

**Actuarial Standards of Practice -
What's New for 2010?**

Proposed Changes to ASOP 36

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Background

- ASOP 36 adopted in 2000
- First exposure draft released March 2009
 - Comments were received by June 2009
- Second exposure draft released March 2010
 - Comments are due by June 30th


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Why Any Change?

- ASOP 43 adopted in 2007
 - Some guidance may be redundant
 - Some guidance may be unclear when two documents viewed together
 - Rewrite of ASOP 36 done primarily to ensure two documents worked together in a clear manner

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Changes

- Clarify scope of ASOP
- Some additional disclosures
- Reliance on others
- Educational / redundant material removed

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Scope

- Currently applies when:
 - a. provided to comply with the requirements of law or regulation
 - b. the opinion is represented by the actuary as an SAO
- These days, many things are "represented as an SAO"
- Part b changed to:

SAO is represented by the actuary as being in compliance with this standard

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Disclosures

- Intended user(s) and intended purpose
- Accounting date ("as of" date)
- Review date of analysis (cutoff date for information, if different from date signed)
- Applicable accounting standards
- Stated Basis of Reserve Presentation

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Stated Basis of Reserve Presentation

- First exposure draft used term “intended measure”
- That term removed from second exposure draft
- Instead, explicitly identify
 - Discount for time value
 - Explicit risk margins
 - Other things needed to describe reserves
- May be sufficient to refer to Annual Statement in some cases

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Reliance on Others

- Original: “if the actuary claims reliance on the work of others and does not take responsibility for such work, the actuary should include a disclosure in the opinion that describes the work of others and the extent to which such others’ work was used in forming the opinion”
- First exposure draft: “the actuary who issues a statement of actuarial opinion assumes responsibility for it except in circumstances where the actuary relies on another actuary’s opinion”
- Second exposure draft: rewritten with references to “reliance” removed

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Reliance on Others - Proposed

- The actuary may make use of another’s supporting analyses or opinions
 - understand the intended purpose
 - assess whether consistent with the stated basis of presentation of the reserves
 - only make use when it is reasonable to do so
 - consider the amount of the reserves in comparison to the total reserves, the nature of the business, how reasonably likely deviations may affect the actuary’s opinion on the total reserves, and the credentials of the other individuals


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Educational / Redundant

- Reserve Analysis
- Uncertainty
- Reinsurance Ceded

Material removed, with references to ASOP 43 where appropriate

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Questions?

