

Comment #16 – 3/14/10 – 9:01 p.m.

I have reviewed the 2nd draft of ASOP 41, and have no questions. The Standard is in my opinion clear and well-written.

However, I would like to point out that Section 5.4.5 of ASOP 20 "Discounting of Property-Casualty Loss and LAE Reserves" may be inconsistent with the new ASOP 41. Section 5.4.5 of ASOP 20 tells the actuary to disclose if the interest rate used for discounting has been supplied by someone else (like the client). It does not appear to me that ASOP 20 requires the actuary to agree that the client's interest rate is reasonable.

Here is the exact wording of Section 5.4.5 of ASOP 20
Selected Interest Rates Supplied by Another—In certain contexts, the actuary may provide a discounted reserve estimate without providing an opinion on the appropriateness of the selected interest rates. In these cases, the actuary should clearly disclose the selected interest rates, the source of or basis for the selected interest rates, and the fact that the actuary is expressing no opinion on the appropriateness of the rates.

ASOP 41 imposes a higher responsibility via Section 3.3.4. Now if the client gives the actuary an interest rate to use in discounting, and the actuary believes that interest rate is not reasonable, then the actuary must disclose this fact.

(It's my impression that it is becoming common for self-insured hospitals to give the actuary an interest rate to use in discounting. If ASOP 41 does in fact trump ASOP 20, then this may be a significant change for actuaries working for self-insured hospitals.)

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