

Comment #13 – 1/15/15 – 2:35 p.m.

1: Section 1.2 of the proposed standard states:

This standard is limited to the estimation of future costs and does not address other considerations that may affect the price charged to the policyholder, such as marketing goals, competition, and legal restrictions.

It is unclear from this standard whether the "other considerations" are considered to be "actuarial services" (as defined in ASOP 1), but it would seem from that definition

2.2 Actuarial Services— Professional services provided to a principal by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings or opinions based on actuarial considerations. (emphasis added)

that these (marketing goals, competition, and legal restrictions) do not seem to be "actuarial considerations" and therefore would be outside of the definition of "actuarial services" to which any ASOP would apply. As per section 1 of ASOP 1:

ASOPs are binding on members of the U.S.-based actuarial organizations when rendering actuarial services in the U.S. (emphasis added)

As such, it is unclear why this paragraph is needed to limit the scope of the proposed ASOP to exclude something that is not an "actuarial service".

2: Often, those "other considerations" from section 1.2 of the proposed ASOP are mixed and combined together with the results of the ratemaking process in the same document/communication, and it is difficult to tell where the material within the scope of this standard (and any actuarial standards) begins or ends.

It may therefore be appropriate that in section 4.2, which discusses disclosures, for the actuary to be required to disclose which sections of the communication (if not all of them) are an "actuarial communication" (and within the scope of the proposed ASOP, as well as ASOP 41) and which sections of the communication are not "actuarial services" and therefore outside the scope of this (as well as other) Actuarial Standards.

3: It is unclear from this proposed ASOP whether it would apply to overall rate levels, or also to rating factors as applied to an individual insured. Perhaps section 3.6 could be clearer as per whether the risk classification factors (as opposed to the actual risk classifications) should be governed by this ASOP, ASOP 12, or both.