

COMMENT #1: October 17, 2008

From: Monsour, Christopher J _____
Sent: Friday, October 17, 2008 5:42 PM
To: ASB Comments
Subject: ASB COMMENTS

Attached please find my comments on ASB procedure and on the substance of the ASOPs. Please note that these views do not necessarily represent the views of my employer, which is why my employer is not named in the attachment.

Thank you for the opportunity to comment.

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1. I think the ASOPs generally provide an appropriate level of guidance.
2. I am generally in favor of the current, not-very-prescriptive approach. It is possible that a slightly more prescriptive approach might be necessary for ASOPs related to reserving, because of the link to financial reporting (which is why we might want more prescription) and because these functions are specific to actuaries (which is why we actually could implement more prescription).
3. ASOPs are sometimes unclear, but that is in the nature of such documents. The only good way to make them clearer is to enlist more help in their drafting. One way to accomplish this would be by getting more comments. Another would be to have someone (a lawyer? a technical writing consultant?) professionally review the “otherwise final” draft of each ASOP, and recommend changes to the responsible committee.
4. Providing exposure draft material on the website and in mailings is adequate. The 30 day minimum is grossly inadequate. I think there should be a 60-day minimum, even for second exposures, and for first exposures I would encourage a 90-120 day period.
5.
 - a. I’m not sure what is meant by “comments tend to oppose certain wording in the exposure draft”. It isn’t human nature to send in comments just to say “well done”, except maybe for folks who have personally experienced the effort it takes to draft these documents. I think the ASB will get

many more comments if it undertakes a campaign to remind actuaries that reviewing and commenting on exposure drafts relevant to their practice areas count toward their continuing education requirements, including the professionalism requirement.

- b. If you want to ensure that comments are representative, I think you need to define segments of the actuarial population by, say, practice area, years since designation, and type of employment, and then actively solicit comments from segments that have been underrepresented in comments on exposure drafts in recent years. In particular, I would strongly caution against trying to solicit more “positive” and fewer “negative” responses; regardless of intent, that would look far too much like cooking the sample. In any event, the relative new practice of posting comments on the website each week will naturally result in more positive comments, as commentators can now respond to other comments and not just to the draft itself. By the way, it would be helpful to generate more cross-discussion if those comments could be posted slightly more often—say 2-3 times a week.
 - c. I am not aware that the ASB currently has a procedure in place to solicit feedback from other interested parties. It probably ought to be separate from the relative free-for-all by which comments are solicited from actuaries. For example, it makes sense to solicit opinions from accounting organizations regarding ASOPs that touch financial reporting, but it has to be kept in mind that in some circumstances there is a misalignment of interests between the two professions, and it is part of the drafting committee’s responsibility to discern when that is coloring another profession’s comments.
6. I have noticed that the supplements that summarize the comments and how the committee responded tend no longer to quote the comments *verbatim*. This doesn’t particularly trouble me, although it does make those supplements rather less exiting to read.
 7. When an actuarial communication is part of a larger whole, it is not entirely clear when reliance needs to be specifically stated in a given memorandum and when it can be assumed, given that the reliance has been stated in a related communication. This is particularly tricky with internal communications, where the reliance may have been stated in a document that does not [otherwise?] qualify as an actuarial communication, but whose existence would make it tedious to restate the reliances later (e.g., same audience).
 8. The ASB should strive to avoid making promulgations about concepts from other disciplines, and to do so carefully when it must. Nothing could be more confusing than having an actuarial definition of an accounting term and an ever-so-subtly different accounting definition of the same term.

9. It's certainly less risky than not abiding by them. Whether abiding by the ASOPs is less risky than having no ASOPs depends on how specific the ASOPs are. If they became extremely prescriptive, they would tend to invite lawsuits that would not otherwise have happened, on the speculation of finding that a standard was not adhered to. This is one reason that while I do think there is room for the ASOPs to become more prescriptive in some respects, there is a limit to how far that should be taken.

10.
 - a. I think that despite the ASB's best efforts, the standards feel like a disorganized hodge-podge to many actuaries. One very simple but very powerful way to alleviate that would be to have separate numberings for standards that apply to specific practice areas, as opposed to all practice areas. For standards that apply to multiple practice areas but not all, the standard could have two different numbers (like 2L or 5H). I think that would make the total mass of standards feel much less imposing.
 - b. It might be helpful to include 1 or 2 non-actuaries on the drafting committees. Sometimes it's easier to get another profession's perspective or a government perspective when those individuals are part of the drafting process rather than making comments as complete outsiders.