Dear ASB Members:

First, thank you for the opportunity to comment on the Proposed Actuarial Standard of Practice (“ASOP”), Setting Assumptions. The comments herein are mine alone.

Second, overall, I believe that the language and structure of the proposed ASOP is much improved over the First Exposure Draft and I commend all who labored to make it so.

Third, my comments are generally at an overview level and highlight certain Sections of the proposed ASOP, followed by my responses shown in italics:

1. Sections 1.2, 3.4, 3.5 and 3.6: Each of these Sections reference that the proposed ASOP is generally applicable only to “... assumptions for which the actuary is taking responsibility...”.

   I am concerned that this refinement to the language of this proposed ASOP, together with the removal of any requirement to consider the “reasonableness of results”, could potentially create a risk factor for the actuarial profession.

   For example, while Section 4.2 - Additional Disclosures may be intended to address my concerns, it seems to me that an actuary could appear to meet the requirements of this proposed ASOP even where the overall results of the actuarial services being provided produce results that are unreasonable. For example, in the event there were “prescribed assumptions set by law or another party” that are clearly inconsistent with what the actuary feels to be appropriate and the proposed ASOP does not allow for either adjusting the “assumptions for which the actuary is responsible”, nor does this proposed ASOP appear to require disclosing this fact, I would like to be believe that that the actuary would still be required to communicate that the actuary believes those “prescribed assumptions” and/or the resultant results may be unreasonable.
If it is intended that the concern raised here is believed by the ASB to be covered by other ASOPs (e.g. ASOP No. 41 – Actuarial Communications), then I still would request that this proposed ASOP be more explicit on how to handle the situation where an actuary feels that the use of a prescribed assumption that the actuary deems to not be reasonable or the results produced by its use to not be reasonable. I believe this proposed ASOP should be unequivocally clear that an actuary cannot be deemed to meet the requirements of this proposed ASOP by opining ONLY on the “assumptions for which the actuary is responsible”.

2. Section 3.9 - Reliance on Assumptions Set by Another Actuary—The actuary may rely on assumptions set by another actuary. However, the relying actuary should be reasonably satisfied that the other actuary’s assumption setting was performed in accordance with the appropriate ASOPs and is appropriate for the assignment.

It is not clear to me how any actuary, absent having access to the other actuary’s workpapers and documentation, could be “reasonably satisfied”. Thus, I would suggest that requirement to be “reasonably satisfied” be clarified or some other wording be used.

Finally, thank you again for the opportunity to comment and for your consideration.

Yours truly,

Robert C. North, Jr.