

## **COMMENT 16: DECEMBER 26, 2008**

**From:** Steven Schreiber

**Sent:** Friday, December 26, 2008 12:40 PM

**To:** ASB Comments

**Subject:** ASB COMMENTS

Below are several comments and questions for the ASB to consider relating to the Exposure Draft for ASOP No. 41 on "Actuarial Communications." These comments reflect my own personal views and do not necessarily represent the views of my employer.

1. While I support the addition of the Documentation requirement (para 3.6), the title of the ASOP needs to be clearer that this requirement exists within this ASOP (e.g., change title to "Actuarial Communications and Documentation").
2. Para 3.1.4 -- This paragraph states that "an actuarial report should identify the methods, procedures, assumptions and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report." I do not interpret this to statement mean that sufficient information is provided so that another actuary can reproduce the mathematical results in the actuarial report - given the complexity of models being built today, I do not believe that is a reasonable requirement. I also do not interpret this statement to mean that all assumptions are detailed in the report but, instead, that adequate information is provided so that a qualified actuary can follow the conclusions reached in the report. For example, I do not interpret this requirement to mean that the specific mortality assumption for a projection needs to be specified but that if the author states the basis under which he / she got comfortable with the mortality assumption, he / she has met the requirement of this statement. If the ASB disagrees with my interpretations, I request that this paragraph be clarified.
3. Para 3.2.2 -- I have worked in situations where a client hires me for a transaction (e.g., buy side M&A) but another Milliman office may have worked for another party in the potential transaction (e.g., the seller or for a different potential buyer). I would discuss this potential conflict with my client and then disclose it in my engagement letter. In such situations,

this paragraph requires disclose "in the actuarial communication any pertinent information that is not apparent" and 4.1e disclosure in the actuarial communication of "any actual or apparent conflict of interest of which the actuary is aware that is not readily apparent to the intended audience." Since the potential conflict is apparent to my client (because it is discussed in my engagement letter signed by the client), I do not believe that my "actuarial communication" needs to discuss this potential conflict (or, since the standard can be met per para 3.1 based on the cumulative communications with respect to each specific engagement or assignment, then I could view the engagement letter as part of the cumulative communications). In such a situation, the "intended audience" is my client, not any third party, and I believe I have met the disclosure of potential conflict requirement of para 3.2.2. However, what if my client requests that I make my Actuarial Report available to a third party. If I consent, does that change my "intended audience" and does that mean that the material made available to the third party (e.g., the Actuarial Report but not necessarily the full range of "actuarial communication" including my engagement letter with the potential conflict disclosure) needs to contain the disclosure of potential conflict?

But possibly this rambling is really getting to my question of what are my responsibilities with regard to "actuarial communications" when I consent to the release of my work product to a third party that is NOT my intended audience -- do I have any responsibility to such third party? And does the definition of "intended audience" need to be clarified? "Intended audience" as defined in para 2.4 may include third parties (with the consent of the actuary), but I do not believe all third parties are "intended audiences."

Thank you for your consideration of my comments and questions.

Sincerely, Steve Schreiber