

Comment #1 – 12/28/09 – 1:26 p.m.

Thank you for the opportunity to comment on this exposure draft. I had a few specific observations.

First, I noted that you deleted a number of useful and important definitions that were in one or more of the prior versions. Particularly I noted the absence of “Actuarial Services” and “Principal.” These words are widely used and consistently defined throughout the Code of Conduct and other ASOPs. I suggest their definitions be retained here. I further suggest that the creation of unique jargon for this ASOP be minimized (such as “professional service provided by an individual acting in the capacity of an actuary” instead of the well-understood “Actuarial Services”; or the term “actuarial finding” instead of “Actuarial Opinion”; or the term “intended user” instead of “Principal”). Clarity and consistency among ASOPs will be enhanced if consistent terminology is used throughout all of them.

In response to your first question regarding the “revised concept” of Actuarial Report, let me mention up front that I feel that you should have highlighted this as a substantive, key change in the document and specifically invited comment on the broadening of this requirement. I found it unclear from your transmittal what had really changed in this draft in general, and it wasn’t until comparing versions and reading the chart of comments at the end that I realized how you had suddenly made the Actuarial Report a much closer to universal requirement. I think you may get less comment on this item given the fact that others may overlook the gravity of this change.

All previous versions (such as the first draft, and the current ASOP) gave guidance and insight but did not unequivocally mandate the provision of an actuarial report. Now with this draft suddenly effectively all substantive written findings must be accompanied by or followed by one or more laboriously defined “Actuarial Reports,” each comprising one or many separate written communications, varying by user, with many required disclosures etc. etc. This is not just a change in emphasis but a change in approach. It is a substantive raising of the bar with regard to current common practice, especially among the great majority of actuaries who are not consultants. Furthermore it is an inappropriate one, as good professional actuarial practice (apart from a prescription by ASOP) does not demand that a company actuary prepare and issue a detailed actuarial report every time he sends the result of a brief analysis to his employer by email.

As often seems to happen in ASB pronouncements, this document now seems to be very strongly slanted toward the consulting mode of practice. Consulting results are or should generally be conveyed through a formal report, for risk management and business reasons as well as for intercorporate professional reasons. However, this is not the case for in-house actuaries, with their much more common recourse to casual communications either orally, or in writing in an “actuarial document”. Many projects are not closed-ended but evolutionary and always ongoing, with many status reports and interim results but no logical time to provide a formal full and final report. In the current draft, even the actuary’s notes are potentially swept into the definition of an “actuarial document” that

can oblige the actuary to the eventual (though timely) production of a full report. This is not realistic or reasonable.

The previous approach, with its points of guidance and insight as to when a report might be appropriate, was much more flexible and (for company actuaries especially) tenable than the current broad prescription. In those situations that a report was called for, it told us what needed to be included, but left to the professional the decision of when such a report was needed. This was by far the better approach.

Thanks again for the opportunity to comment. These are my personal comments and are not based on the position or perspective of my employer.

Kenneth Quintilian, FCAS, MAAA
VP – Chief Actuary
Donald J. Fager and Assoc. (MLMIC)