

COMMENT 21: JANUARY 1, 2008

From: Ackerman, Shawna
Sent: Thursday, January 01, 2009 4:48 PM
To: ASB Comments
Subject: ASB COMMENTS

Pinnacle Actuarial Resources, Inc. (“Pinnacle”) is pleased to have the opportunity to provide the following comments in regards to the exposure draft of Actuarial Standard of Practice No. 41 Actuarial Communications (“ASOP 41.”) We will start by specifically answering the four questions posed by the committee followed by additional general comments.

1. Do you believe it appropriate to require the actuary to be responsible for assumptions and methods used within an actuarial communication unless otherwise disclosed? Do you believe that this standard is the appropriate place to do that? Does this draft make this intent sufficiently clear?

It is appropriate for the actuary to be responsible for the assumptions and methods used in an actuarial communication unless otherwise disclosed. This standard is the appropriate place to state this practice. The draft is clear on the responsibility of the actuary to document methods and assumptions. The three cases detailed in Section 3.2.4 are helpful in this regard.

2. This ASOP is titled “Actuarial Communications” even though it also addresses documentation. Does this create any confusion? If so, what would a better title be?

While the title does not necessarily create confusion, we believe a better title to be “Actuarial Communications and Documentation.” Additionally, we strongly suggest changing Section 1.1 Purpose to read as follows:

Purpose—This actuarial standard of practice (ASOP) provides guidance to actuaries with respect to actuarial communications and documentation.

3. Does this draft make it sufficiently clear when the actuary should issue an actuarial report disclosing methods, procedures, assumptions, and data as opposed to issuing another form of actuarial communication that does not make these disclosures?

The exposure draft provides sufficient guidance to the actuary as to when a formal actuarial report should be issued.

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

Yes.

Additional Comments

While not a change from the current ASOP 41, Section 3.1.2 would be clearer if the parties are specified as the principal and actuary. As it currently reads, “the parties” could reasonably be interpreted to mean the parties listed in Section 2.4, Intended Audience. In most cases, it is the principal that decides or requests the form of the communication rather than members of the intended audience.

We suggest the following change to Section 4.3.2:

4.3.2 Required Disclosures if the Actuary Relies on Other Sources ~~Disclaims Responsibility~~ for Any Assumption or Method in Any Other Situation—Where the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method in any situation not covered under section 4.2 or 4.3.1, the actuary should prominently disclose the following in the actuarial communication: (no changes are suggested in the rest of this section)

The Exposure Draft makes no mention of the actuary's current responsibility to disclose material or significant changes that have been made to the methods and/or assumptions from the prior analysis. This requirement currently exists in ASOP 9, Section 5.2, which may be repealed coincident with the passage of this revised ASOP. We believe that the disclosure is important and should be retained in an Actuarial Standard of Practice. The importance of the disclosure is embodied in the Annual Statement Instructions for Property Casualty Statement of Actuarial Opinion which requires actuaries to make disclosures about changes in methods and assumptions in the course of this particular type of work. However, the disclosure of changes in methods and assumptions is an important disclosure for many types of actuarial services.

The comments above are the collective comments of the consultants employed or affiliated with Pinnacle Actuarial Resources, Inc. If you have any questions regarding the above, please contact Shawna Ackerman at shawnaa@pinnacleactuarial.com.

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