

Comment #19 – 3/25/10 – 12:33 p.m.

I appreciate the opportunity to comment on the second exposure draft of ASOP 41. My views do not represent the views of anyone else. If my comments are based on an incomplete reading of the ASOP, I apologize.

In my opinion, the exposure draft does not recognize the nature of the relationships within an insurance company. There may be variations by company, but, in my experience, the communications between the CEO and various executives, including the actuaries, are frequent, informal, and very brief. The CEO expects the managers to properly understand what he or she wants, even when he does not clearly understand it himself. This familiarity and speed of interaction are important parts of the contribution that these executives bring to the company.

I believe this exposure draft ignores this kind of environment, as indicated by the first paragraph of section 3.1:

“The performance of a specific actuarial engagement or assignment typically requires significant an ongoing communications between the actuary and the principal regarding the following: the scope of the requested work; the methods, procedures, assumptions, and data, and other information required to complete the work; and the development of the communication of the actuarial findings.”

The environment described above has rarely, if ever, existed in my 30+ years of experience in life insurance companies.

I would like to offer a hypothetical example. A CEO is away at a meeting. During a break he or she e-mails the chief investment officer and asks if the yield on the deferred annuity portfolio will be greater than last year, or less. He or she then e-mails the chief actuary and asks if the lapse rate on deferred annuities will be greater than last year, or less. Each recipient knows the CEO and knows that an immediate answer is desired. Each immediately responds based on knowledge in his or her head. Each has met the need and served the company well.

As I understand the exposure draft, the actuary’s response is an actuarial communication of an actuarial finding, which he or she intended to be relied upon. So the first sentence of Section 3.2 requires an actuarial report to be written. This report would identify the procedures, assumptions, and data used by the actuary with sufficient clarity that another qualified actuary in the same practice area could make an objective appraisal of the reasonableness of the actuary’s work.

Preparing the actuarial report could easily take several hours. The investment officer would move on to other work for the company. If the CEO learned that the actuary spent several hours writing a report, he or she would believe that the actuary doesn’t understand what is important, lives in an ivory tower, and doesn’t move at the speed of business. If the CEO didn’t learn that the actuary spent several hours writing the report and many others like it, he or she would eventually conclude that the actuary does good

work, but is very slow and doesn't produce much value for the company. The CEO would look to others to meet the needs of the company, because others get more done.

I urge that the exposure draft be changed to recognize the informal, fast-moving culture that exists in insurance companies and the need of company actuaries to provide the services that their employers value.

If the exposure draft has a solution to the common problem that I have presented, I apologize for having missed it and for taking your time. I appreciate your work on this important topic.

Jerry Enoch, FSA, MAAA