The ASOP Edge

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Please note: My statements and opinions are my own and do not necessarily represent the official statements or opinions of the ABCD, ASB, any boards or committees of the American Academy of Actuaries, nor of my employer.

Speaker



Matt Monson, MAAA, FSA

- Chairperson, ASB Life Committee
- Chairperson, ASB ASOP 7 Task Force
- Vice Chairperson, Academy Life Practice Council
- Former Chairperson, SOA Finance/ERM Exam
- Former Chairperson, ACLI PBR Subcommittee

- ASB Basics
- ASOP Concepts and Development
- The ASOPs
- How YOU Can Be Involved!
- ASB and Academy Resources

ASB Basics



About the American Academy of Actuaries

Founded 1965

Key goal: maintain and promote actuarial professionalism & self-regulation

Represents qualified actuaries of all specialties National association for U.S. actuaries & voice on public policy issues

Membership today: >20,000 individual actuaries

ASB Authority

- Established by Academy bylaws.
- Legally part of the Academy.
- Has exclusive authority to promulgate standards.





PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

Purpose of the ASB

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).

Professionalism: Basis of Self-Regulation

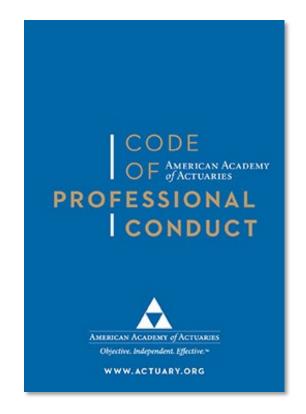
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Applicability of Code of Professional Conduct 11

The Code of Professional Conduct applies to any actuary who is a member of the five U.S.-based actuarial organizations.



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ASOP Concepts and Development

What Is an ASOP?

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.

Philosophy of ASOPs

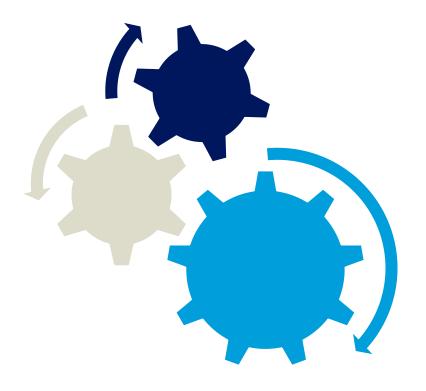
- Guidance for appropriate practice
- Principle-based
- Flexible
- Disclosure
- Broad applicability
- Cannot cover all circumstances
- Support profession's self-regulation
- Doesn't guarantee good work

General Thoughts ("What ASOPs Can and Cannot Do")

Discussion Question #1

ASOPs apply to which of the following:

- a. Companies carrying out the work described in the scope
- Individuals carrying out the work described in the scope who are not members of one of the five U.S.-based actuarial organizations
- c. Actuaries carrying out the work described in the scope who are members of one of the five U.S.-based organizations
- d. b and c
- e. a, b, and c



Task Force

Committee

Actuarial Standards Board

Initial draft

Prepares draft ASOP

Reviews draft ASOP

Reviews draft ASOP

Return to Committee

Expose for comment

Subsequent draft(s)

Reviews comments and revises draft ASOP

Reviews draft ASOP

Reviews draft ASOP

Return to Committee

Re-expose for comment

Adopt final ASOP

T. MEMO History of the Standard and Contributors

SECTION 1 Purpose, Scope, Cross-References, and Effective Date

SECTION 2 Definitions

SECTION 3 Analysis of Issues and Recommended Practices

SECTION 4 Communications and Disclosures

APPENDIX 1 Background and Current Practices

APPENDIX 2 Comments and Responses



- Following an ASOP through the development process gives you a deeper understanding of the topic covered by the ASOP.
- Read the background and comments sections of ASOPs!

Current ASOPs

ASOPs by the Numbers

- 53 current standards
- ASOP No. 35 to be repealed at new No. 27 adoption
- New standards under development
 - Enterprise Risk Management to replace Nos. 46 and 47
 - Reinsurance Pricing
- Others in revision/drafting

Cross-Practice ASOPs

ASOP No. 1 Introductory ASOP

ASOP No. 41 Actuarial Communications

ASOP No. 12	Risk Classification
ASOP No. 17	Expert Testimony by Actuaries
ASOP No. 21	Responding to or Assisting
ASOP No. 23	Data Quality

ASOP No. 25	Credibility Procedures
ASOP No. 32	Social Insurance
ASOP No. 38	Catastrophe Modeling
ASOP No. 56	Modeling

Practice-Specific ASOPs

Casualty

7, 13, 19, 20, 29, **30**, 36, **39**, 43, 53

ERM

46, 47, 55, ERM

Health

3, 5, 6, 7, 8, 10, 11, 18, 19, 22, 26, 28, 42, 45, 49, 50, 57

<u>Life</u>

2, 7, 10, 11, 15, 19, 22, 24, 33, 37, 40, 48, 52, 54, 57, Reinsurance pricing

Pension

4, **6**, 27, 34, 35, 44, 51

Orange indicates an ASOP under revision and orange italics indicates a proposed new ASOP.

Recently Revised ASOPs

- Sept. 15, 2024 ASOP No. 40 (life)
- Oct. 1, 2024 ASOP No. 28 (health)
- Oct. 1, 2024 ASOP No. 36 (casualty)
- Dec. 1, 2024 ASOP No. 24 (life)
- Jan. 1, 2025 ASOP No. 27 (pension)

Determining Which ASOPs Apply

25

- Actuaries are responsible
- Applicability Guidelines available to assist

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											nments	in all pi	ractice areas:							
AMERICAN ACADEMY of ACTUARIES Applicability Guidelines for Actuarial				1. Intro	ductor	y Acti	uarial St	andard	of Prac	tice										
					a Quali	_														
Standards of Practice – Life				41. Act	uarial (Comm	unicatio	ons												
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		Description of Assignment		_ •	٠,	- T	10 11	. 12	٠,,,	17	10 10	,	<u>22 24 25 33</u>	1 27 1	20 7		1 46 1 47 1 40	• •	1 - 1 1	
	5.4.4	Determine reserves according to the requirements of Actuarial		2		- 1			13	1/	10 15		22 24 23 33			0 42	40 47 40	32	34 33	
		Guideline 43/VM-21 and C-3 Phase 2 risk-based capital				7	11	1				21			38					56
	5.4.5	Prepare statutory statements of opinion based on asset adequacy											İ							
		analysis by appointed actuaries	2	5		7	11	1	15		18	21	22 25		38 4	0 42		52		56
	5.4.6	Prepare statutory statements of opinion not including asset adequacy																		
		analysis by appointed actuaries	2	5		7	11	1	15		18	21	25		38 4	0 42		52		56
	5.4.7	Perform actuarial review in connection with a statutory financial audit	2	5		7	11	1	15		18	21	22 25		38 4	0 42	48	52		56
		or examination																		
	5.4.8	Responding to or assisting auditors in connection with preparation or					11	1				21	25				48			
		review of audited financial statements																	ļ	
		nning and Reporting											ļ <u></u> -						<u> </u>	
	5.5.1	Account for reinsurance transactions				7	11				18 18	21	÷		38 38	42		52	 	56
	5.5.2 5.5.3	Determine tax-basis reserves and other actuarial items Perform actuarial review in connection with a tax basis financial audit				7	1.	Ι			18	21	22		38	42		52	 	56
	5.5.3	or examination				7	11	1			18	21	22		38	42		52		56
6	.0 Investment-Rel																		 	_
0	6.0.1	Evaluate investment strategies, products, and/or processes				7	11	1 12											54	56
	6.0.2	Perform asset/liability management	2	5			10 11		15		18					0 42		52	34	56
	6.0.3	Perform cash flow testing in evaluating investment strategies	2	<u>5</u>			10 11		15		10	21	22	+		0 42		52	 	56
	6.0.4	Project asset cash flows in connection with pricing studies, reserve	-													- 12			†	
		adequacy, financial projections, actuarial appraisals				7	10 11	1			19	21	22						54	56
7	.0 Mutual Compan	y Reorganization				\neg														_
	7.0.1	Develop closed block for funding of future benefits of member																	1	
		policyholders in connection with demutualization or establishment of				7	11	1	15	17	19		33							56
		mutual holding company																		
	7.0.2	Allocate policyholder consideration in connection with				7			15		10		33	37						
		demutualization				′	11	1 12	12		19		33	3/						56
	7.0.3	Prepare a demutualization filing				7	11	1 12	15		19		33	37						56
8	.0 Post-Retiremen	at Benefits																		
	8.0.1	Value retiree death benefits			6		11	1 12				21	25							56
9	.0 Product Develo	pment/Pricing											Į						<u> </u>	
	9.1 Direct P	roducts												1					1	

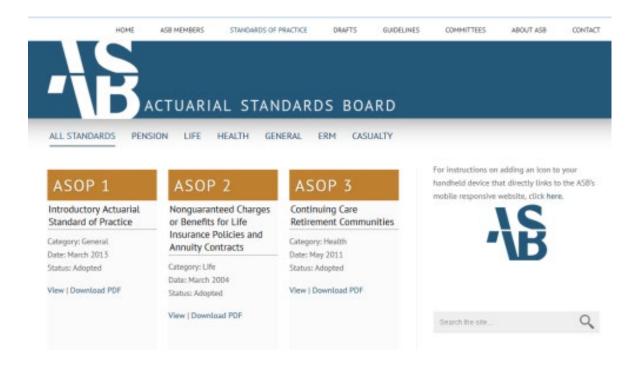
Discussion Question #2

Where a question arises about the applicability of a standard of practice, or where no applicable standard exists, an Actuary shall ask their principal what to do.

- a. True
- b. False

An Invitation to Get Involved

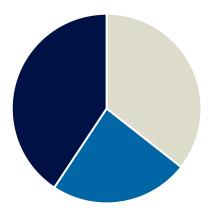
actuarialstandardsboard.org



ASOP No. 54—Life and Annuity Pricing

First Exposure Draft

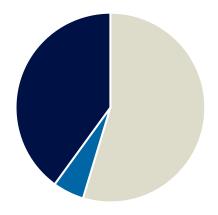
118 Comments



- Clarifications
- Expand or narrow guidance
- No change

Second Exposure Draft

75 Comments



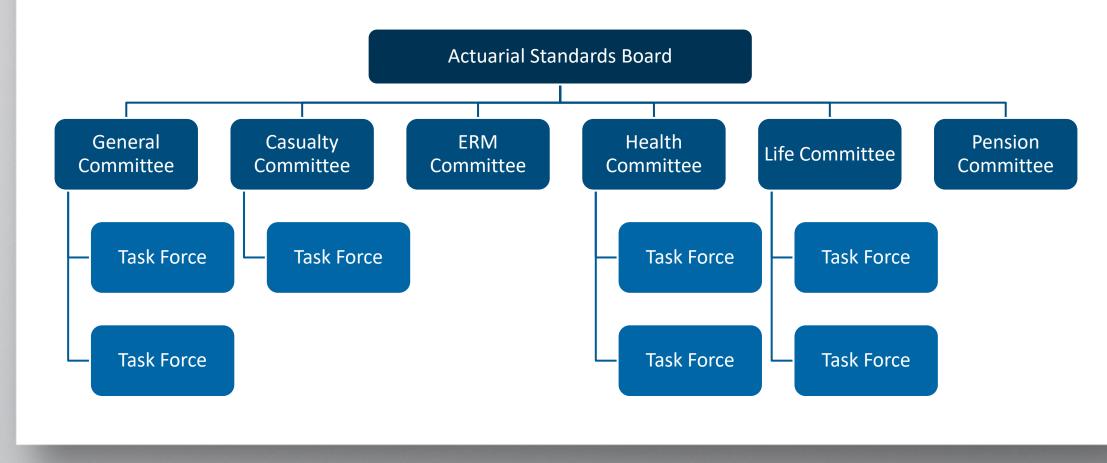
- Clarifications
- Minor change in guidance
- No change



Reviewing and commenting on exposed ASOPs is a worthwhile exercise

- Pushes you to think through issues related to your practice more deeply.
- Helps you think through the needs of your intended audience and whether you are meeting those needs.
- Opportunity to earn CE credits!

Volunteer Opportunities



Questions?



ASB and Academy Resources

Add an icon to your device's home screen for quick access to the mobile site.

Follow the instructions on the ASB homepage.

For instructions on adding an icon to your handheld device that directly links to the ASB's mobile responsive website, click here.

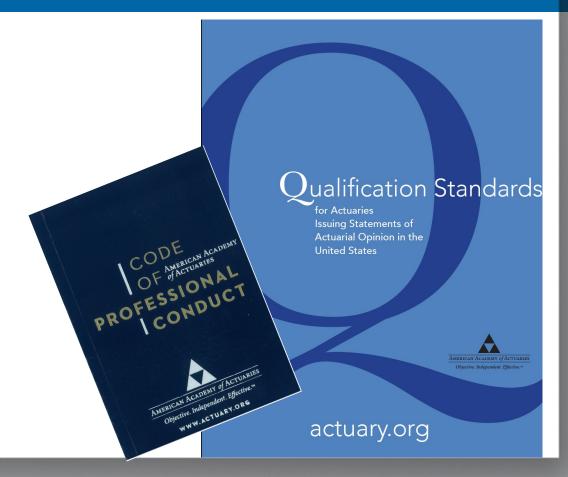


Academy Professionalism Resources

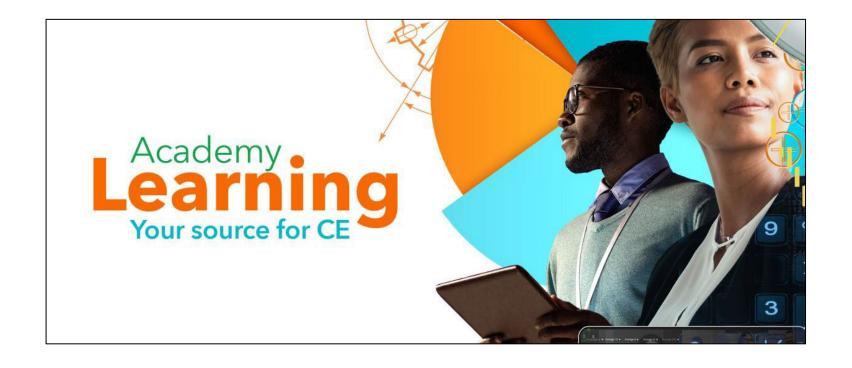
Professionalism Webpage

actuary.org/content/professionalism

- Code of Professional Conduct
- ASOPs
- U.S. Qualification Standards
- Discussion papers
- Webinars
- Applicability Guidelines
- Professionalism Counts



Continuing Education Opportunities



Share Your MAAA

- The Academy's new digital badge allows members to showcase their achievement, support, and commitment to the actuarial profession.
- If you are a member, make sure to claim and share your badge.



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