

The ASOP Advantage: The Latest in ASB Standards-Setting



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Southeastern Actuaries Conference November 21, 2019

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Agenda

- Review of ASB Standards-Setting Process
- Life Standards Being Updated
- Health Standards Being Updated
- Cross-Practice Standards Being Discussed
- How YOU Can Be Involved in the ASB Standards-Setting Process



ASB Standards-Setting Process



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Authority for the Standards Of Practice

☐ Precept 3 of the Code of Conduct

An Actuary shall ensure that Actuarial Services performed by and under the direction of the Actuary satisfy applicable standards of practice.



Why ASOPs Are Important

- ASOPS are important because they help to:
 - ▣ Protect the public
 - ▣ Protect the reputation of the profession
 - ▣ Avoid or reduce risk of external regulation
 - ▣ Protect against malpractice claims



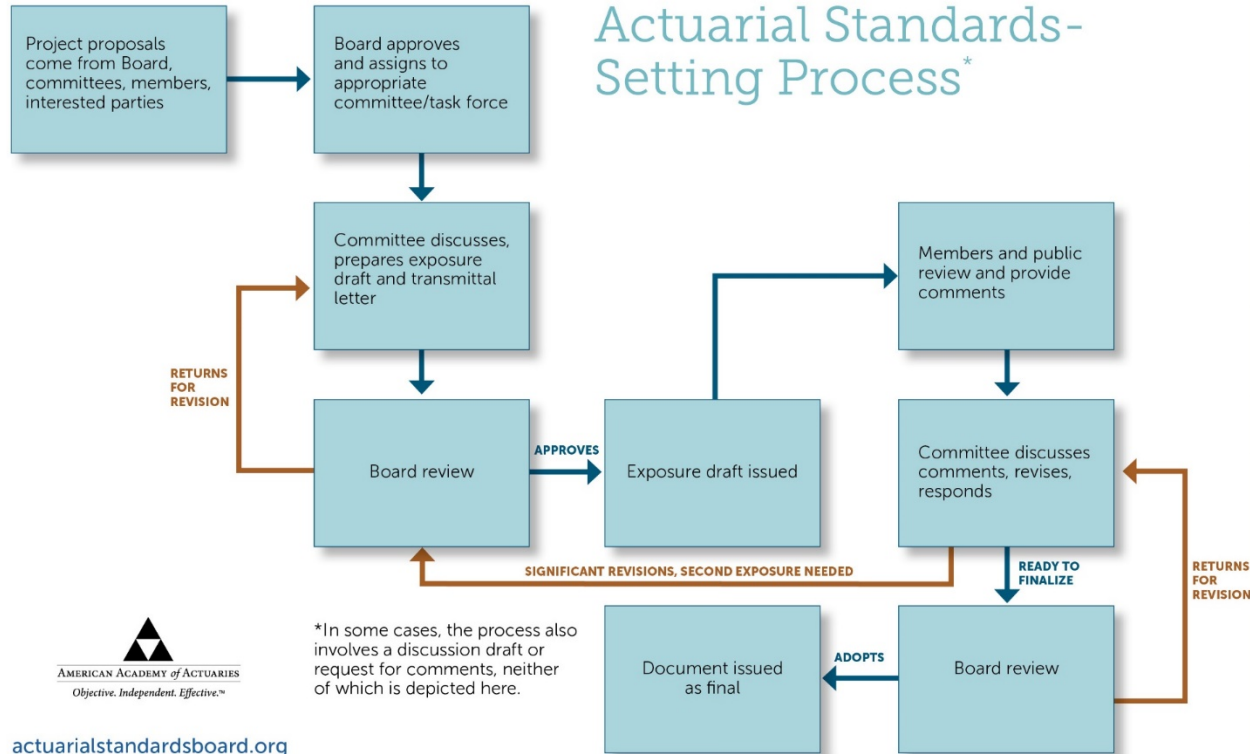
Standards-Setting Principles

- ❑ ASOPs should provide guidance for appropriate practice, not merely codify current practice or best practice.
- ❑ ASOPs set principles to guide actuaries and users of actuarial services, but do not replace professional judgment.
- ❑ Disclosure is a cornerstone of compliance with standards.

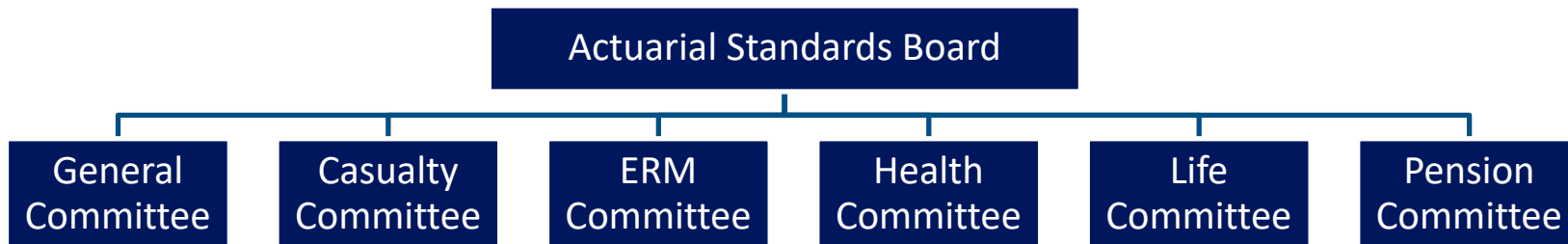




Actuarial Standards-Setting Process^{*}



ASB Structure to Support Process



- ☐ Task Forces are formed by each standing committee to work on new ASOPs or revisions to ASOPs.
- ☐ Task Forces are dissolved when the final ASOP is issued.

Existing and Planned ASOPs

Cross-Practice ASOPs

ASOP No. 1—Introductory ASOP

ASOP No. 41—Actuarial Communications

ASOP No. 12	Risk Classification	ASOP No. 23	Data Quality
ASOP No. 17	Expert Testimony by Actuaries	ASOP No. 25	Credibility Procedures
ASOP No. 21	Responding to or Assisting...	Exposure	Modeling
ASOP No. 32	Social Insurance	Exposure	Assumptions

Practice-Specific ASOPs

Casualty

ASOP Nos.
13, 19, 20, 29,
30, 36, 38, 39,
43, 53

ERM

ASOP Nos.
46, 47, 55

Health

ASOP Nos. **3**,
5, 6, 8, **11**, **18**,
19, **22**, 26, **28**,
42, 45, 49, 50

Life

ASOP Nos. **2**,
7, 10, **11**, 15,
19, **22**, 24, 33,
37, 40, 48, 52,
54

Pension

ASOP Nos. **4**,
6, **27**, 34, **35**,
44, 51



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Life Standards Being Updated



Life Standards Being Updated

- ASOP No. 2 – *Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*
- ASOP No. 11 – *Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance*
- ASOP No. 22 – *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*



ASOP 2 – Nonguaranteed Elements

- Last updated in 2004
- Expanded guidance for determining nonguaranteed elements and related definitions and disclosures
- First exposure draft approved in March of 2019 with a comment deadline of 7/15/19
- Received 16 comment letters with about 125 individual comments
- Second exposure draft expected in March 2020



ASOP 11 – Reinsurance Financial Reporting

- Last updated in 2005
- Affects both life and health insurance
- Is expected to expand guidance to reflect emerging practices driven by changes in the regulatory environment since 2005
- An exposure draft expected to be released in late November



ASOP 22 – Statements of Opinion Based on Asset Adequacy Analysis

- ❑ Last updated in 2001
- ❑ Affects both life and health insurance
- ❑ Updated guidance to reflect regulatory and practice changes since 2001
- ❑ First exposure draft approved in December of 2018 with a comment deadline of 6/1/19
- ❑ Received 16 comment letters with 100 comments
- ❑ Another exposure draft expected by end of year



Health Standards Being Updated



Health Standards Being Updated

- ASOP No. 3 – *Continuing Care Retirement Communities*
- ASOP No. 18 – *Long-Term Care Insurance*
- ASOP No. 28 – *Statements of Actuarial Opinion (SAOs) Regarding Health Insurance Liabilities and Assets*



ASOP 3 – Continuing Care Retirement Communities (CCRCs)

- Last updated in 2007
- New accounting guidance for CCRCs create changes to the actuary's role.
- Exposure draft expected to be released in March of 2020.



ASOP 18 – Long-Term Care Insurance

- Last updated in 1999
- Since 1999, there have been material changes in products, assumption considerations, and regulations.
- Exposure draft expected to be released in June of 2020.



ASOP 28 – SAOs Regarding Health Insurance Liabilities and Assets

- Last updated in 2011.
- Is expected to address concerns reported by regulatory actuaries relating to the need for improved consistency of the information provided in the actuarial memorandum supporting actuarial opinions
- Exposure draft expected to be released by the end of the year.



New Cross-Practice Standards



New Cross-Practice Standards

- Modeling ASOP
- Setting Assumptions ASOP



Modeling ASOP

- The first draft of a cross-practice modeling standard was released in 2013.
- A fourth exposure draft was released in February of 2019, with a comment deadline of May 15, 2019.
- Received 26 comment letters with about 159 individual comments
- A final ASOP(or possibly another exposure draft) is expected by the end of the year.



Setting Assumptions ASOP

- The first draft of a cross-practice standard on setting assumptions was released in 2016.
- A second exposure draft was released in March of 2019, with a comment deadline of July 31, 2019.
- Received 25 comment letters with about 108 individual comments
- Another exposure draft is expected in March of 2020.



How YOU Can Be Involved



Your Comments Matter

- ☐ Stay up-to-date on ASB activities by reading *ASB Boxscore* and the ASB Annual Report.
- ☐ Don't forget to read the Academy's weekly email entitled "This Week" covering recent Academy activity!
- ☐ Be engaged – submission of comments is critical for achieving the purpose of ASOPs and supports transparency.



Comments Received on ASOP 54 - Life and Annuity Pricing

- 17 comment letters on 1st exposure draft generated 118 individual comments
 - 42 resulted in clarifications
 - 28 resulted in expanding or narrowing guidance
- 6 comment letters on 2nd exposure draft generated 75 individual comments
 - 41 resulted in clarifications
 - 4 resulted in minor changes to guidance

27 □ ASOP 54 is born!

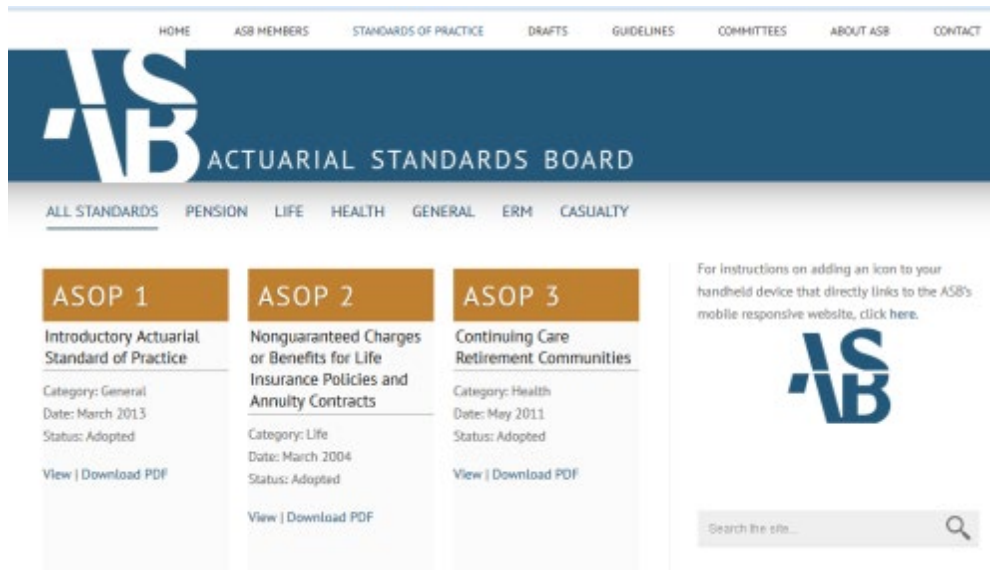


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Actuarial Standards Board Website

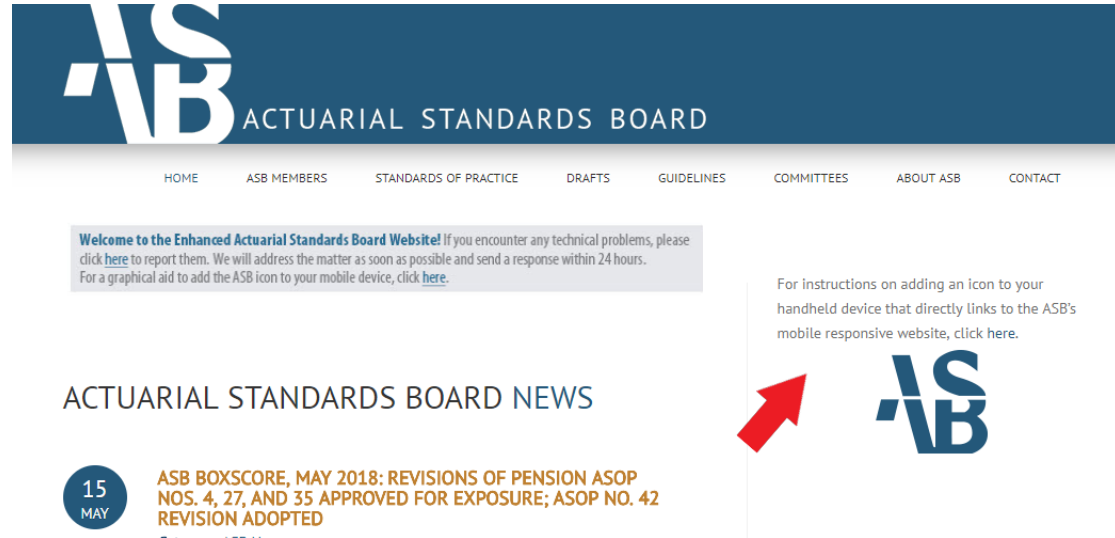


www.actuarialstandardsboard.org

- ☐ Read current standards of practice
- ☐ Comment on exposure drafts
- ☐ Sign up for *Boxscore*
- ☐ Contact the ASB

Tools For The Actuary: ASB Mobile-friendly Website

- ☐ Add an icon to your device's home screen for quick access to the mobile site.
- ☐ Follow the instructions on the ASB home page.



Questions?

