

Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice (ASOP) 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 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
Nathanael Schatz, ASA, MAAA Michael Brunner, FSA, MAAA Matthew Hinton, FSA, MAAA Shereen Jensen, FSA, MAAA Melissa Fredericks, FSA, MAAA

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

Question No.	Commentator Response
1	Distinctions among actuarial communications, actuarial reports, and actuarial documentation are not clear. See our Specific Recommendations below for more details. Responses pertaining to this issue of distinction have been marked with an asterisk (*) symbol.
2	No response on positive disclosure at 3.3.3(b)

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)
2.4*	Add <i>"All Actuarial Reports are Actuarial Communications and are therefore subject to all requirements in this ASOP."</i>	Adds more clarity that an actuarial report is an actuarial communication.
2.5	Replace "other" with "non-actuarial" in the last sentence and add "or services provided when individual is not acting in an actuarial capacity" at the end of the same sentence. <i>"Such services do not include any non-actuarial services provided to a principal or services provided when individual is not acting in an actuarial capacity."</i>	The word "other" isn't clear.
2.6	Add at the end of the definition: <i>"Intended Users include stakeholders that are identified by the Principal as a user of the Actuarial Communication and have a material financial interest in the results of the Actuarial Communication."</i>	It is important to note that other stakeholders (in addition to the Principal) should be provided certain Actuarial Communications. For example, in Medicaid rate development, the Principal is usually the State agency commissioning rates. CMS and the participating MCOs have a material financial stake in

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		the results and need sufficient documentation in Actuarial Communications to make material policy and business decisions.
3.1.1	Amend with: <i>"..intended users and the most appropriate format (i.e. spreadsheet, memorandum, presentation) for the information provided."</i>	Adds clarity on what types of information should be provided to intended users and what formats are appropriate, this ties in with sections 3.3.1 and 3.7 on clarity and documentation. There are situations where Excel spreadsheets are more useful to the intended user than a pdf report and should be included as part of the Actuarial Communication.
3.1.2	Add "needs of the" before "intended users." at the end of the current definitions. <i>"taking into account the <u>needs of the intended user</u>"</i>	Ensures stakeholders, with reliance on actuarial communications and reports, have sufficient information to make material decisions.
3.1.3	Add: <i>"considering the needs of the Principal and intended users."</i>	Reports should be provided to the Principal and/or the intended users in a timely manner that meets submission deadlines, financial reporting deadlines, renewal dates and other hard deadlines.
3.2	Retain language from previous section 3.6: <i>"Where the actuary has a concern that the oral communication may be passed on to other parties, the actuary should consider following up with a written actuarial communication."</i>	This is an important sentence to retain in order to protect against an opinion expressed over the phone being later changed based on a misunderstanding.
3.3*	Additional clarification to be added around the requirements of actuarial reports at the end of the first paragraph: <i>"In addition to the requirements in section 3.1, the following requirements apply when an actuary issues an actuarial report"</i>	There needs to be a cohesive connection between actuarial reports and actuarial communications throughout the entire document. There are instances where this is made clear, for example the language found in section 4.2 and places where it feels disjointed (3.3).
3.3.2	Retain language from previous section 3.4.2: <i>"However, applicable financial disclosure is limited in accordance with Precept 6 of the Code of Professional Conduct to sources of material compensation that are known to, or are reasonably ascertainable by, the actuary."</i>	It is important to focus on the materiality of compensation that needs disclosed.
3.3.5	Add: <i>"If the actuary becomes aware of information that meets the definition of a subsequent event within a reasonable time period after the report is finalized, and this information would have a material impact on the principal or intended users, the actuary should consider informing the intended users of the information and its potential impact on the results."</i>	As a profession, we want to ensure that the Principal is aware of material impacts. For example, if I issued a report on Medicaid financial results that assumed the PHE would continue through the end of 2023 and the PHE ends 1 month following the report, this would have a material impact on the results. I'd want to consider informing the intended user of the potential for a material impact. (The intent isn't to redo the report or calculate the impact but to let the Principal know that the results or conclusions may change in a material way).
3.4-3.7*	Move to sub bullets 3.1.7-3.1.10 OR bullets 3.2-3.5 while moving Oral Communications to 3.6 and Requirements for an Actuarial Report to 3.7.	Since sections 3.4-3.7 apply to all actuarial communications, moving them to sub-bullets within section 3.1 and before oral communications and actuarial reports improves clarity.
3.7	Retain language from previous section 3.8: <i>"An actuary should consider retaining sufficient</i>	This sentence is very important to accurate work across the profession; lack of documentation can

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	<i>information for any recurring project so that another actuary could assume the assignment."</i>	cause numerous problems in the future due to turnover or projects being set aside for a time.
4.4	Change to: <i>"Nothing in this ASOP is intended to require the actuary to disclose confidential information; however, the actuary needs to disclose a sufficient level of information to the intended user to comply with section 3.3.1 of this ASOP."</i>	There can be conflicts between sections 3.3.1 and 4.4; however, confidentiality should not be used as an overarching cover for not disclosing sufficient clarity.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)

V. Signature:

Commentator Signature	Date
Nathanael Schatz, ASA, MAAA	10/31/2022
Michael Brunner, FSA, MAAA	10/31/2022
Matthew Hinton, FSA, MAAA	10/31/2022
Shereen Jensen, FSA, MAAA	10/31/2022
Melissa Fredericks, FSA, MAAA	10/31/2022