

Comment #11 – 12/23/15 – 5:43 p.m.

Date: December 23, 2015

To: The Actuarial Standards Board

From: Gordon Hay, MAAA, FCAS(Senior Casualty Actuarial Examiner) and Rhonda Ahrens, MAAA, FSA(Life and Health Actuarial Examiner), State of Nebraska Department of Insurance, Examination Division

RE: Comments on Exposure of ASOP 21 Revisions

After reviewing the exposed revisions to ASOP 21, we are concerned that certain modifications being suggested for the ASOP will make it more difficult for examining actuaries to obtain requested information that they have determined is necessary to complete the actuarial procedures for an examination. We also feel that the exposed revision, hopefully in error and not intentionally, indicates that the responding actuary plays a role in determining the scope of an examination. Finally, with respect to documentation guidance in the revision, we believe that references to ASOP 41 are not accurately represented.

Rather than providing a red-lined version of the exposed revision, we are providing our suggested wording for certain sections and subsections of the exposed revision. We have included introductory comments or editorial comments in the margin to help explain the intention of our proposed changes to the exposed revision.

With respect to Section 3.1 Scope and Planning for a Financial Audit, Financial Review, or Financial Examination, the opening statement indicates that the **reviewing actuary** is responsible for both scope and planning. We feel that 3.1.1 correctly directs the **reviewing actuary** regarding the scope, however, we feel there should be another subparagraph besides 3.1.1 and 3.1.2 that directs the **reviewing actuary** regarding the planning. This possible new subparagraph might read:

“The **reviewing actuary** should plan actuarial procedures consistent with the scope of the **financial audit, financial review, or financial examination**. These procedures should be provided to and discussed with the **auditor or examiner** prior to performing the procedures.”

With respect to Section 3.5 Requests for Information, we are concerned that the revisions give the **responding actuary** influence over the scope of the examination. The **responding actuary** should not play a role in determining the scope of an examination, nor should the **responding actuary** determine what is necessary for the **examining actuary** to complete their requirements under the **financial audit, financial review or financial examination**. In addition, we feel that it would not be a waste of words or space to further clarify the steps that should be taken by the **reviewing actuary** in requesting information. Therefore, we suggest that the detail and format of 3.5.1 should be consistent with that of 3.5.2. The following is the suggested wording we would use in Section 3.5:

“3.5 Requests for Information – The **reviewing actuary** and the **responding actuary** should cooperate in the compilation of the information requested to complete the **financial audit, financial review** or **financial examination**. Information requests may be made to the **responding actuary** by the **auditor** or any **examiner**, including the **reviewing actuary**.

3.5.1 Information Request Communication – In requesting information necessary to complete the **financial audit, financial review** or **financial examination**, the **reviewing actuary** should:

- a. Determine the minimum amount of information that is needed by the **reviewing actuary** in order to perform the actuarial procedures. The **reviewing actuary** should consider whether all of the information being requested is within the scope of the **financial audit, financial review, or financial examination**;
- b. Communicate the information request in writing to the **reviewing actuary**, either directly or through another **examiner**;
- c. Include the time frame within which the information is expected in order to complete the actuarial procedures according to any target completion dates for the **financial audit, financial review** or **financial examination**;
- d. Work with the **responding actuary** to determine whether the requested information can be made available in the desired time frame or whether there are conflicts that can be worked around so the appropriate information will be received;
- e. Work with the **responding actuary** to determine whether suggestions for alternative information would meet the needs of the **reviewing actuary**.

3.5.2 Responding to Requests for Information – In responding to requests for information, the **responding actuary** should be appropriately responsive to the auditor’s or examiner’s reasonable requests for other relevant information such as data, analyses, and sample calculations. In responding to the requestor, the **responding actuary** should:

- a. Consider the extent to which the information requested is readily available;
- b. Consider whether, if the information requested is not readily available, what other information is available or reasonably can be produced within the requested timeframe to meet the requestor’s needs;
- c. Work with the requestor to determine whether the requested information can be made available in the desired time frame or whether there are conflicts that can be worked around so the appropriate information will be provided in time for the **reviewing actuary** to complete examination procedures according to any target completion dates for the **financial audit, financial review** or **financial examination**;

Comment [RA1]: Maintain the language from 3.1 of the current ASOP

Comment [RA2]: Leave out 3.5.2.c. from the revision that states the responding actuary should consider “whether the information requested is within scope of the audit, review, or examination. Instead, focus on working with the reviewing actuary or requestor to determine whether there is something different or better they could provide to help with the examination.

- d. Work with the requestor to determine whether suggestions for alternative information would meet the needs of the **reviewing actuary**.
- e. Provide written documentation to the requestor describing how the information provided is expected by the **responding actuary** to meet the requestor's needs.

Comment [RA3]: Leave out "to the extent practicable." Working with the requestor on the response should not be a choice.

Comment [RA4]: Reiterated in more detail by Section 3.5.4 – consider whether to reference 3.5.4 here or to simply expect it to be obvious when the user of this ASOP applies this item and 3.5.4. In communicating the request back to the reviewing actuary, documentation of what is being provided would help prevent the reviewing actuary from needing to obtain clarification before proceeding with their review of the information.

With respect to Section 3.6.2 Documentation by the Responding Actuary, we feel that the **responding actuary** should retain documentation rather than considering to do so. Therefore, we suggest replacing "should consider retaining documentation" with "should retain appropriate documentation."

With respect to Section 4. Communications and Disclosures, of the exposed revision, in reviewing the scope section of ASOP 41, the revision incorrectly applies ASOP 41 to "information." The scope of ASOP 41 includes this statement, "This standard applies to actuaries issuing actuarial communications within any practice area. This standard does not apply to communications that do not include an actuarial opinion or other actuarial findings." We suggest revising the opening of paragraph 4.1 to:

"Both the **reviewing actuary** and the **responding actuary** should comply with ASOP No. 41, *Actuarial Communications*, when communicating actuarial opinions and actuarial findings. The **reviewing actuary** and the **responding actuary** should include the following, as applicable, in their actuarial communications."