

**Comment # 25 – 3/29/10 – 5:23 p.m.**

Comments regarding the Second Exposure Draft of ASOP 41 (Actuarial Communications)

1. Section 3.1.3 Timing of Communication reads “The actuary should issue each actuarial communication with undue delay, unless other arrangements,... have been made”. I believe this sentence is ambiguous, because it could be interpreted to say that an actuary does not have to issue an actuarial communication if other arrangements have been made between the actuary and the principal, even though I believe the intent of the phrase “unless other arrangements have been made” is to refer to the timing and not the actual issuance of the communication. Secondly, the current standard uses the term “reasonable time period” rather than “undue delay”. The phrase “undue delay” is ambiguous and is subject to wide interpretation. For example, reserve reports associated with NAIC P&C Statutory Opinion typically do not have to be completed until May 1, several months after the opinion has been issued. Under the current language, this time period between the issuance of the opinion and the issuance of the report may be considered excessive. I suggest the following language: “The actuary should issue each actuarial communication within a reasonable time period mutually satisfactory to the principal and actuary, keeping in mind the needs of the intended audience.”
2. Section 3.4 Reconciliation of Material Differences refers to an actuarial communication produced by the same actuary for the same assignment. I believe we need a clearer definition of what constitutes the “same assignment”. For example, if a consulting actuary is doing a reserve report for the same client on an annual basis, and the scope of such assignment is constant, is each year’s reserve report considered the “same assignment”? If assumptions have changed materially during the year (for example, trend), is the actuary required to issue a communication that declares the assumptions underlying the previous year’s analysis were invalid (even though they may not have been at the time)?
3. Section 3.5 Restrictions of Specific Circumstances mentions that an actuarial communication may be constrained by circumstances, such as “transactions under time pressure”. This seems to imply that an actuarial communication that materially fails to meet this Standard may still be in compliance if the actuary is under time pressure. Clearly I don’t believe this is the intent, but the ASB may want to consider providing some additional explanation and examples of “transactions under time pressure”.
4. Section 4.4 Deviation From the Guidance of an ASOP has been substantially rewritten from the current ASOP and is now much more confusing. A reasonable person might interpret this section as saying “You can deviate from an ASOP, but still comply with the ASOP as long as you disclose that you did not comply with the ASOP”. (??) The previous language was clearer and more appropriate, in that it simply required justification for any procedures that differed materially from those in the Standard (unless such deviation was required by law or regulation). I question the rationale for the revision of this section.

Regards,

John Gleba, FCAS, MAAA  
Madison Consulting Group, Inc.