

Comment #24 – 3/29/10 – 10:10 a.m.

This exposure draft is a step backwards from the Standard of Practice that is currently in place in the sense that it fails to recognize the role that actuaries play as employees in insurance companies where there is daily communication between senior management and the actuaries. The current ASOP specifically excludes this type of daily communication from the definition of “actuarial report” unless the actuary specifically designates such communication as an actuarial report (see bolded portion below.)

Actuarial Report—A written or electronic presentation prepared as a formal means of conveying the actuary’s findings that records and communicates the actuary’s methods, procedures, and assumptions. Unless so designated by the actuary, communications such as the following are not actuarial reports:

- a. transcripts or summaries of an oral communication of actuarial findings;
- b. **internal communications, for example within a company, organization, firm, or government agency; and**
- c. communications, during the course of an assignment, among those providing actuarial services.

The proposed revision makes no such distinction. The exposure draft also removes from the definition section the term “principal” which is a term more suited to consulting than to the employer/employee relationship. In addition, many actuaries create rate filings and in that case I’d consider the regulator the principal but that particular instance isn’t contemplated in the current or proposed standard.

The proposed standard includes the statement “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 within a reasonable time period agreed to by the actuary and the principal.” In order to meet the needs of company actuaries “should” needs to be replaced with “may.” The use of the word “should” implies that creation of the report is appropriate in most situations and an actuary could be called upon to defend their reason for not preparing a report whereas use of the word “may” leaves the company actuary discretion in the creation of such a report.

If the intent of the proposed standard is to require company actuaries to spend a lot of time prettying up their spreadsheets to present to company management and thus delay their response to requests for advice then this proposal has succeeded. Not formally recognizing the

employer/employee relationship and the role an actuary plays in the management of an insurance company makes the proposed standard burdensome for company actuaries.

Sincerely,

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