOP No. 29, <i>Expense Provisions in Property/Casualty Insurance Ratemaking</i>	F	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			A task force presented a proposed revision to the ASB in December 2023. The ASB will continue its review of the draft during its June 2024 meeting.
ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i>	R	F			The ASB approved a second exposure draft of a proposed revision in June 2023 and adopted a final revision at its March 2024 meeting. The effective date is Oct. 1, 2024.
ASOP No. 39, <i>Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB during its December 2024 meeting.
ENTERPRISE RISK MANAGEMENT COMMITTEE					
Enterprise Risk Management ASOP	R	R			The ASB approved an exposure draft at its March 2023 meeting. The task force reviewed comments, made revisions, and plans to present a proposed final ASOP to the ASB during its June 2024 meeting.
GENERAL COMMITTEE					
ASOP No. 12, <i>Risk Classification</i>	E	E			The ASB approved an exposure draft in September 2023 with a comment deadline of May 1, 2024. The task force is reviewing comments and plans to present a second exposure draft to the ASB in 2025.
ASOP No. 41, <i>Actuarial Communications</i>	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 presented a second exposure draft to the ASB at its September and December 2023, and its March 2024 meetings. The ASB will continue its review of the draft during its June 2024 meeting.
HEALTH COMMITTEE					
ASOP No. 28, <i>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</i>	R	F			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 adopted a final revision in April 2024. The effective date is Oct. 1, 2024.
ASOP No. 45, <i>The Use of Health Status Based Risk Adjustment Methodologies</i>	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 in late 2024.
ASOP No. 49, <i>Medicaid Managed Care Capitation Rate Development and Certification</i>	D	D			A task force is drafting a proposed revision and plans to present an exposure draft to the ASB at its March 2025 meeting.
LIFE COMMITTEE					
ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i>	E	E			The ASB approved an exposure draft in September 2023 with a comment deadline of June 1, 2024.
ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i>	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 December 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			The ASB adopted a final revision at its March 2024 meeting. The effective date is Sept. 15, 2024.
Reinsurance Pricing ASOP	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 the task force will present revisions to the ASB at its June 2024 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

2024 QUARTER

COMMENTS

PENSION COMMITTEE

Subject Area	2024 QUARTER				COMMENTS
	1	2	3	4	
ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i>	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>	F	F			The ASB adopted a final revision of ASOP No. 27 at its December 2023 meeting. The effective date of ASOP No. 27 and repeal of ASOP No. 35 is Jan 1, 2025.

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.
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