

**Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice No. 41**

**Comment Deadline: November 1, 2022**

Instructions: Please review the exposure draft, and give the ASB the benefit of your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: <http://www.actuarialstandardsboard.org/email/2020/ASB-Comment-Template-Sample.docx>

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to [comments@actuary.org](mailto:comments@actuary.org) and include the phrase ‘ASB COMMENTS’ in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system’s spam filter.

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted to the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

**I. Identification:**

Name of Commentator / Company
Bill Wilton

**II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.**

Question No.	Commentator Response
1	No. I think the prior definitions were clearer. See Specific Comment on 2.4 If a distinction is desired between Actuarial Document and Actuarial Documentation, maybe having both definitions would assist the drafters in conveying their intent. As an example, 3.3 states that when an actuarial report comprises multiple documents..., but the definition for Actuarial Report defines a set of recorded actuarial communications.
2	No, positive disclosure should not be required. Not all assumptions need to be disclosed, nor a thumbs up or down on every assumption that may comprise an actuarial report. For example, if the report includes a reference to a company appraisal, should every assumption be disclosed with commentary. Isn’t knowing the assumption sufficient to allow the principal to make their own judgement?

**III. Specific Recommendations:**

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
2.1	Actuarial Communication—A written, electronic, or oral communication issued by an actuary with respect to actuarial services. <del>An electronic communication is a written or oral communication transmitted by means of a computer or other electronic device.</del>	Definitions should not be within definitions. Just Like “Oral Communication” is defined separately, if deemed a necessary definition, “Electronic Communication” should also be a separate definition. Personally, I think “Meriam-Webster” or other physical or online dictionary is sufficient. The definition of “electronic communication” may soon become, or already is, insufficient and need updating.
2.2	Actuarial Documentation—The documents (for example, workpapers, spreadsheets, text	Definitions should be definitions. These extra phrases add nothing other than questioning the intelligence of the Actuarial Profession.

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	<p>messages, emails, presentations) that the actuary determines to be relevant to specific actuarial findings. <del>Such documentation may include documents that are not part of an actuarial report.</del></p>	
2.4	<p>Actuarial Report—A <del>report that set of one or more recorded actuarial communications</del> that the actuary issues as a report and makes available to an intended user to support actuarial findings. <u>The report may include, directly or by reference, a set of A recorded actuarial communications.</u> <del>is a communication issued in writing or another permanent form for later reference.</del></p>	<p>The definition as contained in the exposure does not add clarity only adds additional confusion. An Actuarial Report is a set of one or more actuarial communications that the actuary issues as a report??? The report is the report and actuarial communications are component pieces of the report. Since some of these communications may have been previously provided it is not clear they are the report unless referenced in the “singular” report as opposed to the set of actuarial communications. From my perspective, the definition in the current ASOP is better than that proposed in the exposure.</p>
2.5	<p>Actuarial Services—Professional services provided to a principal by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations. <del>Such services do not include any other services provided to a principal.</del></p>	<p>First, ASOPs should not have different definitions, let alone something as fundamental as the definition in ASOP 1!</p> <p>Second, definitions should not define what it is not. Examples just weaken the definition since what the definition is not is limitless.</p>
3.1.5	<p>Uncertainty or Risk— The actuary should include, as appropriate to the particular circumstances and taking into account the intended user, <del>findings cautions</del> regarding possible uncertainty or risk, if any, associated with the actuarial findings.</p>	<p>“Cautions” is a biased term. (Hopefully this comment letter now counts for our specific hour of bias continuing ed.) Seriously, the actuary’s role and responsibility is to inform and educate as to uncertainty and risk, not to infuse caution.</p>
3.2	<p>Oral Communications—When communicating orally <del>issuing an oral communication</del>, the actuary may comply with the requirements of section 3.1 subsequent to <del>issuing</del> the oral communication.</p>	<p>The terminology of “issuing” an oral communication does not appear to be consistent with the definition of “communication” – the exchange of thought, messages or information. Unless you are talking to a wall, communicating is generally between parties and therefore not issued by an individual.</p>
3.4	<p><del>Requirements for an</del> Actuarial Report—The actuary should issue an actuarial report when, in the actuary’s professional judgment, the actuarial findings will be relied upon</p>	<p>In my view the addition of “Requirements for an” is inappropriate. They are not requirements! They are guidance for items the actuary “<b>should</b>” consider including in the Actuarial Report. If they were required, wouldn’t “must disclose” be used? It appears there is bias on the part of the drafters</p>

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	<p>by the intended user and will have a material effect for the intended user. Where an actuarial report comprises multiple documents, the actuary should communicate to the intended user which documents comprise the report.</p>	<p>expanding the purpose of the ASOPs as something other than professional guidance.</p>
3.3.3	<p>Responsibility for Assumptions and Methods—<del>An actuarial report should identify the party responsible for each material assumption and method that the actuary has not selected. Where the actuarial report is silent about such responsibility,</del> Unless otherwise disclosed, the actuary who issued the actuarial report will be assumed to have taken responsibility for <del>that</del> assumptions and methods. <u>If the actuary is not taking responsibility for an assumption or method, the source should be identified.</u> The actuary’s obligation when identifying the other party who selected the assumption or method depends on the following:</p>	<p>I think it is better to state the primary responsibility first, the actuary who issued the report.</p>
3.3.3a.	<p>If <del>an</del> the assumption or method is specified by applicable law, the actuary should include the disclosures identified in Section 4. <del>the following within the actuarial report:</del></p> <ol style="list-style-type: none"> <li><del>1. the applicable law under which the report was prepared;</del></li> <li><del>2. the assumptions or methods that are prescribed by the applicable law; and</del></li> <li><del>3. that the report was prepared in accordance with the applicable law.</del></li> </ol> <p><del>These disclosures should be made whether or not the actuary believes the assumption or method is reasonable for the purpose of the actuarial report.</del></p>	<p>This section mixes multiple concepts and is confusing. This item talks about assumption and methods specified by applicable law and then jumps to stating the entire report was prepared in accordance with applicable law. Do assumptions or methods prescribed only appear in reports required by law? I do not believe this is universally true.</p> <p>Secondly, these items are more disclosure related.</p> <p>Third, was it the intention to require disclosure of all assumptions that are prescribed or just material assumptions?</p>
3.3.3b.	<p><del>In all other situations, the actuary is responsible for all assumptions and</del></p>	<p>This new section should not be adopted.</p>

	<p><del>methods utilized in the preparation of an actuarial report unless the actuary discloses the following within the actuarial report:</del></p> <ol style="list-style-type: none"><li><del>1. the assumption or method that was selected by another party;</del></li><li><del>2. the party who selected the assumption or method;</del></li><li><del>3. the reason that this party, rather than the actuary, has selected the assumption or method;</del></li><li><del>4. the extent to which the actuary has reviewed the assumption or method for general reasonability; and</del></li><li><del>5. one of the following:</del><ol style="list-style-type: none"><li><del>i. that the assumption or method does not significantly conflict with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment;</del></li><li><del>ii. that the assumption or method significantly conflicts with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment;</del></li><li><del>iii. that the actuary was unable to judge the reasonableness of the assumption or method without performing a substantial amount of additional work beyond the scope of the assignment, and did not do so; or</del></li><li><del>iv. that the actuary was unable to judge the reasonableness of the assumption or method because the actuary was not qualified to do so.</del></li></ol></li></ol> <p>If a material assumption or method is selected by another party, the actuary has three choices:</p> <ol style="list-style-type: none"><li>1. If the assumption or method does not conflict significantly with</li></ol>	
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	<p>what, in the actuary’s professional judgment, would be reasonable for the purpose of the assignment, the actuary has no disclosure obligation;</p> <p>2. If the assumption or method significantly conflicts with what, in the actuary’s professional judgment, would be reasonable for the purpose of the assignment, the actuary must disclose that fact and the additional information specified in section 4.3; and</p> <p>3. If the actuary has been unable to judge the reasonableness of the assumption or method without performing a substantial amount of additional work beyond the scope of the assignment, or if the actuary was not qualified to judge the reasonableness of the assumption, the actuary should disclose that fact as specified in section 4.3.</p> <p>c. In all other situations, the actuary is responsible for all assumptions and methods utilized in the preparation of a communication unless the actuary discloses otherwise within the communication by including the disclosures identified in section 4.4.</p>	
<p>3.3.4</p>	<p>Information Date—The actuary should disclose the date(s) through which data or other information has been considered in developing the findings included in the actuarial report. <del>Where the actuarial report is silent about the information date, the information date will be assumed to be the date of the actuarial report</del></p>	<p>The addition of the last sentence has no meaning unless the intended user is an actuary familiar with ASOP 41. If the report is not clear, then it is the responsibility of the intended user to inquire.</p>
<p>3.4</p>	<p>Communication of Material Differences—If an actuarial communication contains a materially different actuarial finding from a prior actuarial communication issued by the same actuary on the same topic, the actuary should communicate the change <del>to</del> <b>the</b></p>	<p>It may not be appropriate to communicate with the recipient of the prior communication. That recipient may have changed responsibilities either within or external to the organization. As a profession, the actuary should use their judgement as to what is appropriate.</p>

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	<p><del>recipient(s) of the prior actuarial communication.</del></p>	<p>In fact, this requirement would be inconsistent with 3.5 <u>“Nothing in this standard creates an obligation for the actuary to communicate with any person other than the intended users.”</u></p>
<p>4.1</p>	<p><del>Required</del> Disclosures in any Actuarial Communication—The actuary should include in any actuarial communication the following disclosures, if applicable:</p> <ul style="list-style-type: none"> <li>a. identification of the responsible actuary (see section 3.1.4);</li> <li>b. <del>cautions</del> <u>discussion</u> about uncertainty or risk (see section 3.1.5); and</li> <li>c. reliance on other sources (see section 3.6).</li> </ul> <p>When issuing an oral communication, the disclosures <u>recommended</u> <del>required</del> by this section 4.1 may be met in a subsequent communication (see section 3.2).</p>	<p>ASOPs provides guidance not requirements. Delete “Required.” If applicable and appropriate the disclosures <u>should, not must,</u> be made.</p> <p>Again, “cautions” is a biased term. A different verb should be used.</p>
<p>4.2</p>	<p><del>Required</del> Disclosures in an Actuarial Report—In addition to the <u>disclosures requirements</u> in section 4.1, when issuing an actuarial report to which this standard applies, the actuary should disclose the following, if applicable:</p> <ul style="list-style-type: none"> <li>a. the scope and intended purpose of the engagement or assignment;</li> <li>b. the intended users of the actuarial report;</li> <li>c. any limitations or constraints on the use or applicability of the actuarial findings contained within the actuarial report;</li> <li>d. the acknowledgement of qualification as specified in the U.S. Qualification Standards;</li> <li>e. the <del>recorded</del> actuarial communications comprising the actuarial report (see section 3.3);</li> <li>f. the actuarial findings and identification of the methods, procedures, assumptions, and data (see section 3.3.1);</li> </ul>	<p>ASOPs provides guidance not requirements. Delete “Required” and “requirements”. If applicable and appropriate the disclosures <u>should, not must,</u> be made.</p> <p>I am not a fan of the term “recorded” and believe it should be eliminated.</p>

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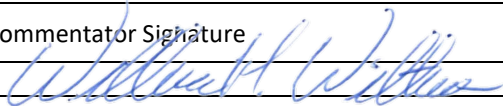
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	<p>g. conflict of interest (see section 3.3.2);  h. any material assumption or method prescribed by applicable law (see section 3.3.3[a]);  i. any material assumption or method selected by a party other than the actuary (see section 3.3.3[b]);  j. information date (see section 3.3.4); and  k. subsequent events (see section 3.3.5).</p> <p>The disclosures <del>identified</del> <del>required</del> by this section 4.2 may be limited as set forth in section 3.3.6, Limitations of Content of an Actuarial Report. Note that other ASOPs that apply to a particular assignment may have additional disclosures <del>requirements</del> that should also be followed.</p>	

**IV. General Recommendations (If Any):**

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>I am not convinced that this exposure is better than the current version of ASOP 41.</p> <p>I think the drafters have lost sight of the guidance that ASOPs are intended to provide and are trying to inappropriately turn the ASOP into required tasks and documentation the actuary has to perform in all circumstances regardless of context and does not provide the actuary with the ability to use their professional judgement. Going back to ASOP 1, isn't this the whole purpose between "must" and "should", realizing that all communication is not the same?</p>	

**V. Signature:**

Commentator Signature	Date
	October 25, 2022