

2008 Annual Report



**ACTUARIAL
STANDARDS
BOARD**

1850 M St., NW, Ste. 300

Washington, DC 20036

Telephone: (202) 223-8196

Facsimile: (202) 223-1248

E-Mail: ASB@actuary.org

2008 ACTUARIAL STANDARDS BOARD



The 2008 Actuarial Standards Board (back row; l to r): Robert Meilander, Patrick Grannan, David Kass, James Murphy, Alan Ford, Albert Beer, (front row; l to r) Vice-Chairperson Lawrence Sher, Chairperson Stephen Kellison, Vice-Chairperson Godfrey Perrott

LETTER FROM THE CHAIRPERSON

In 2008, our twentieth anniversary year, the Actuarial Standards Board (ASB) tackled several overarching issues of importance to the board and the U.S. actuarial profession. Not the least of these was the effort to develop a communication statement that clarifies what the ASB does and how we go about the work of developing Actuarial Standards of Practice (ASOPs).

There are two components to the communication statement: a short "sound bite" and a longer version that includes a brief description of how the ASB accomplishes its goals. The statements are as follows:

Sound bite: The Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice.

Longer version: The Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice. These Actuarial Standards of Practice (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.

When creating or revising an ASOP the ASB

1. *reviews and evaluates current and emerging practices;*
2. *determines appropriate guidance;*
3. *publishes an exposure draft to obtain input from actuaries and other interested parties;*
4. *considers all comments received; and*
5. *publishes a final standard or another exposure draft.*

In addition to the communication statement, the board also reviewed all ASOPs for regulatory consistency and approved revisions to both the *Introduction to the ASOPs* and the deviation language used in all ASOPs (which will work in



conjunction with the pending revision of ASOP No. 41, *Actuarial Communications*, by the General Committee).

Finally, we completed an expansion of the interested parties database, which is meant to broaden the reach of our exposure drafts and other communications to persons outside the profession who may wish to comment on our activities.

We were pleased to welcome two new members to the ASB in 2008, with Patrick Grannan and James Murphy joining our ranks.

The ASB continues its work apace in 2009, with several important projects well underway. We encourage all of you to become more active in the process by commenting on exposure drafts and letting us know how we can better improve our service to the public and the profession.

Stephen Kellison
Chairperson
Actuarial Standards Board

2008 COMMITTEE ACTIVITY

ASB-LEVEL ACTIVITY

The ASB was quite active on board-level projects in 2008 that affect all U.S. actuaries.

In June, the ASB approved a new communication statement that clarifies its role.

In September, the board adopted a revision to the *Introduction to the ASOPs* that updates certain language in the document to articulate more clearly that the ASB does not simply codify existing practices when it develops ASOPs.

Also in September, the board approved significant changes to the deviation language referenced in all ASOPs with the adoption of the *Deviation Language for Standards and Removal of References to PSAOs From Standards (All Practice Areas)* document.

Finally, the board released to the profession a Request for Comments on ASOP Content and ASB Procedure—the first step in an extensive review of ASB procedures.

CASUALTY

The Casualty Committee, chaired by Patrick Woods, drafted a repeal of ASOP No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss*

Reserving, and Valuations, which will become effective when pending revisions to ASOP No. 41, *Actuarial Communications* are approved.

In addition, the ASB approved the revision of ASOP No. 13, *Trending Procedures in Property/Casualty Insurance*, for exposure in January 2008 with a comment deadline of May 1, 2008.

GENERAL

The General Committee, chaired by Tom Custis, released an exposure draft of revisions to ASOP No. 41, *Actuarial Communications*. The ASB exposed the draft in September with a comment deadline of December 31, 2008.

HEALTH

The Health Committee, chaired by Paul Fleischacker, oversaw the repeal of ASOP No. 31, *Documentation in Health Benefit Plan Ratemaking*. The ASB exposed the repeal in September 2008 with a comment deadline of December 31, 2008.

LIFE

The Life Committee, chaired by Charles Carroll, oversaw the drafting of the following projects:

- Independent Review of Principles-Based Valuations; and

- Standards for Principles-Based Reserves for Life Products.

The Principles-Based Reserves task force requested authorization to revise the discussion draft into a potential exposure draft that explores principle-based capital instead. The Board approved its proposal.

In addition, the ASB created a task force to revise ASOP No. 10, *Methods and Assumptions for Use in Life Insurance Company Financial Statements Prepared in Accordance with GAAP*.

PENSION

The Pension Committee, chaired by David Fleiss, released a Request for Comments on ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. The RFC commenced an ASB project of undertaking a comprehensive review of ASOP No. 27 and, if warranted, revising it. The Pension Committee has begun considering the responses.

In addition, the ASB began considering a request from the Academy to develop standards for consistently measuring the economic value of pension plan assets and liabilities. The Pension Committee is taking up the Academy's request in 2009.

2008 FINANCIAL SUMMARY

Actuaries practicing in the United States who belong to any one or more of the five U.S.-based actuarial organizations support the operations of the Actuarial Standards Board (ASB) 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, and expenses are allocated back to the five U.S.-based actuarial organizations. 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* for Year Ended December 31, 2008

Expenses:

Staff salaries	\$235,952
Staff benefits	58,988
Office operating costs	92,021
Printing	7,095
Postage and delivery services	2,793
Staff travel	7,699
Committee meetings	30,132
Public relations	4,919
USB drive production	25,956
ASB travel reimbursement	65 ,256
Miscellaneous expenses	3,738
<hr/>	
<i>Total expenses</i>	<i>\$534,549</i>

*Figures subject to final audit