

December 22, 2015

ASOP No. 21 Revision  
Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036

To Actuarial Standards Board

We applaud the task force's well-thought out efforts to modernize this important Actuarial Standard of Practice. Actuarial services performed in connection with audits and examinations should be held to high expectations of professionalism.

Listed below are some comments which we believe will assist in making this revision to ASOP #21 even more useful and relevant to actuaries, our employers/clients and the public we serve.

The terms "financial audit" and "financial review" seem redundant. We would suggest eliminating "financial review" and slightly broadening the definition of "financial audit" (2.5) to effect this change. This would streamline wording throughout the standard and would reduce confusion. Examiners conduct financial examinations similarly to how auditors conduct financial audits.

The standard assumes the point of contact in an audit or exam is actuary-to-actuary. We would propose broadening the language to reflect the situations where a responding actuary is requested to provide information to any auditor or examiner. Prospective wording would be as follows:

- 3.5 Requests for Information – The **reviewing actuary** and the **responding actuary** should cooperate in the compilation of the information needed by the **auditor** or **examiner** team in order to perform the actuarial procedures.
- 3.5.1 Information Request Communication – The **reviewing actuary** should communicate, preferably in writing, what information is requested by the **reviewing actuary** in order to perform the actuarial procedures. To the extent practicable, the **reviewing actuary** should communicate with the **entity** about the time frame within which the information is requested and work with the **entity** if there are conflicts or time frames that cannot be met. The **reviewing actuary** should consider whether the information requested is within the scope of the **financial audit**, **financial review**, or **financial examination**.

The term, "requester," is only used in 3.5.2 and 3.6.2 but is not a defined term. For consistency of presentation, we would suggest replacing "requester" with the phrase, "auditor or examiner" as is used throughout the rest of the document. In addition, we would quibble with the "should consider" direction of 3.6.2. We believe the responding actuary "should" document the information provided.

The responding actuary may just be coordinating an entity's response to audit or exam. In 3.5.4.d, the standard specifically notes, ".....methods and assumptions not set by the responding actuary..." This phrasing is not used for any of the other points of 3.5.4. We would suggest either eliminating item d as we feel it is already implicit in items b and c or, if item d is retained, removing the words, "not set by the responding actuary, if any."

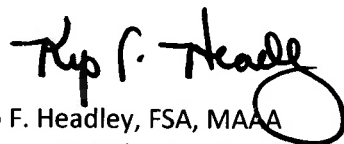
We believe that "Actuarial Guidelines" should be added to the list of examples in section 3.5.5 perhaps in item e or on its own as item f.

Further, with respect to Changing Conditions (3.5.5), we agree that the responding actuary should be prepared to discuss circumstances that "had" a significant effect on things within the scope of the audit or exam. However, extending that requirement to circumstances that "may have" an effect is too broad. Read that way, that might require the responding actuary to be able to discuss future scenarios of events.


We appreciate the opportunity to comment on the exposure draft for the proposed revisions to ASOP #21 and look forward to the revised standard.

Sincerely,

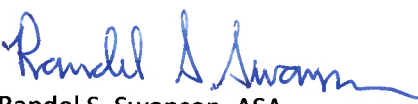
  
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