



AMERICAN ACADEMY *of* ACTUARIES

February 23, 2010

ASOP No. 41 Revision
Actuarial Standards Board
1850 M Street, Suite 300
Washington, DC 20036-4601
Via email: **comments@actuary.org**

These comments are from the Risk Management and Financial Reporting Council of the American Academy of Actuaries¹ regarding the second exposure draft of *Actuarial Standard of Practice No. 41*. In general, we think this is a good standard although we have some editorial comments that we believe will help in its revision.

The following pages contain our suggestions. Items in bold indicate areas which need to be revised. Comments in parentheses are explanations for suggested changes.

If you have any questions, please contact Tina Getachew, senior policy analyst, Risk Management and Financial Reporting Council, by phone (202/332-5958) or email (getachew@actuary.org).

Sincerely,

Henry Siegel
Vice President, Risk Management and Financial Reporting Council
American Academy of Actuaries

¹ The American Academy of Actuaries (“Academy”) is a 16,000-member professional association whose mission is to serve the public on behalf of the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Comments on Revised ASOP 41 from the Risk Management and Financial Reporting Council

General Comments

The paper uses the term actuarial finding as though it is something different from an actuarial opinion. In fact, an actuarial finding is a type of Actuarial Opinion. See the definition of Actuarial Opinions from the Qualification Standard.

A “Statement of Actuarial Opinion” (SAO) is an opinion expressed by an actuary² in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed. “Actuarial Services” are defined in the Code of Professional Conduct as “Professional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”

We recommend that the term “findings” be replaced by “opinion” wherever it occurs.

Scope

We suggest that the last sentence in the Scope section should end “...the actuary should refer to section 4 regarding deviations **for the required disclosures.**”

Definitions

- 2.1 Actuarial Communication—A written, electronic, or oral communication issued by an actuary with respect to actuarial services, **including an actuarial report.** [Clarification]
- 2.3 Actuarial Finding should be deleted – see general comments
- 2.4 Actuarial Report—The **actuarial opinions and** the set of actuarial documents that the actuary identifies as relevant to specific actuarial **opinions** that is available to an intended user. [Clarification]
- 2.6 Intended Audience should be deleted and replaced by Intended User throughout the document. There is nothing to be gained by adding another term that is simply defined as a different term.
- 2.9 Other User—Any user of an actuarial communication **who is not an Intended User.** [This is just to simplify]

Section 3

- 3.1.3 Timing of Communication—The actuary should issue each actuarial communication without undue delay, unless other arrangements, mutually satisfactory to the principal and actuary, have been made. **In any event, the actuary should consider the needs of the intended users in setting the timing of the communication.** [Reworded since timing cannot consider anything, only people can.]
- 3.1.4 Identification of Responsible Actuary—The actuary issuing an actuarial communication should ensure that the actuarial communication clearly identifies that the actuary is responsible for it. When two or more individuals jointly issue a communication (at least

some of which is actuarial in nature), the communication should identify **all actuaries that are responsible for its content**. The name of an organization with which each actuary is affiliated also may be included in the communication, but the actuary's responsibilities are not affected by such identification. Unless the actuary judges it inappropriate, the actuary issuing an actuarial communication should also indicate the extent to which the actuary is available to provide supplementary information and explanation. [Again, just language improvement]

- 3.2 Actuarial Report—~~When the actuary intends the opinion in an actuarial document to be relied upon by the intended user, then~~The actuary should complete an actuarial report within a reasonable time period agreed to by the actuary and the principal **so that the conclusions remain timely with respect to the data used and analysis undertaken by the actuary...** [Actuarial Opinions are by definition to be relied upon. Therefore the first phrase is unnecessary. The second change is intended as a clarification.]
- 3.3.1 Uncertainty or Risk—The actuary should consider what cautions regarding possible uncertainty or risk in any results should be included in the actuarial report **including sensitivities to relevant alternative assumptions**. [This addition is an important addition to any report.]
- 3.3.2 Conflict of Interest—An actuary who is not financially, organizationally, or otherwise independent concerning any matter related to the subject of an actuarial communication should disclose in the actuarial communication any ~~pertinent~~ material information that is not apparent. [It's not clear what pertinent means. Material seems like a better choice since something can be pertinent but not material.]
- 3.3.3 Reliance on Other Sources for Data and Other Information—An actuary who makes an actuarial communication assumes responsibility for it except to the extent the actuary disclaims responsibility by stating reliance on other sources. [We are concerned that actuaries might rely on others without doing any kind of check for reasonableness or consistency. We suggest that language requiring this be included.]
- 3.3.4 Responsibility for Assumptions and Methods—An intended user of an actuarial communication will generally expect that the assumptions and methods employed in preparing the actuarial opinion within an actuarial communication were endorsed by the actuary **making the communication**.
- 3.6 Oral Communications—... Where the actuary has a concern that the oral communication may either be passed on to other parties, **covers a complex subject, or may be subject to misinterpretation, the actuary should follow up with an actuarial document**. [Oral Communications can be tricky and should generally be documented to avoid misunderstandings or misinterpretations in the future.]
- 4.3 Responsibility for Assumptions and Methods
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1. that the assumption or method significantly conflicts with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment (**in which case the actuary should disclose what use of a reasonable assumption or method would produce**); or... [This is essential – it's not enough to just disavow the result]