

Comment #17 – 12/30/15 – 1:49 p.m.

Over the last decade or so, I've noticed that it has become more common for accounting firms and state Departments of Insurance to use consultants as the reviewing actuary of the audit or examination team. This increase in the use of reviewing actuaries is a good reason to update ASOP 21.

However, the updated ASOP does not appear to address the following hypothetical:
Consider an actuary who is employed by the XYZ Consulting firm. XYZ Consulting is retained by an auditor or state Department of Insurance as the reviewing actuary during an audit/examination of ABC Insurance.

At some point soon after the audit or examination is completed, XYZ Consulting bids to perform the year-end reserve review for ABC Insurance, replacing the actuary who was the responding actuary during the audit or examination.

Is XYZ Consulting violating any ASOP by bidding for this job? Probably not.

Is XYZ Consulting violating the Code of Conduct by bidding for this job? Well, there is the Precept 9 which deals with confidentiality. Even if XYZ Consulting does not directly use the information in the current actuary's (confidential) actuarial report in their bid, the reviewing actuary cannot take an amnesiac and forget what he/she has learned during the audit/examination. There is also Precept 7 which deals with conflicts of interest. Is XYZ Consulting more likely to criticize the work of the current actuary, if they know they will be bidding for ABC Insurance's business? Perhaps other Precepts in the Code of Conduct may apply as well.

In any case, I think XYZ Consulting's actions in this hypothetical situation are at least unseemly. I think ASOP 21 should offer some advice or commentary on these hypothetical situations.

(Section 3.5.6 of the updated ASOP 21 does discuss "Confidentiality" -- but not necessarily as it relates to this hypothetical situation.)

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