

Title of Exposure Draft: Actuarial Communications (ASOP 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 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
Daniel Lyons, FCAS, MAAA / Retired

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

Question No.	Commentator Response
1. Are the distinctions among actuarial communications, actuarial reports, and actuarial documentation clear?	Yes, these seem clear.
2. Section 3.3.3(b) introduces a proposed new "positive" disclosure requirement for an assumption or method not selected by the actuary that does not significantly conflict with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment. This would supplement the current "negative" disclosure requirement for an assumption or method that does significantly conflict. Is "significantly conflict" the appropriate disclosure language, as opposed to "reasonable"/"unreasonable" or some other terminology?	<p>Section 3.3.3(b) 5</p> <ul style="list-style-type: none">i. uses "does not significantly conflict",ii. uses "significantly conflicts", andiii. and iv. use "reasonableness" <p>so the standard changes over the four options.</p> <p>As used in 5i. "does not significantly conflict" seems to mean the actuary is acknowledging some concern about the assumption or method but not enough to call it unreasonable. Or perhaps the assumption or method is not the actuary's first choice but he or she can live with it.</p> <p>In 5ii. I think you could use "unreasonable" without changing when actuaries would select this option. This would tilt this section back to a "reasonable / unreasonable" standard.</p> <p>I would suggest retaining the current proposed 5i. language. You could try to use some variation of "not unreasonable" but then you will get into discussions along the lines of is "not unreasonable" the same as "reasonable"? (And you are already using "reasonable" later on in the sentence when the actuary is assessing the purpose of the assignment.)</p>

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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)
2.2	Actuarial Documentation—The documents (for example, workpapers, spreadsheets, <u>computer code</u> , <u>memos</u> , text messages, emails, presentations) that the actuary determines to be relevant ...	I suggest adding these additional items.
2.3	Actuarial Finding—The advice, recommendations, findings <u>observations, commentary</u> , or opinions resulting from actuarial services.	To define a Finding as a finding is circular. I suggest removing finding from the definition.
2.4	... A recorded actuarial communication is a communication <u>one</u> issued in writing or another permanent form for later reference.	I think this is cleaner. (A recorded actuarial communication is an <i>actuarial</i> communication.)
2.5	Such services include the rendering of advice, recommendations, findings <u>observations, commentary</u> , or opinions based upon actuarial considerations	Remove “findings” to be consistent with the suggested change in §2.3.
3.3	Requirements for an Actuarial Report—The actuary should issue an actuarial report when, in the actuary’s professional judgment, the <u>actuary reasonably believes the</u> actuarial findings will be <u>both</u> relied upon by the intended user and will <u>be material. The actuary should evaluate materiality based on professional judgment.</u> 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.	I don’t know that the actuary will know for certain that the intended user will rely on the actuarial findings hence my recommendation to shift the burden to the actuary (hence “reasonably believes”). The same thinking underlies removing “material effect for the intended user”. The recommended addition (evaluating materiality based on professional judgment) comes from ASOP 43, §3.4. I suggest moving the last sentence with changes to §4.2, Required Disclosures.
3.3.3 b. 4	the extent to which the actuary has reviewed the assumption or method for general reasonability (<u>note, this includes the cumulative impact of such assumptions or methods</u>); and	If a number of individual assumptions are promulgated by another it may be possible that each one could be “generally reasonable” but the impact of all taken together is not (for instance individual age-to-age loss development factors). I suggest adding some language to impose some kind of check on this.
3.3.3 b. 5 ii	that the assumption or method significantly conflicts <u>is unreasonable</u> with what, in the actuary’s professional judgment, would be reasonable <u>appropriate</u> for the purpose of the assignment;	See my response to ASB question 2 above.
3.3.6 b.	actuarial findings provided to a more senior actuary <u>or intended user in an organization</u> who has actuarial knowledge about the topic and has adequate knowledge of the context and basis of the findings;	I suggest adding “intended user” here because some actuaries have productive working relationships with underwriters who are very knowledgeable about actuarial matters. And I don’t think reference to an “organization” is needed here.

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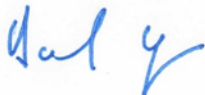
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Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
3.4	Communication of Material Differences—If an actuarial communication contains 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 to the recipient(s) <u>intended users</u> of the prior actuarial communication. <u>If the prior or current actuarial communication is a recorded actuarial communication the communication of material differences should be recorded as well.</u>	There may be many recipients of an actuarial communication so I suggest restricting the list to the intended recipients. And if the communications are in writing then the material differences communication should be in writing as well.
4.2	I. [a new item in the list] <u>Where</u> an actuarial report comprises multiple documents, the actuary should <u>include all such documents or incorporate them by reference.</u> communicate to the intended user which documents comprise the report.	The text to the left to be changed comes from the last sentence of §3.3.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
3.3.3 a.	This section deals with assumptions or methods specified by law. While it does not preclude additional disclosure if the actuary thinks the promulgated assumptions or methods are unreasonable the section does not mention the option of additional disclosures. If unreasonable assumption X was selected by another party it would be subject to disclosure – if the same assumption was specified by law it would not be subject to disclosure. The drafting committee may wish to consider additional guidance in cases where the actuary feels such promulgated assumptions or methods may be inappropriate.

V. Signature:

Commentator Signature	Date
	October 26, 2022