Comment #3 – 9/30/15 – 8:17 p.m.

How do ASOP 21 and Precept 13 interact? Suppose a regulatory actuary sees what he/she perceives as a potential violation of Actuarial Standards at a time between formal financial examinations. If the prior exam exposed issues, then attention to actuarial reports may be part of a routine follow-up. Does ASOP 21 formalize the interaction between the reviewing and responding actuary? If it does, then it sounds like the reviewing actuary should work with an examiner, determine a scope and time frame, document the scope and coordination with the examiner, document the proposed timeframe, proceed according to the plan, then document the results.

If the responding actuary's assumptions are provided by others, for example supplied by the principals, does the responding actuary have any obligation to show, when questioned by the reviewing actuary, that the assumptions are reasonable? Is affirmation by the principal that the assumptions are reasonable sufficient justification? Suppose for example, that the assumption provided by the principal is that the probability that a fully vested 70 year old physician who has been with a carrier for 9 years has a XX% or more chance of moving to another insurance company rather than accessing the "free tail".

What if the trend or interest rate chosen by the principal is not consistent with industry publications?

Is actuarial judgement a sufficient reason, or is it possible to insist on some quantification?

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