

Comment #3 – 6/29/10 – 5:41 p.m.

Comments on second exposure draft of ASOP 36

I greatly appreciate the efforts of the ASB and its committees in producing it, and in general, have found the second exposure draft to be clear and concise. I would be pleased to respond to any questions you may have.

As requested, below is commentary on two specific areas below.

1. The new language clarifying the responsibilities of the opining actuary making use of another's work under certain circumstances, as described in 3.7.2 is clear and appropriate, and an improvement over prior versions of the ASOP which used the concept of reliance. I propose a minor change in wording in the first sentence of the second paragraph: replace the work "producers" with "authors" so that the sentence will read: "If in using the analyses performed by others the actuary reaches conclusions materially different from those in the others' work, the actuary should, when practical, contact the authors of those analyses to discuss the differences."

2. Replacing the requirement that the actuary state the "intended measure" with the requirement that the actuary state the accounting basis of the reserves is appropriate, and the requirement is clear as laid out in the second exposure draft.

Additional comments following the order of the exposure draft:

3.7 Reserve evaluation - I feel that the second paragraph "The actuary should consider...." is educational in nature and therefore inappropriate for a standard of practice. Also, I suggest that the paragraph beginning "If the actuary makes use of other personnel within..." be moved to 3.7.1. for avoidance of any doubt: an actuary making use of other personnel within the actuary's control to carry out assignments is essentially developing his/her own estimates. In that case, 3.7.2 does not apply.

3.10 Collectability of ceded reinsurance - I suggest adding a sentence "This standard does not obligate the actuary to quantify uncollectible reinsurance recoveries in cases where the applicable accounting standard does not require it". This would help avoid confusion about the meaning of the word "consider" in "the actuary should consider the collectability of ceded reinsurance" under accounting standards such as US statutory.

4.1. Actuarial communication - I feel strongly that the requirement in 4.1.h to make a statement to the effect that the actuary does not reasonably believe that there are significant risks and uncertainties that could result in material adverse deviation is inappropriate. While this is the current standard for US statutory statements of actuarial opinions, extending this requirement to other opinions could lead to instances of misinterpretation by less sophisticated audiences - especially in cases where the perception of materiality could differ among the various audiences (e.g., a state workers' compensation loss certification for a self-insured employer). I suggest that the words "or not" be removed, consistent with the current ASOP 36 requirement.

4.2. Please consider the following edit for consistency with 3.8: "If the actuary is not able to review the prior opining actuary's work..."

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