

Welcome! The presentation will begin momentarily...

# The ASOP Advantage: The Latest in ASB Standards-Setting



AMERICAN ACADEMY of ACTUARIES

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Actuaries Club of Boston  
June 10, 2020

Cande Olsen, MAAA, FSA, Member, Actuarial Standards Board

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# Disclaimer

**Please note:** The statements and opinions in this presentation are my own and do not necessarily represent the official statements or opinions of any boards or committees of the American Academy of Actuaries, the Actuarial Standards Board, the Actuarial Board for Counseling and Discipline, nor do they express the opinions of my employer.



# 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



# The ASOP Advantage



- It's not just a professional responsibility to understand ASOP developments.
- It makes you a better actuary, with a deeper understanding of:
  - How our profession is changing; and
  - How our profession is responding to changes in regulation and actuarial practice.



# ASB Standards-Setting Process



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# Authority for the Standards Of Practice

## Precept 3 of the Code of Professional 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



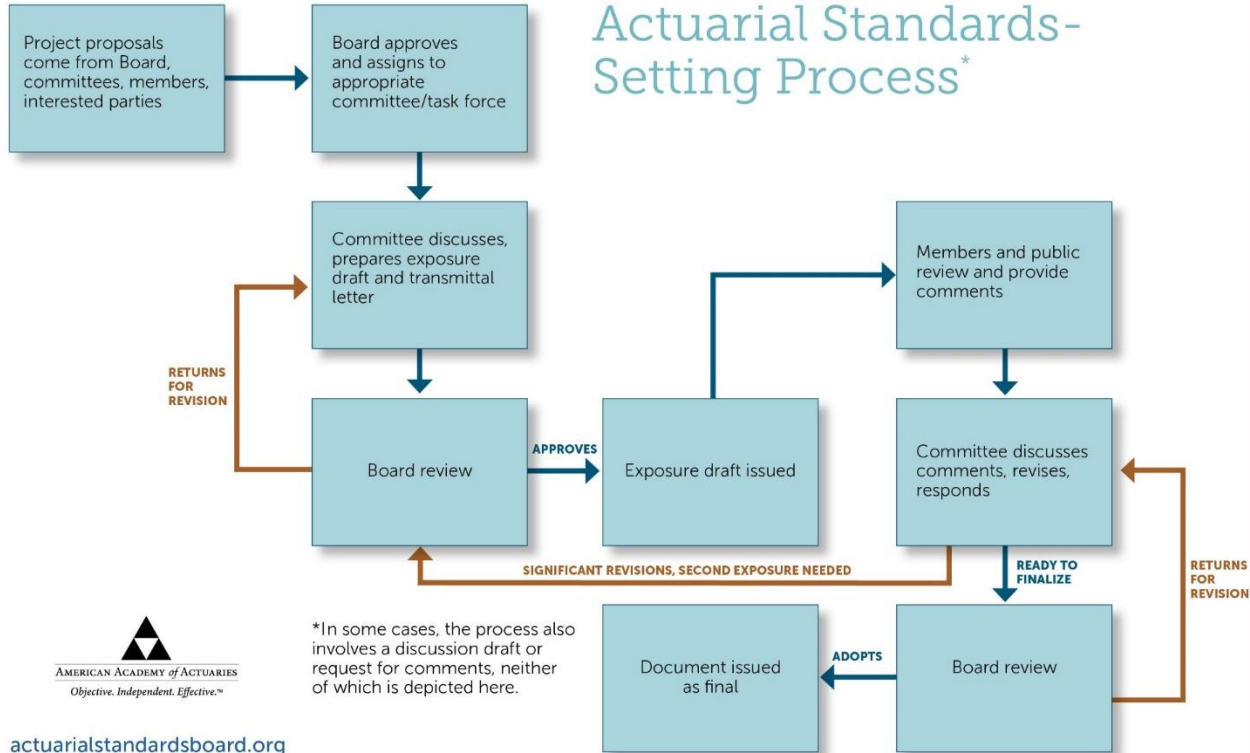


# Standards-Setting Principles

- 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.

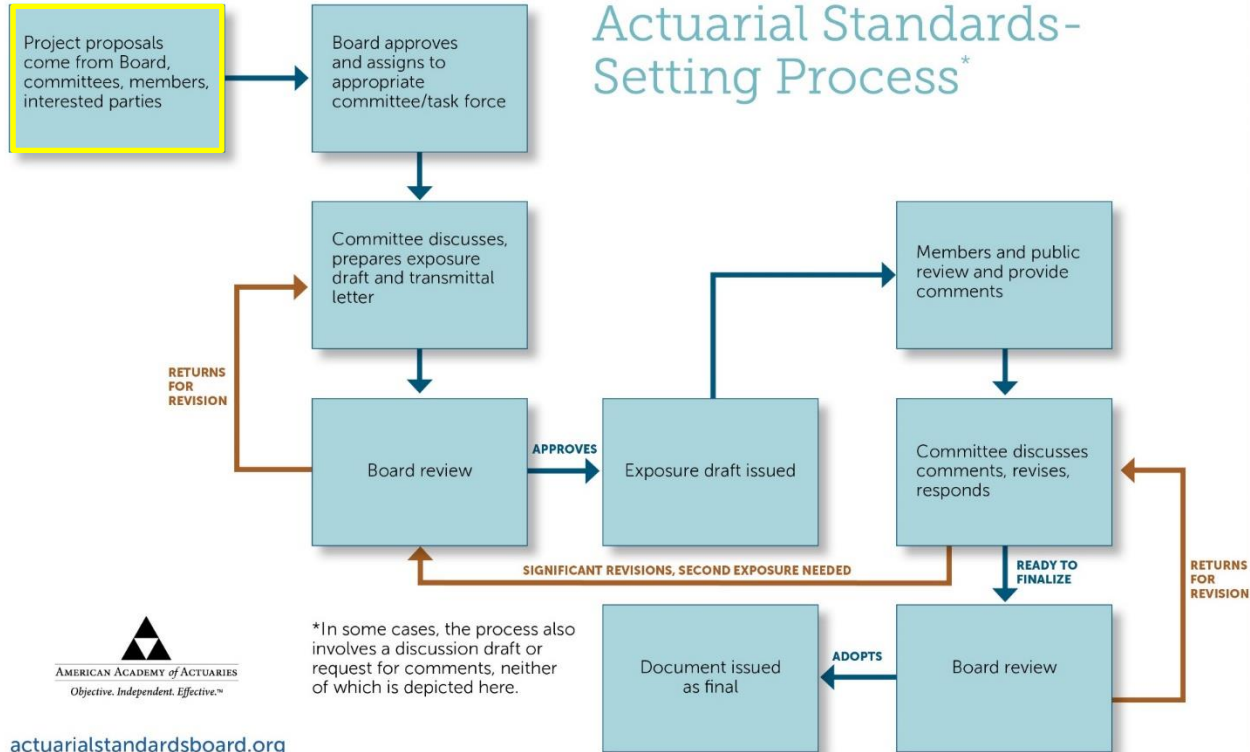


# Actuarial Standards-Setting Process\*



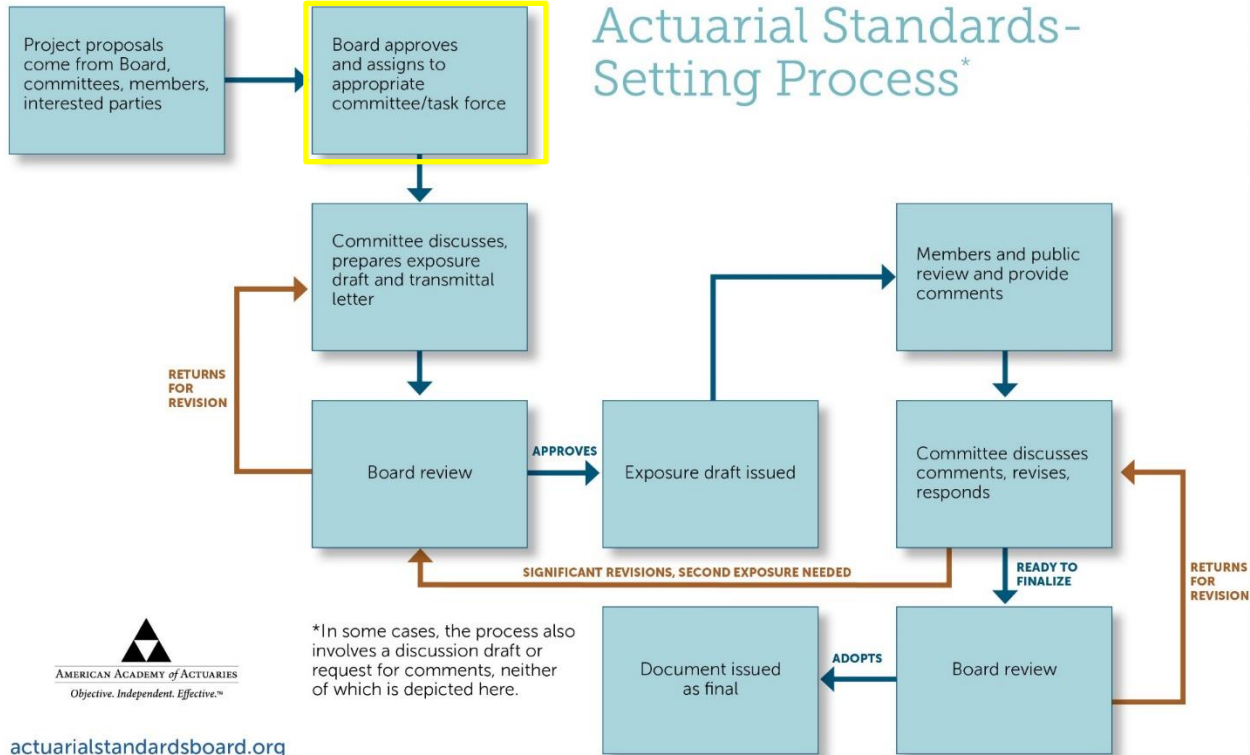
\*In some cases, the process also involves a discussion draft or request for comments, neither of which is depicted here.

# Actuarial Standards-Setting Process\*



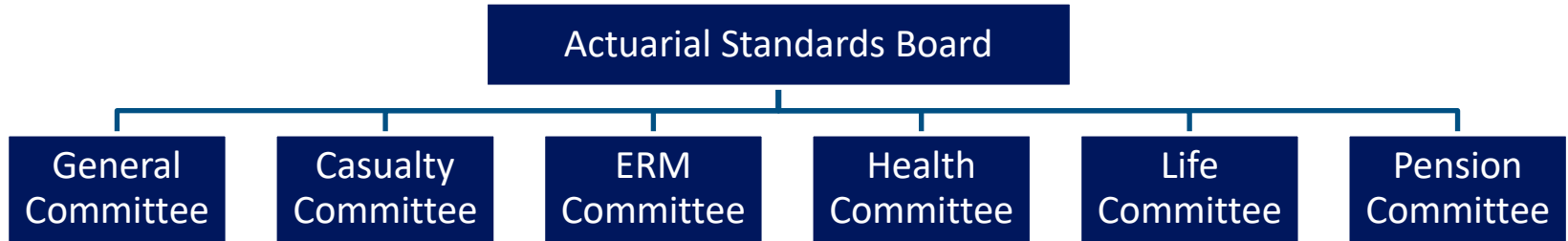
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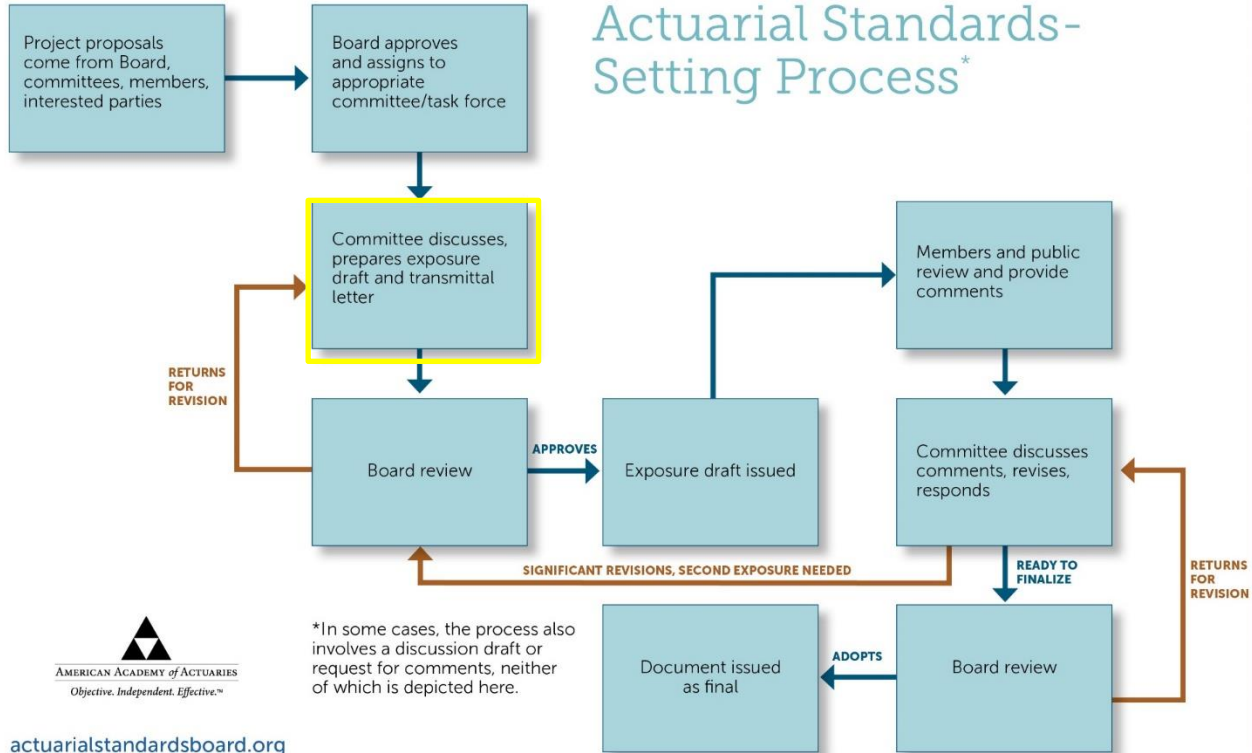
# ASB Structure to Support Process



- 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.

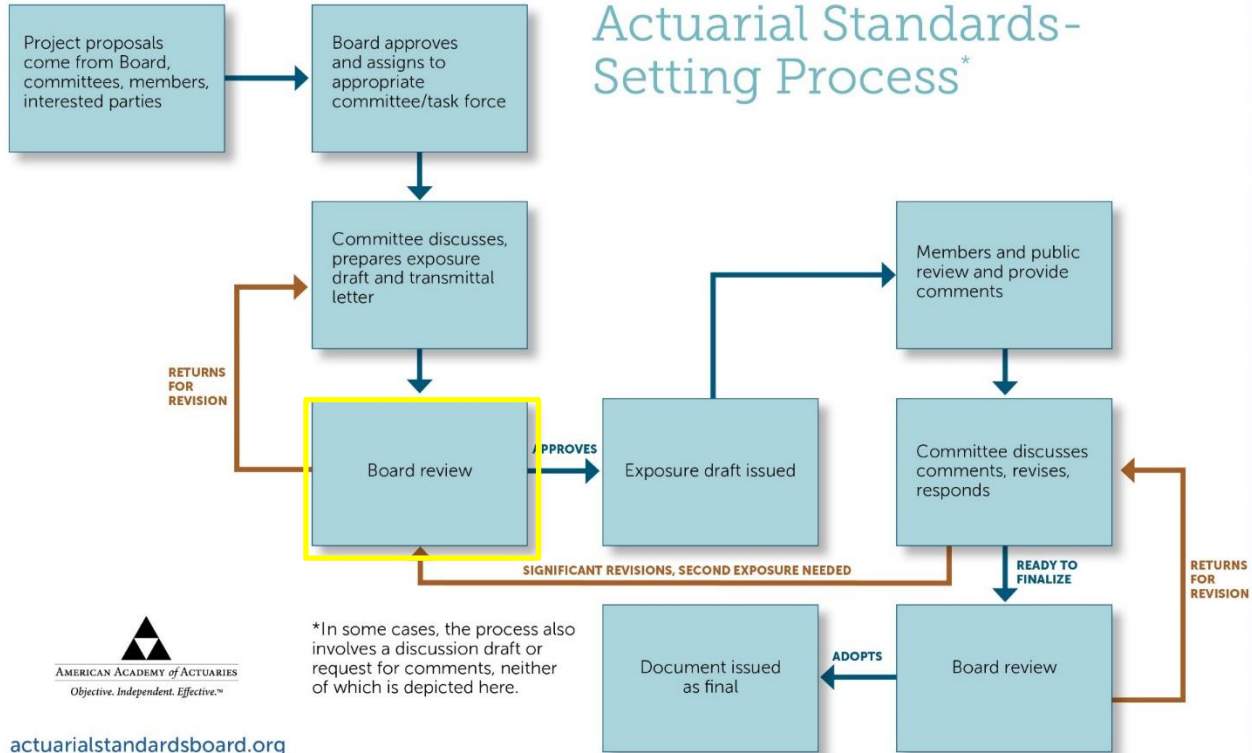


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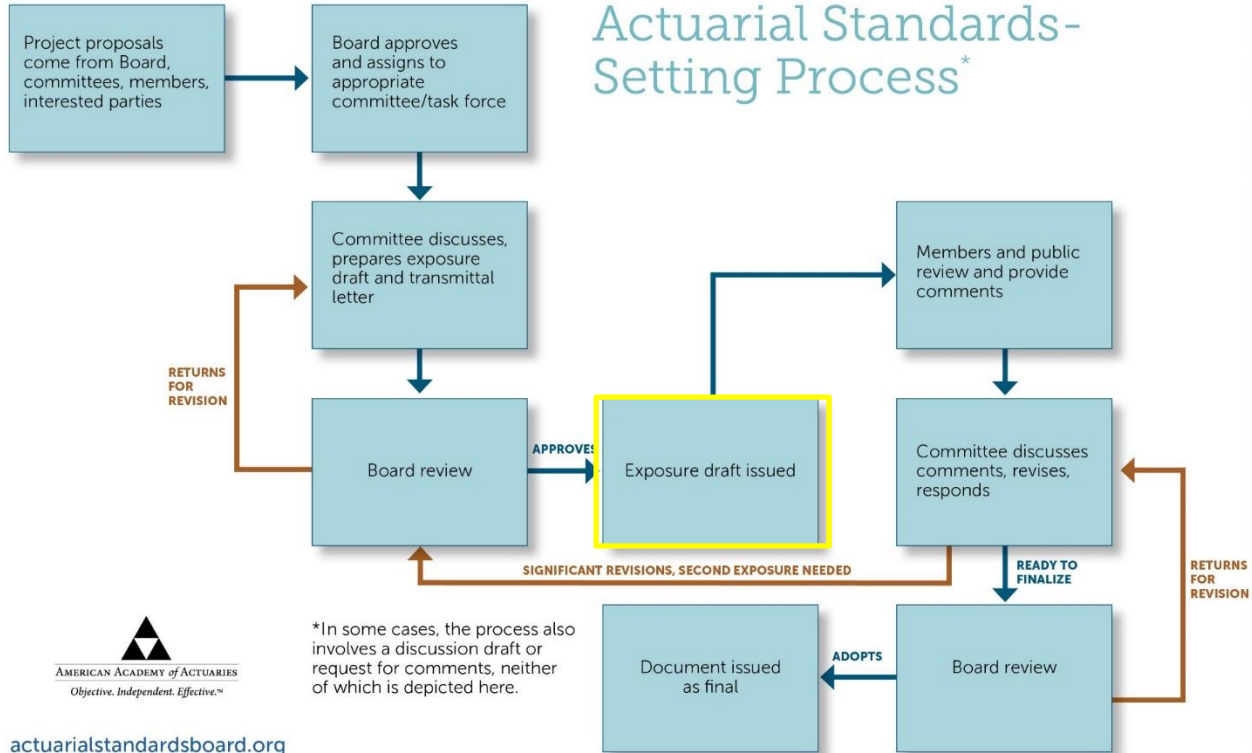
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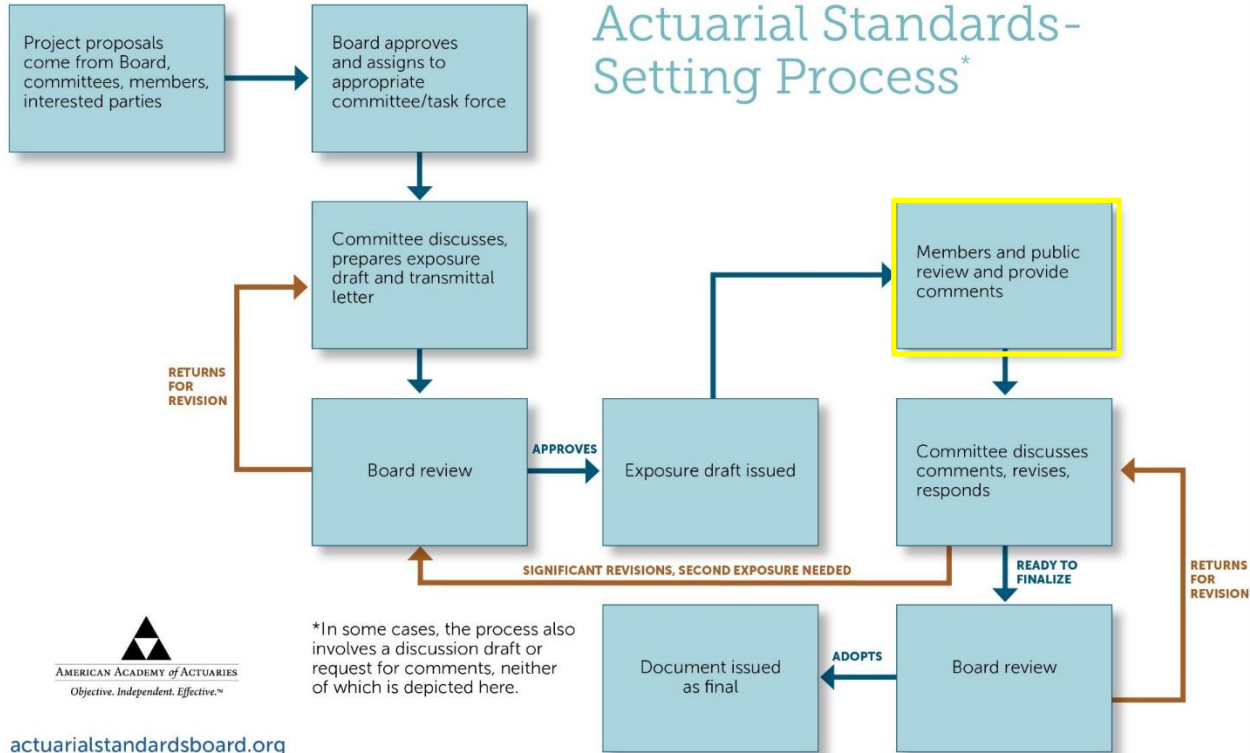
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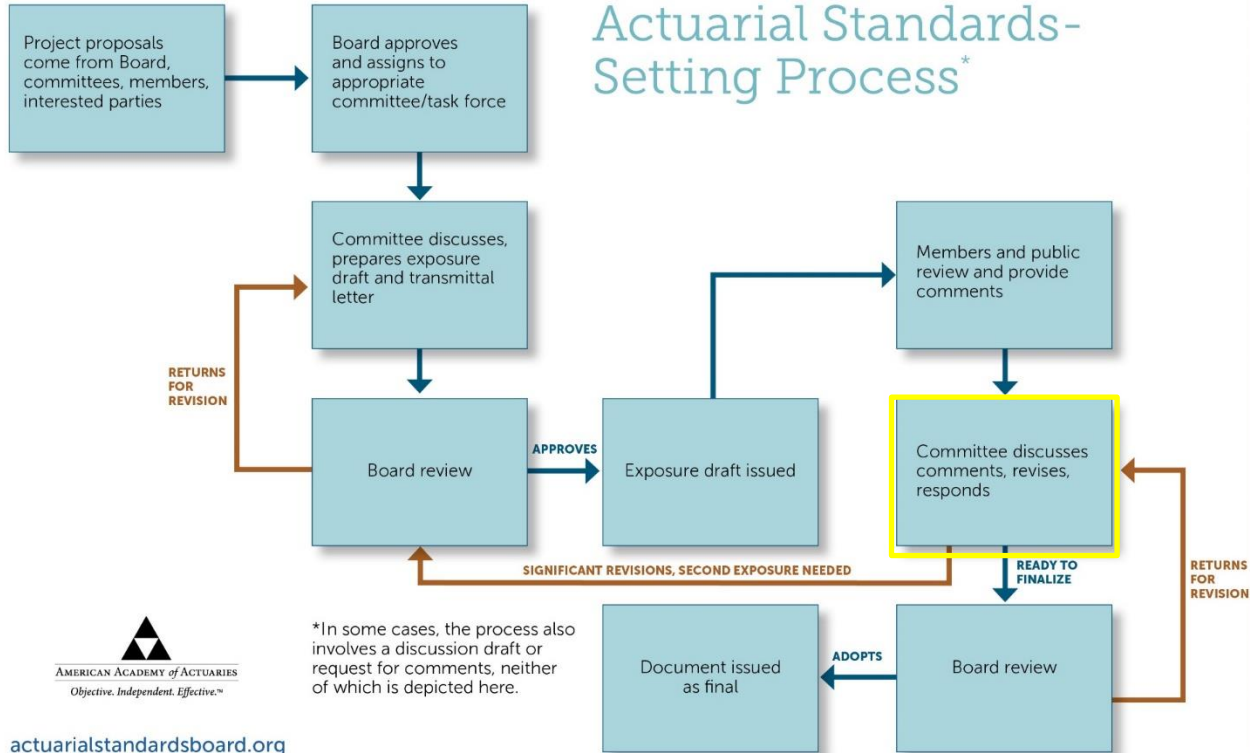


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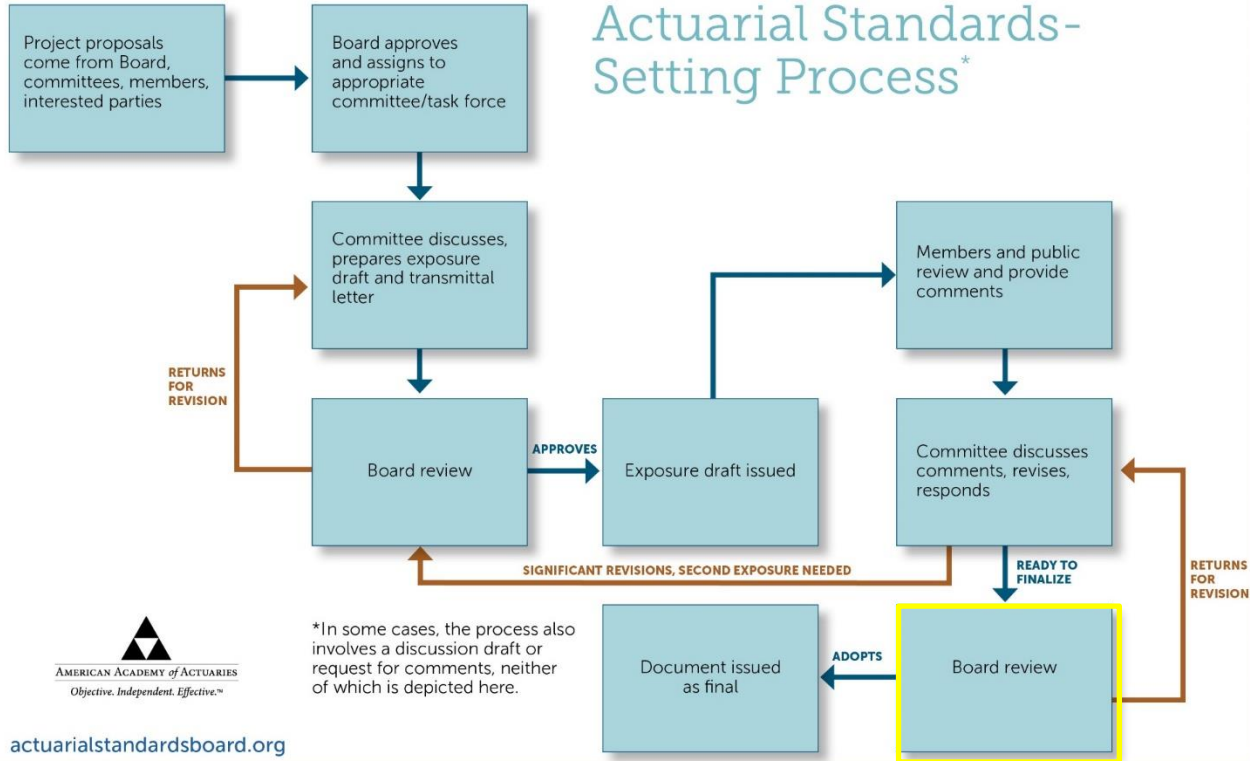
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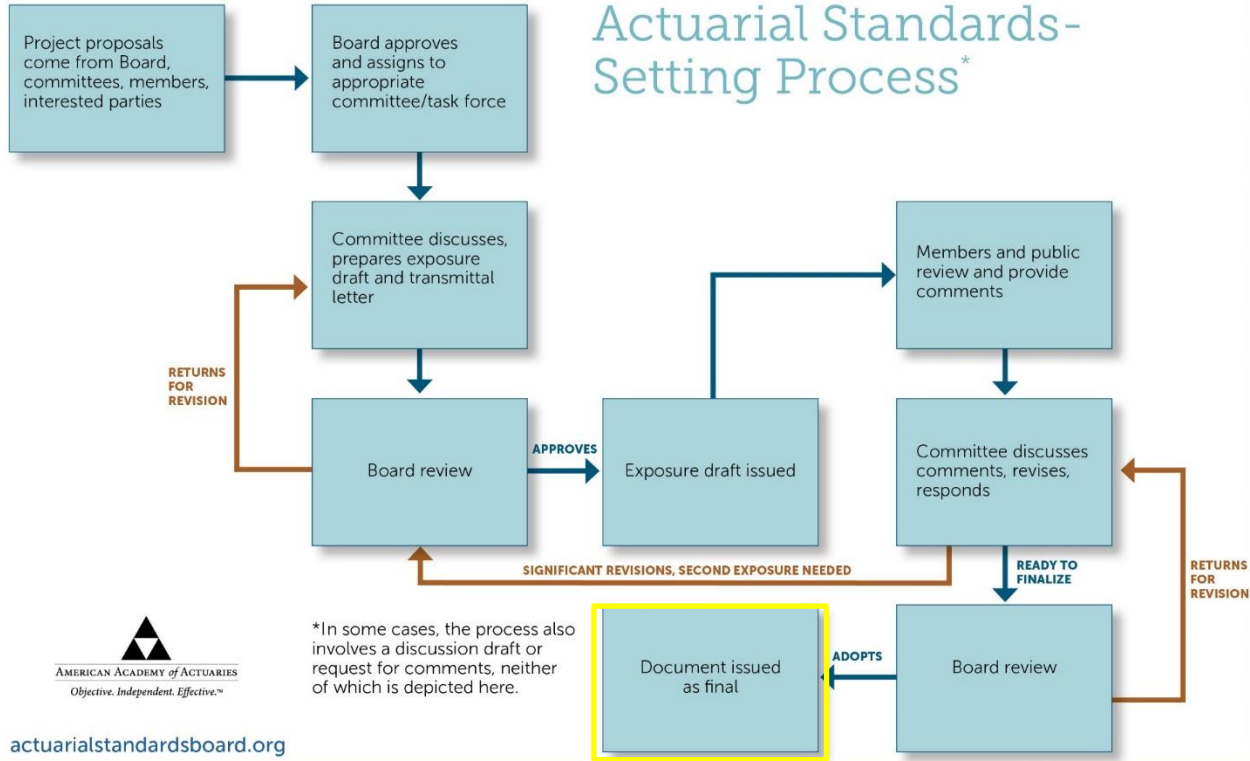
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# Actuarial Standards-Setting Process\*



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# The ASOP Advantage



- Understanding the background and process of ASOP development gives you a deeper understanding of the topic covered by the ASOP that could be beneficial to you in your work.
- Read the background and comments sections of ASOPs!



# 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...	ASOP No. 56	Modeling
<b>ASOP No. 32</b>	<b>Social Insurance</b>	<b>Exposure</b>	<b>Setting Assumptions</b>

## 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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# The ASOP Advantage



- Reviewing ASOP No. 41 and No. 23 periodically is valuable as a reminder that communications and data quality are the cornerstones of almost all the actuarial work we do.
- Reviewing these ASOPs can be helpful in thinking through new project management issues involving communications and data quality.



# 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 No. 2—Nonguaranteed Elements

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



# ASOP No. 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 was released in late November 2019, with a comment deadline of March 31, which has now been extended to June 30.



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# ASOP No. 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 2018 with a comment deadline of 6/1/19
- ❑ Received 16 comment letters with 100 comments
- ❑ Another exposure draft expected in the next few weeks

# 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 No. 3—Continuing Care Retirement Communities (CCRCs)

- Last updated in 2007
- New guidance was needed to reflect a new contract regarding continuing care at home, as well as the need for general updates
- Exposure draft expected to be released in the last quarter of 2020



# ASOP No. 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 the last quarter of 2020





# ASOP No. 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 in the next few weeks



# New Cross-Practice Standards



# New Cross-Practice Standards

- Modeling ASOP
- Setting Assumptions ASOP



# Modeling ASOP

- ❑ ASOP 56, *Modeling*, was approved by the ASB in December 2019, after 4 exposure drafts.
- ❑ Includes actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models.
- ❑ Applies to all types of models (both projection models and predictive/statistical models)
- ❑ Applies to actuary's responsibilities regarding the model
- ❑ Effective for work commenced on/after 10/1/2020



# 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 2019, with a comment deadline of July 31, 2019.
- Received 25 comment letters with over 100 individual comments
- Another exposure draft is expected no earlier than June 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 titled *This Week* covering recent Academy activity!
- Be engaged—submission of comments is critical for achieving the purpose of ASOPs and supports transparency.



# The ASOP Advantage



- Commenting on exposed ASOPs is a worthwhile exercise, not just for earning CE, but also as a way to push yourself to think through issues related to your practice more deeply.
- It helps you to think through the needs of your intended user or users and whether you are really meeting those needs.





# Comments Received on ASOP No. 54—Life and Annuity Pricing

- 1<sup>st</sup> Exposure Draft: 17 comment letters—118 comments
  - ▣ 42 resulted in clarifications
  - ▣ 28 resulted in expanding or narrowing guidance
  - ▣ 48 resulted in no change
- 2<sup>nd</sup> Exposure Draft: 6 comment letters—75 comments
  - ▣ 41 resulted in clarifications
  - ▣ 4 resulted in minor changes to guidance
  - ▣ 30 resulted in no change



# Actuarial Standards Board Website

The screenshot shows the homepage of the Actuarial Standards Board (ASB). At the top, there is a navigation menu with links for HOME, ASB MEMBERS, STANDARDS OF PRACTICE, DRAFTS, GUIDELINES, COMMITTEES, ABOUT ASB, and CONTACT. Below this is a large blue banner with the ASB logo and the text "ACTUARIAL STANDARDS BOARD". Underneath the banner is another navigation menu with links for ALL STANDARDS, PENSION, LIFE, HEALTH, GENERAL, ERM, and CASUALTY. The main content area features three columns of ASOP (Actuarial Standard of Practice) information:

- ASOP 1**: Introductory Actuarial Standard of Practice. Category: General. Date: March 2013. Status: Adopted. View | Download PDF.
- ASOP 2**: Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts. Category: Life. Date: March 2004. Status: Adopted. View | Download PDF.
- ASOP 3**: Continuing Care Retirement Communities. Category: Health. Date: May 2011. Status: Adopted. View | Download PDF.

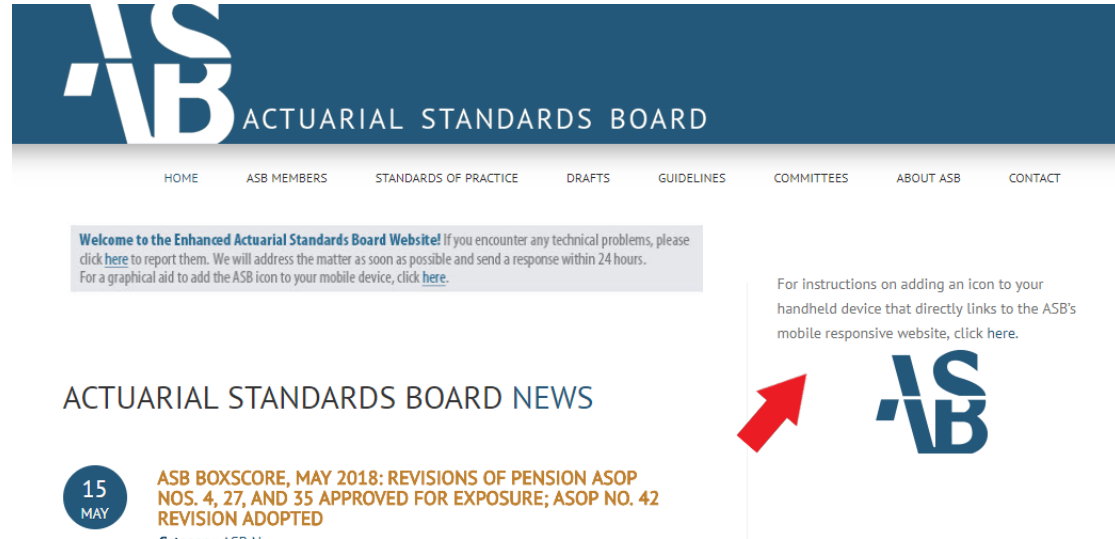
To the right of these columns is a section with the text: "For instructions on adding an icon to your handheld device that directly links to the ASB's mobile responsive website, click here." Below this text is the ASB logo and a search bar with the placeholder text "Search the site..." and a magnifying glass icon.

[www.actuarialstandardsboard.org](http://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 homepage.



# Questions?

