

COMMENT # 7: November 7, 2009

Comments on the exposure draft of proposed revision of ASOP No. 41

I will begin with my answers to the 4 questions posed in the transmittal memo.

1. Yes to all three sub-questions.
2. No, and I see the existing title as a good one. I don't follow the concern about it's addressing documentation and consider this causes no confusion. Other ASOPs also include guidance on documentation although their subject titles do not refer (directly or indirectly) to such. Three examples come to mind as I have recently used them –

ASOP 21, section 3.2.2

ASOP 22, section 4.6

ASOP 23, section 3.8

3. No. I find the heading to 3.1.5 to be confusing, in that if there is previous guidance in the draft it is not obvious to me. I do prefer the approach of 3.3.2 in the current ASOP.
4. Yes.

I note that section 1.2 has been changed by omitting the reference to “constraints of that forum”. Instead, this appears now to be covered by 3.3, yet I am not convinced that testimony in a legislative or regulatory environment is necessarily oral. If no change is made, I ask that this point be explained in the next transmittal memo or Appendix 2.

I am doubtful that the three month “grace” period in 1.4 is sufficient. Under the old methods of sending new ASOPs with the Update, experience has shown that quite often more than three months is required. As Mr Kellison will attest, I was annoyed by receiving the hard copy of the exposure draft of the amended Introduction to ASOPs after the expiration date for comments. I was told by staff that a blast e-mail had been sent to all concerned, but I did not receive such an e-mail. There was also another blast e-mail sent a few weeks earlier that failed to include me. Accordingly, unless the ASB can be certain that the Academy's new electronic notification system is fool-proof, I recommend a longer period than three months.

I am troubled by the change in 2.2, namely the insertion of ‘an individual’. I appreciate this word is also in the Code, but there we see a rigorous definition of an Actuary. As far as I know (but am open to correction) all other ASOPs refer routinely to “an actuary” and this departure might cause unnecessary confusion and perhaps litigious argument.

My principal concern with the draft is the implication that an Actuarial Report may be oral (currently it is defined as written or electronic). If this is indeed the intention then I think it should be clearly stated. In a situation when an actuary is laboring earnestly (and with formality in accordance with the definition in 2.3) to give an oral report that includes methods, procedures, assumptions and data, I can easily envisage the typical principal exclaiming part way through

“Don’t give me that cr--! What is the bottom line?” Furthermore, an oral report carries with it obvious risks – to the detriment of both the actuary and the principal – of “he said, she said” arguments later.

I am sure that both the committee and the ASB discussed this matter at length, and I am prepared to be convinced, but I believe the profession is owed much more explanation, and possibly an expansion of 3.3. I have also heard actuaries citing situations where a principal has been outspoken about NOT wanting anything written. Possibly a way forward is to retain the former written or electronic requirement for an Actuarial Report, but to introduce something along the lines of an Abbreviated Actuarial Report to be given orally when the principal so requests (and which excludes details of methods, procedures, assumptions and data). I would still recommend that unless the principal refuses it, such an Abbreviated Actuarial Report should be followed after a mutually agreed interval by a written or electronic Actuarial Report.

Turning to 2.4, I see that as compared with the prior definition (2.5) the words “after discussion with the principal” have been omitted. Surely such discussion is a good idea? If I am missing something, I request more discussion of this change in the next transmittal memo or Appendix 2.

In 3.1 “procedures” in the 4th line appears to have been added. Is this not tying the hands of the actuary in an unnecessary manner? Again, if there is a good reason it should be spelled out in the upcoming Appendix 2.

I am troubled by “perception” in 3.1.5. I know the word is used in the current ASOP, but suggest that “professional judgment” would be preferable.

I was pleased to see in 3.2.3 that the draft continues to allow reliance on other sources without having to apply checks. I know this was a thorny subject in the committee when ASOP 23 was revised, yet the treatment in the draft, namely stating whether or not checks have been applied, is in my view entirely appropriate.

In 3.4, the word “document” in the last line is in my opinion too vague and should be replaced by “an actuarial communication”.

In 4.1a, I do not see how it can be inappropriate to disclose the principal, for that would seem to conflict with the Code. The same sentiment applies with even more emphasis to 4.1d (see Annotation 4.1).

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