

# The ASOP Edge

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# Disclaimer

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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.



## **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

# Agenda

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- 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

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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

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





# ASB Governance Structure

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# ASB Rooted in Precept 3 of Code of Professional Conduct

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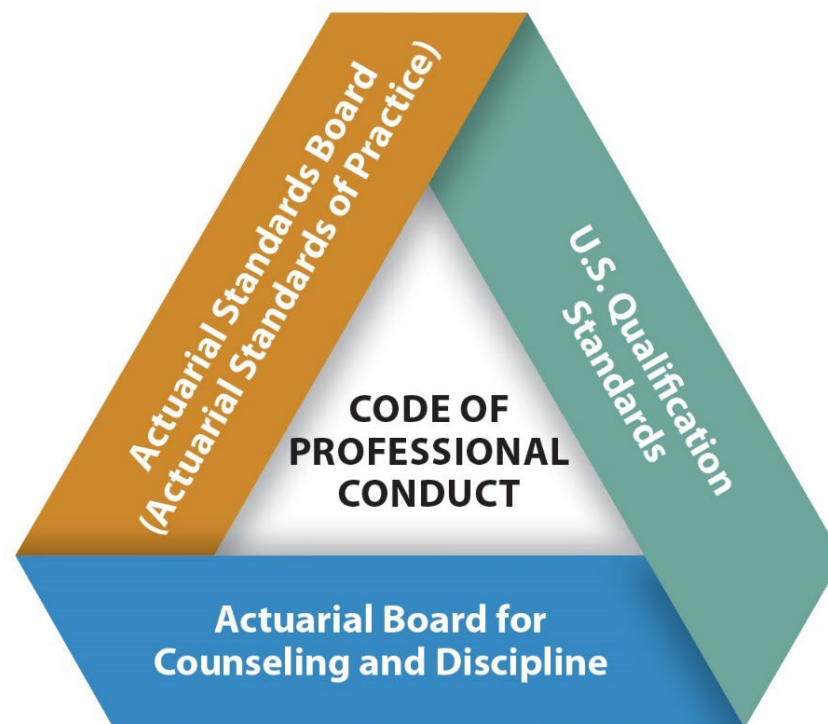
**PRECEPT 3.** An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy **applicable standards of practice**.

## 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).

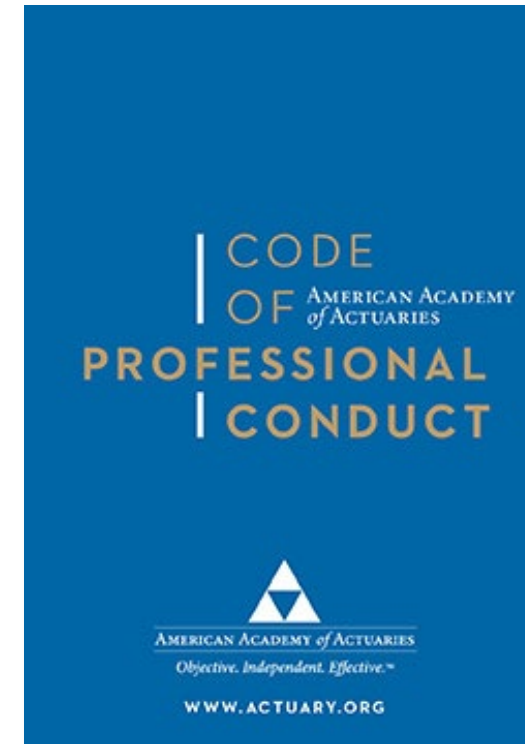
# Professionalism: Basis of Self-Regulation

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# Applicability of Code of Professional Conduct<sub>11</sub>

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



# ASOP Concepts and Development

# What Is an ASOP?

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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

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- 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

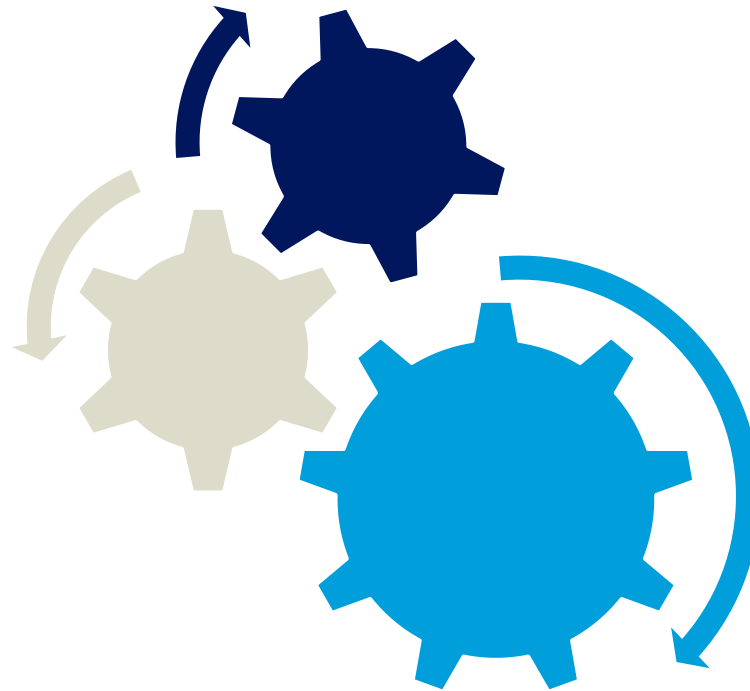
16

ASOPs apply to which of the following:

- a. Companies carrying out the work described in the scope
- b. 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

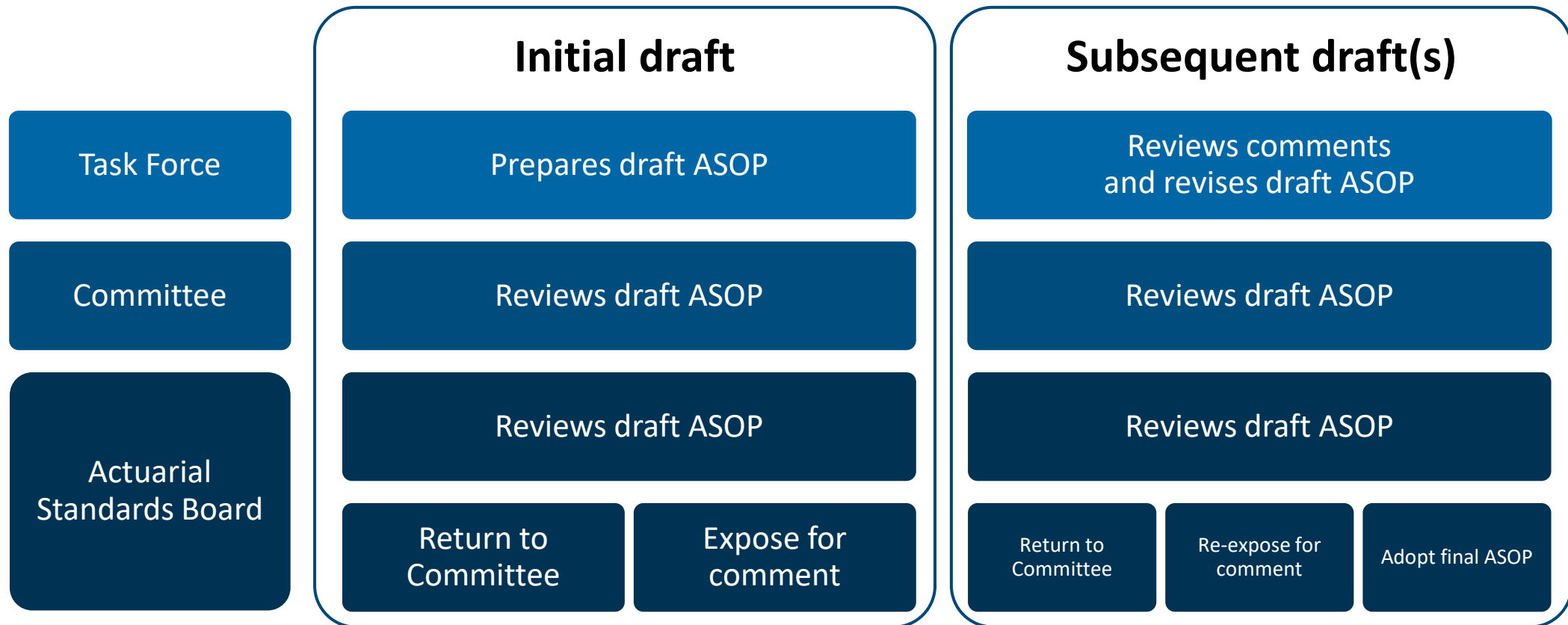
# ASOP Process

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# Standards-Setting Process

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# ASOP Structure

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<b>T. MEMO</b>	History of the Standard and Contributors
<b>SECTION 1</b>	Purpose, Scope, Cross-References, and Effective Date
<b>SECTION 2</b>	Definitions
<b>SECTION 3</b>	Analysis of Issues and Recommended Practices
<b>SECTION 4</b>	Communications and Disclosures
<b>APPENDIX 1</b>	Background and Current Practices
<b>APPENDIX 2</b>	Comments and Responses



## Insight

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- 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

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- 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



# Structure: ASOPs by Practice Area

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## Cross-Practice ASOPs

ASOP No. 1 Introductory ASOP			
ASOP No. 41 Actuarial Communications			
ASOP No. 12	Risk Classification	ASOP No. 25	Credibility Procedures
ASOP No. 17	Expert Testimony by Actuaries	ASOP No. 32	Social Insurance
ASOP No. 21	Responding to or Assisting...	ASOP No. 38	Catastrophe Modeling
ASOP No. 23	Data Quality	ASOP No. 56	Modeling

## Practice-Specific ASOPs

Casualty	ERM	Health	Life	Pension
7, 13, 19, 20, 29, 30, 36, 39, 43, 53	46, 47, 55, <i>ERM</i>	3, 5, 6, 7, 8, 10, 11, 18, 19, 22, 26, 28, 42, 45, 49, 50, 57	2, 7, 10, 11, 15, 19, 22, 24, 33, 37, 40, 48, 52, 54, 57, <i>Reinsurance pricing</i>	4, 6, 27, 34, 35, 44, 51

# Recently Revised ASOPs

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- 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

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- Actuaries are responsible
- Applicability Guidelines available to assist

# Example: Applicability Guidelines For Life ASOPs

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## Discussion Question #2

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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.

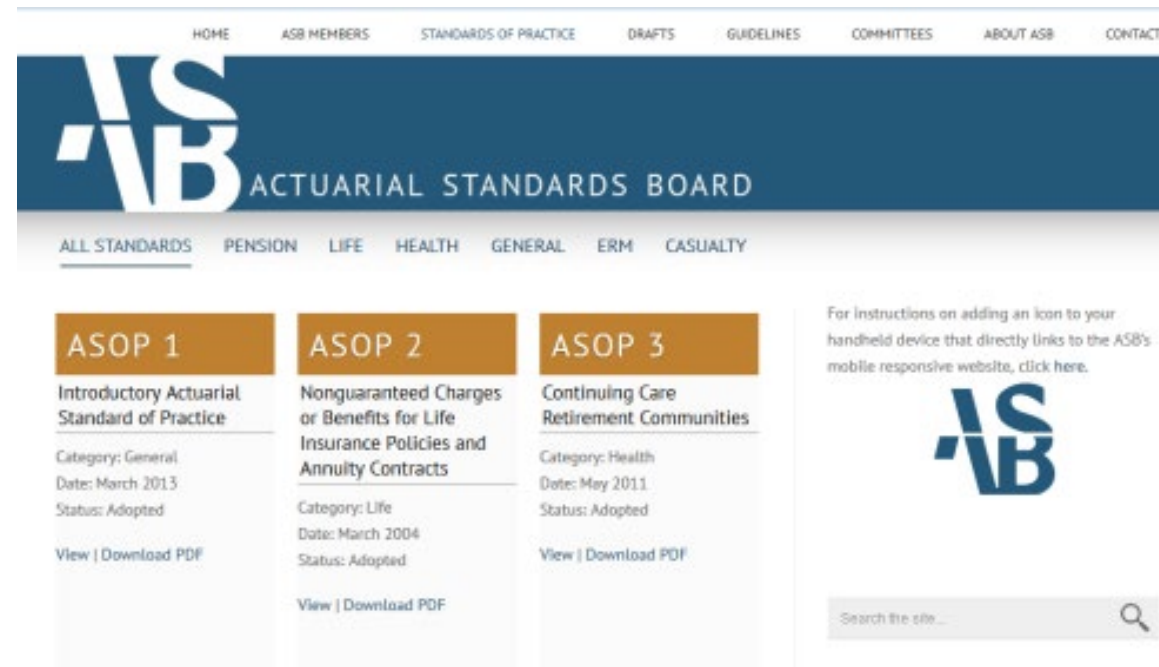
- a. True
- b. False

# An Invitation to Get Involved

# Actuarial Standards Board Website

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[actuarialstandardsboard.org](https://actuarialstandardsboard.org)





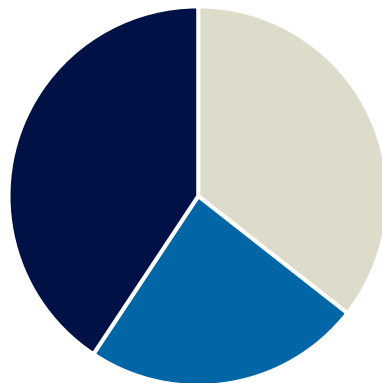
# Comment Process Matters: Example

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## ASOP No. 54—Life and Annuity Pricing

### First Exposure Draft

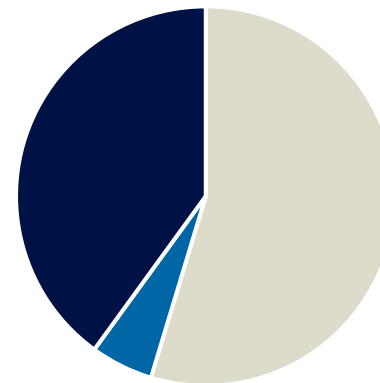
118 Comments



- Clarifications
- Expand or narrow guidance
- No change

### Second Exposure Draft

75 Comments



- Clarifications
- Minor change in guidance
- No change

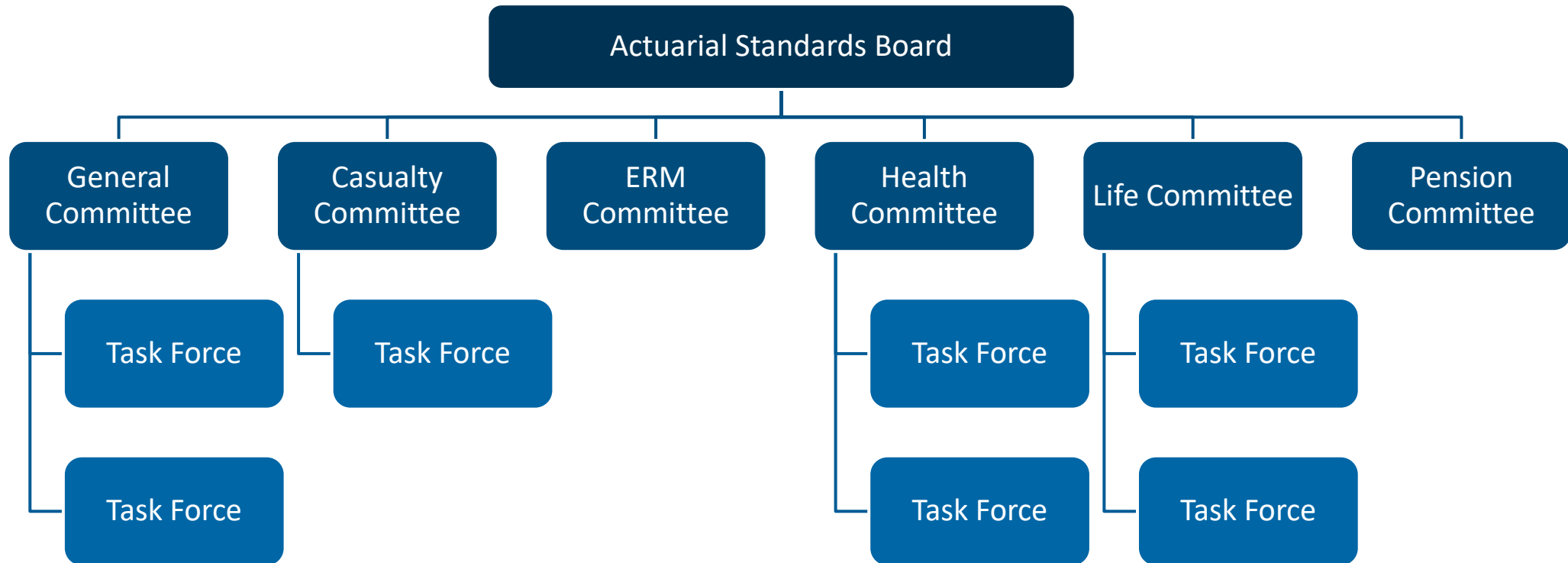


Reviewing and commenting on exposed ASOPs is a worthwhile exercise

- 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

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# Questions?

# ASB and Academy Resources

# Tools For The Actuary: ASB Mobile-Friendly Website

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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

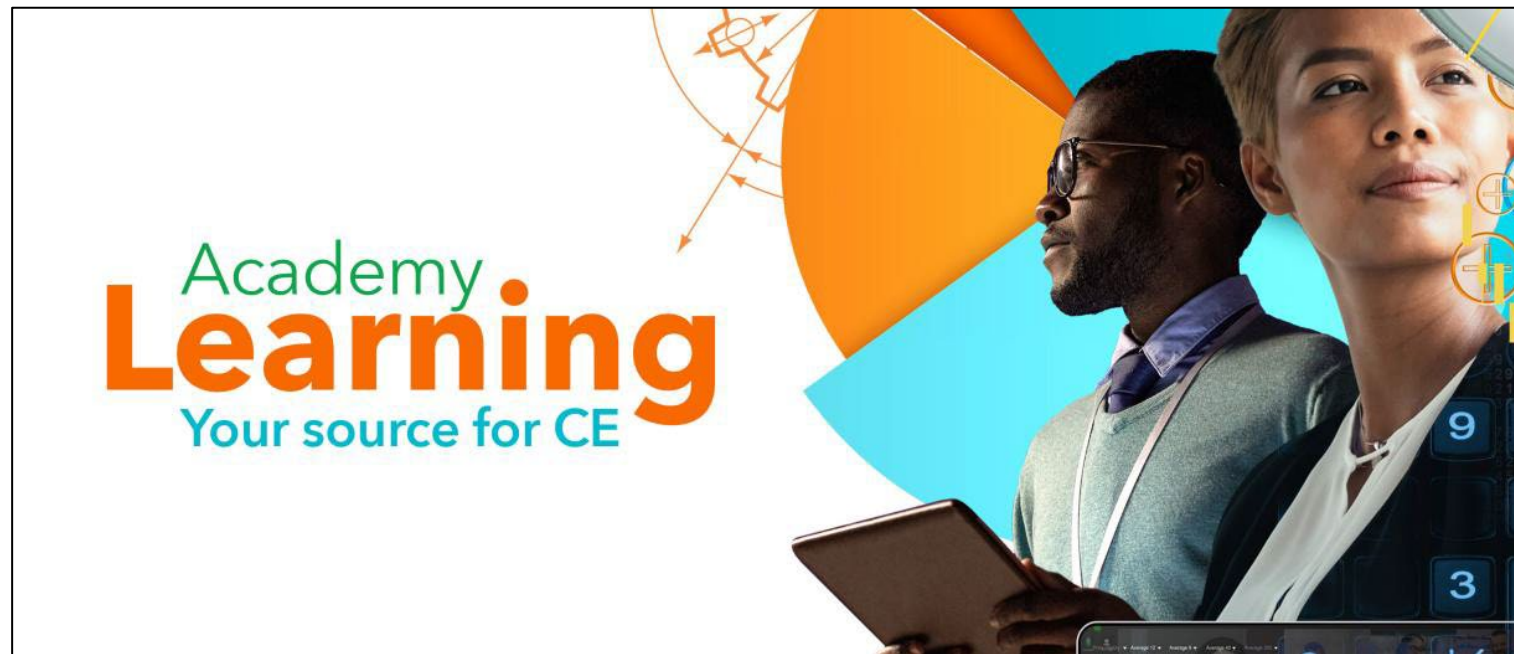
[actuary.org/content/professionalism](https://actuary.org/content/professionalism)

- 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.

