

# Southeastern Actuaries Conference

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ASOP 41 - Actuarial  
Communications

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## Disclaimer

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All statements, representations, and expressions of opinion are my personal views and should not be construed as representing the views of the Actuarial Standards Board or of any other entity.

## Published Agenda

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- Process for developing an ASOP
- Actuarial responsibilities for assumptions and methods
- Written and oral communications

## Process for Developing an ASOP

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- Due to short time available will defer to Q & A
- Available for discussion at break

## Current Version of ASOP 41

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- Adopted March 2002
- Superseded Interpretative Opinion No. 3
- Reflected new Code of Professional Conduct effective 1/1/2001
- Document still in effect today

## Timeline

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- First exposure draft - September 2008
  - Comment deadline 12/31/2008
  - 23 comments received
- Second exposure draft - December 2009
  - Comment deadline 3/31/2010
  - 37 comments received

## Purposes of First ED

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- Clarify wording throughout
- Restructure the ASOP
- Strengthen certain requirements
- Better address documentation and disclosure issues
- Remove obsolete references (e.g. PSAOs)

## Major Issues in First ED

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- Clarify that all actuarial reports are actuarial communications (but not vice versa)
- Deviation – Can deviate from guidance in ASOP but still comply with the ASOP
- Actuary assumes responsibility for all assumptions unless explicitly disclaimed

## Four Questions Posed (1-2)

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- Is it appropriate to require the actuary to be responsible for the assumptions and methods unless otherwise disclosed?

**Fine**

- Title is Actuarial Communications but the ASOP also addresses documentation. Does this create any confusion?

**No**

## Four Questions Posed (3-4)

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- Does the draft make it sufficiently clear when the actuary should issue an actuarial report?

**No**

- Are the added disclosure requirements in cases involving deviation clear and appropriate?

**Yes**

## Comments Received on First ED

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- Uncertainty over “actuarial report” and when it is required
- Applicability unclear to oral-only communications
- Confusion over “actuarial finding” and “statement of actuarial opinion”
- Concern over practicality of certain disclosure requirements

## Changes in Second ED

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- Drop concept of single formal actuarial report with all disclosures
- Less detail on retention policy in documentation section
- Distinguish actuarial from general business communications
- Communications either documents or oral
- Each document must be uniquely identified

## Three Questions Posed

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- Is the revised concept of an “actuarial report” clear and appropriate?
- Are the revised documentation requirements appropriate?
- Is there appropriate emphasis on needs of “intended users”?

## Definitions (Section 2)

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- Actuarial communication
- Actuarial document
- Actuarial finding
- Actuarial report
- Deviation
- Intended audience
- Intended user
- Oral communication
- Other user

## Highlights – Section 3.1

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- Form and content, clarity, and timing of communications should take into account the intended audience
- Should identify the actuary responsible for the actuarial communication

## Highlights – Section 3.2

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- If actuarial report consists of multiple documents, actuary should specify which documents constitute the complete report
- Actuarial report should state findings, methods, procedures, assumptions, and data sufficient for appraisal by another actuary

## Highlights – Section 3.3

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### Actuarial assumptions and methods

- Specified by law or regulation
- Selected by another party
  - If actuary believes reasonable, no disclosure required
  - If actuary does not believe reasonable, must disclose
  - If actuary does unable to judge, must disclose
- All other situations, actuary is fully responsible for assumptions

## Highlights – Sections 3.4-3.8

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- Reconciliation of Material Differences (3.4)
- Restrictions of Specific Circumstances (3.5)
- Oral Communications (3.6)
- Responsibility to Other Users (3.7)
- Documentation (3.8)

## Highlights – Section 4.1

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### Disclosures

- Principal
- Intended audience
- Scope and purpose
- Qualifications
- Risk and uncertainty
- Limitations or constraints\
- Conflict of interest
- Reliance on others
- Information date
- Subsequent events

## Highlights – Sections 4.2-4.4

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### Disclosures

- Assumptions prescribed by law or regulation (4.2)
- Assumptions set of others (4.3)
- Deviation (4.4)

## Summary of Comments - 1

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- Still much concern about actuarial reports
- Many felt OK for formal reports, but too cumbersome for more informal communications
- Some feeling that complete disclosure not needed nor practical in many situations
- Concern about overkill on internal communications, e.g. within a company
- Was the ASB "raising the bar" too much?

## Summary of Comments - 2

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- Many comments on definitions
- Is definition of "actuarial communication" appropriate?
- Consistency with Code and Qualification Standards
- Should scope be all "actuarial findings" or only "statements of actuarial opinion"?

## Summary of Comments - 3

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- Relationship to ASOP 4 (pensions)
- Relationship to ASOP 9 (casualty)

## Where Do We Go From Here?

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- General Committee will have a report and recommendation at September 2010 ASB Meeting
- Options
  - Final standard
  - Third Exposure Draft
  - Other?

## Your Turn

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### Questions and Answers

*The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the U.S.*