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This email presents my comments on the proposed revision of ASOP 41 that was approved for Exposure by the ASB June 2022. I emphasize that my comments are personal and do not necessarily reflect the views of my employer or of any of the actuarial organizations of which I am a member. I am an enrolled actuary, a Fellow of the Institute of Actuaries (UK), a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries.

Section 1.4 provides an effective date of 4 months after adoption. This is an unreasonably short deadline. Actuaries who provide reports to the sponsors of defined benefit retirement plans often provide reports for several different plans with different plan years and different valuation dates. Such actuaries should be allowed to delay compliance until at least 12 months after the adoption by the ASB. The ASB should also allow early adoption of any standard, provided the actuary clearly indicates in any statement of actuarial opinion (SAO) if an SAO reflects early adoption of an ASOP with a later effective date.

Section 3.1.3 requires issuance of each actuarial communication within a “reasonable time period.” It provides no definition of reasonable time period. What is reasonable to the actuary might not be reasonable to the principal who has engaged the actuary. I suggest replacing “reasonable time period” with “before the communication ceases to be useful for at least one intended user.”

Section 3.2 allows the actuary when issuing an oral communication to delay compliance with rules on the form, content, clarity, timing, identity of the responsible actuary, uncertainty and risk, and interim communications. Given currently available technology, that can readily supplement any actuarial communication by any media, I fail to see any justification for denying actuaries who issue written SAOs the same delay as actuaries who issue oral SAOs. If the ASB believes special circumstances regarding oral SAOs justify such different treatment, then it should (a) establish a clear deadline by which an actuary issuing an oral SAO must comply with Section 4 of each ASOP that covers the SAO and (b) allow a similar delay of deadline for full compliance by actuaries who issue an SAO in a format that is not entirely oral.

There are eight types of assumptions:

- 1 Assumptions prescribed by law that have a significant effect on the measurement.
- 2 Other assumptions prescribed by law.
- 3 Assumptions chosen by the actuary that have a significant effect on the measurement.
- 4 Other assumptions chosen by the actuary.
- 5 Assumptions the actuary advises someone who is not an actuary to select that have a significant effect on the measurement.
- 6 Other assumptions the actuary advises someone who is not an actuary to select.
- 7 Assumptions someone who is not an actuary selects without the advice of an actuary that have a significant effect on the measurement.
- 8 Other assumptions someone who is not an actuary selects without the advice of an actuary.

Section 3.3.3 opens by requiring the actuary to identify the party responsible for assumptions of the type 1, 3, 5, and 7. Section 3.3.3 b appears to require the actuary to identify the party responsible for assumptions of the type 5, 6, 7, and 8. If the intent is to provide clear information on who selected all assumptions, then the word “material” should be deleted from 3.3.3. If the intent is to provide clear information on only “material assumptions” then 3.3.3b is overkill. If the goal is to clarify who selected each assumption, then 3.3.3 should clearly require that, rather than, as proposed, requiring clarity for material assumptions, and leaving the opportunity for vagueness in other assumptions. In particular, it is a disservice to users of actuarial services to have a default interpretation that the actuary who signs an SAO chose assumptions that are neither significant nor prescribed by law if that actuary has no authority to choose any assumption for the SAO.

Current USQS establish standards an actuary must satisfy to issue a statement of actuarial opinion (SAO), which is a communication based, at least in part, on actuarial science, on which the actuary expects the user to rely. Sections 3.1, 3.3, 4.1, and 4.2 set out definitions and rules to distinguish any

actuarial communication from an actuarial report. They are worse than useless, since they expand the opportunity for disputes as to when and how a series of actuarial communications becomes a report (if it ever does) and what retroactive measures the actuary should take to achieve “report type” compliance for the pieces that originally went out as actuarial communications that were not (parts of) a report. Inevitably, this will lead to a significant increase in complaints to the ABCD and costly litigation on the issuance of material that was not considered a (part of a) report when it went out, but later becomes (part of) a report.

Section 3.3 includes the criterion ‘will have a material effect on the intended user’ as a requirement for a communication to be treated as a report. This criterion has no merit and should be eliminated. None of the USQS requirements include anything that will reasonably ensure that an actuary can determine if a communication will have a material effect on any user. My primary area of actuarial practice is defined benefit retirement plans. I can issue an SAO providing required minimum contributions for a pension plan. I have no way to determine before issuing the SAO if the size will have a material effect on the intended user. Even during or after issuing the SAO, I have little opportunity to determine if it will have a material effect. A zero required minimum contribution could have no effect on the user, or it could have a significant effect since it would allow the user to redirect for other purposes cash previously intended as contributions to a DB plan. The material effect criterion is a bad idea whose time will never arrive.

So long as US Actuaries must comply with the ASOPs then actuaries and the publics they serve deserve an efficient ASOP structure. Except for ASOP 1 and ASOP 41, all ASOPs have a Section 4 on Communications and Disclosures. Efficiency requires that rules on communications and disclosures should appear in one place. Either Each ASOP (except ASOP 1 and ASOP 41) should have a Section 4 that covers all rules on communications and disclosures appropriate to that ASOP, or all rules on communications and disclosures should appear only in ASOP 41, with the current contents of Section 4 of every ASOP (Except ASOP 1 and ASOP 41) declared no longer valid. No actuary should have to ensure compliance with both ASOP 41 and Section 4 of another ASOP, with the requirement to determine (a) if there are any contradictions between the two, (b) how to handle the contradictions, and (c) how to disclose ones handling of the contradictions.

Best Wishes
Jan Harrington