

Comment #20 – 3/26/10 – 9:48 a.m.

Thank you for the opportunity to comment. These comments are my own.

I believe this draft raises the bar significantly by, basically, requiring an actuarial report on all actuarial communications(except, possibly, phone calls). This seems to be very significant, perhaps more so to non-consulting actuaries than consulting actuaries .If this is the intent, it is hard for me to understand how requiring an actuarial report on almost all actuarial communications is appropriate. Many communications, especially for company actuaries, may be of a relatively minor nature and requiring an actuarial report seems unnecessary.

The current ASOP 41 states in 3.3.2 "Actuarial findings that the actuary considers significant should be in written or electronic form, and when appropriate , they should be incorporated into an actuarial report..." This seems preferable to the approach in the exposure draft.

The draft states: 3.2 When the actuary intends the findings in an actuarial document to be relied upon by the intended user, then the actuary should complete an actuarial report...

An actuarial document is defined (2.2) as "An actuarial communication in any recorded form..." This includes e-mails. It would seem as if anything other than a phone call is included. However, 3.6 states that for oral communication, the actuary should consider the extent to which the disclosures should be included so for oral communication there would sometimes also be disclosure required.

Since I believe an actuary would always intend the findings to be relied upon, an actuarial report would be required except, basically, for some phone calls as discussed above.

While there is some flexibility in the form of the actuarial report in the draft, the required disclosures in 3.3 make the report a significant effort. While it could be argued if there might be a quick way to do disclosures for a "minor" actuarial communication, I still believe the effort would certainly be nontrivial and exceed what would seem appropriate.

If it is the intention to raise the bar, I would recommend an effective date well in the future since the draft would likely have a significant impact on actuaries workload and thus would require staffing changes and significant planning. I would also recommend either another exposure draft that explicitly refers to the significance of the draft or some other means of requesting comments(a letter from the President of the AAA?). If significant lead time(e.g. one year) is not given, it could place actuaries in the untenable position of following the ASOP or not being able to meet their current workload. With significant lead time, there would be an opportunity to request increased staffing levels.

Assuming it is not the intention to raise the bar so significantly, I would suggest possible ways to remedy this raising the bar :

a) Include requiring an actuarial report only when the actuary considers the finding significant(as the current ASOP does) or only for certain work products. ASOP 9 defines an actuarial work product and this in effect limits the type of work documentation is required for. This could also be done for ASOP 41 by changing the definition of Actuarial Finding to be more like ASOP 9's actuarial work product definition.

b) In the draft 4.1.3 add to the word inappropriate something like "or deemed unnecessary by the actuary for the particular service(or document)"

c) If the ASB really desires an actuarial report for any actuarial document , I'd recommend it be made clear the actuary should have considerable discretion as to what should be in the report, although certain minimums would be reasonable. I think minimums should be less than in the current draft. Perhaps there could be a new name for such a minimal actuarial report.

But this seems a less desirable alternative (than a or b above) as even a reduced type of report would likely require more effort than justified. I present it only as an alternative if the ASB definitely wants an actuarial report on any actuarial document.

I also note that the description of the actuarial report does not (unless I missed it) seem to include that the report should include a summary of the findings. It would seem as if this should be part of the actuarial report.

In response to the three questions the ASB Committee is interested in:

- 1) No- the revised concept of an actuarial report is not both clear and appropriate, and is not more clear than the current ASOP.
- 2) No- the revised position on documentation is not appropriate.
- 3) Yes.

In summary, if it is not the intent of the draft to significantly raise the bar by requiring an actuarial report on all actuarial communications (except some phone calls), I believe the draft is very unclear. If this is the intent of the draft, I believe it is inappropriate. While requiring an actuarial report on a substantive work product seems reasonable, requiring it on non-substantive work (e.g. something communicated by a brief e-mail) seems unreasonable.

Thank you for considering my comments.

Warren Ehrlich FCAS, MAAA
Commerce Insurance Company