

**Society of Actuaries
2007 Spring Meeting**

**Session 44
ASOPs, the ASB, and You
8:00 a.m. – 9:30 p.m.**

Speakers:

**Godfrey Perrott, Vice-Chairperson, Actuarial Standards Board
Erica Kennedy, Actuarial Standards Editor**

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Disclaimer

I am a member of the Actuarial Standards Board; Erica is the Standards Editor. However, any statements, representations, and expressions of opinions or views that we make are attributable only to us and should not be construed as representing the views of the ASB.

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What is the ASB and what is it trying to achieve?

presented by Godfrey Perrott

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What is the ASB?

- The ASB creates, revises and repeals Actuarial Standards of Practice (ASOPs) which guide all actuaries in the USA.

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Actuarial Standards of Practice

- ASOPs provide
 - guidance to practicing US actuaries when they do the work, and
 - Documentation of then current practice in the event of a later dispute
- Purpose of guidance is to give the intended users of the actuarial work product assurance as to its quality and suitability
- “Intended users” are an important part of our audience

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ASOP Drafting

- The ASB drafts ASOPs to provide guidance.
- ASOPs stress principles rather than providing a cook book.
- Process
 - observe and catalog generally accepted practice
 - determine whether that practice is appropriate or whether higher standard is needed.
- The ASB generally avoids endorsing one method (or approach) over other competing methods unless there exists a wide consensus that the one method is superior to the others and is the only appropriate method.

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Process to develop a new ASOP

- Proposal to ASB describes why a new ASOP is needed and what it would cover
- Anyone may submit a proposal
- ASB may approve and refer to Operating Committee (which may request creation of Task Force)
- ASB may decline to approve and return it to proposer

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Process to develop a new ASOP (cont)

- Exposure Draft reviewed by ASB
- Exposure Draft distributed to profession and other interested parties for comment
- Comments are now posted on the ASB website
- Operating Committee and/or Task Force reviews comments and makes appropriate modifications
- ASB reviews and edits revised ASOP

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Process to develop a new ASOP (cont)

- ASB decides to adopt or re-expose depending on the materiality of the changes from the Exposure Draft
 - Communication process now electronic for speed and efficiency
- ASOP becomes effective several months after adoption by the ASB
- Similar process for repeal of ASOP (except repeal is immediate)

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Independence of ASB

- The ASB is independent (of other actuarial bodies, employers, regulators, etc.) in creating, revising and repealing ASOPs.
- We are responsive to the actuarial community through the exposure process and hearings that are periodically held to solicit views regarding the ASB's processes
- We work with CUSP to recognize the actuarial profession's objectives

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Issues facing ASB

- Articulating “Appropriate Practice” versus “Best Practice”
- Emerging/changing professional approaches
- Compliance with legal requirements that conflict with ASOPs
- Relationship of ASB with other actuarial organizations
- Input from profession and users of actuarial services
- How to address the CRUSAP recommendation to include non actuaries in the standards process
- Globalization

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Welcome to the Electronic ASB

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Planned Journey

- Where is the ASB website
- Walk through the library contents
- ASOPs (including zip file)
- Exposure drafts
- Comments on exposure drafts
- Other documents

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Our Questions

1. Are the ASOPs too prescriptive, not prescriptive enough, or about right?
2. Are the ASOPs clear and unambiguous
3. Is there adequate opportunity for people to provide input on exposure drafts?
4. Should ASOPs require an actuary to opine when a prescribed assumption or method is not reasonable in the actuary's professional judgment
5. Is the ASB appropriately independent from centers of influence both within and outside the actuarial profession?
6. Should the ASOPs require appropriate practice or best practice?
7. Are the ASOPs potentially beneficial to actuaries subject to litigation?

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Your Turn

Questions
Comments
Suggestions
Complaints

Godfrey Perrott - Actuarial Standards Board
Erica Kennedy - Standards Editor

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