

Title of Exposure Draft: Proposed Revisions 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 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
Bruce Cadenhead / Mercer

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

Question No.	Commentator Response
1	<p>We believe that the distinctions among actuarial communications, actuarial reports, and actuarial documentation are clear. However, there appears to be some confusion within the actuarial community regarding what constitutes an actuarial communication. This confusion, in turn, raises questions about other proposed changes.</p> <p>The definition in the ASOP, which is taken from the Code of Professional Conduct, is simply "A written, electronic, or oral communication issued by an Actuary with respect to Actuarial Services." The meaning of the word "issued" may be ambiguous as it relates to this definition. The Cambridge Dictionary defines "issue" as "to produce or provide something official." Merriam Webster defines it as "to put forth or distribute, usually officially." The relevant definition in dictionary.com is "to put out; deliver for use, sale, etc.; put into circulation." These definitions are not entirely consistent with one another, and might allow for a broad interpretation. However, these definitions imply the release or provision of something formal, rather than something preliminary.</p> <p>Actuaries commonly interpret this definition as referring to something intended to be a statement of actuarial opinion (SAO) or a component of an SAO delivered to a principal or other intended user. This interpretation would exclude internal communications that are part of the process of developing the report or other communication ultimately provided to the principal or other intended user. In the process of preparing an actuarial communication, an actuary may utilize work provided by other actuaries. However, an actuary issuing an SAO ultimately takes responsibility for the entirety of that opinion (except where reliance on another party for some component is properly documented). Under this view, the work provided by one actuary to the actuary issuing the SAO is mere supporting material for the issuing actuary to consider and would generally not constitute an actuarial communication.</p>

The recent Academy webinar seems to call this view into question. Although the speakers didn't represent the views of the ASB, and the content didn't constitute official guidance, the webinar was nevertheless informative in that it reflected the views of individuals who are intimately familiar with the ASOP and the exposure draft. In particular, one of the speakers went through some examples of different types of communication that might constitute an actuarial communication. The first example – peer review comments on a coworker actuary's report – was identified by the speaker as an actuarial communication because it met three criteria. The first of these was "issued by an actuary." Based on the interpretation above, whether this communication was, in fact, "issued" is debatable. Peer review comments are generally not official issuances, but rather information for the receiving actuary to consider when issuing the report in question.

It may be out of scope to modify the definition of actuarial communication (as this term is also defined in the Code of Professional Conduct). However, if there is an opportunity to clarify this term then we would recommend something like "A written, electronic, or oral communication issued by an actuary to an intended user with respect to actuarial services. An electronic communication is a written or oral communication transmitted by means of a computer or other electronic device. An actuarial communication does not include internal communications that are not intended to be part of an actuarial communication delivered to an intended user."

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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)
3.3.6	<p>Limitation of Content of an Actuarial Report—The content of an actuarial report, or the need for an actuarial report, may be limited <u>with respect to certain actuarial communications. under certain circumstances.</u></p> <p>Examples of such <u>communications circumstances</u> include the following:</p> <p>a. actuarial <u>communications that are work that is</u> part of a larger project performed by a single organization, which will to be delivered in a consolidated report to the principal;</p> <p>b. actuarial findings provided to <u>an intended user a more senior actuary in an organization</u>, who has actuarial knowledge about the topic and has adequate knowledge of the context and basis of the findings, <u>as long as the “sufficient clarity” requirement described in 3.3.1. is met through this or related communications; and</u></p> <p>c. actuarial opinions based on actuarial knowledge or experience but not based on a substantial analysis; <u>and</u></p> <p>d. <u>participation in internal brainstorming sessions.</u></p>	<p>Section 3.3.6. identifies “certain circumstances” that allow for the content of an actuarial report to be limited or for no report to be issued. These certain circumstances are not defined or characterized, but only identified by examples. However, it appears that these circumstances must involve actuarial communications, or else no exception would be necessary. We suggest modifying the first sentence to make that clear.</p> <p>We believe that the examples can be modified to more clearly address specific categories of communications.</p> <p>Considering each of these examples in turn:</p> <p>a. Actuarial work that is part of a larger project within a single organization. Actuarial work is not a defined term, and so is ambiguous. We recommend clarifying by limiting this to actuarial communications (it goes without saying that actuarial work that does not constitute an actuarial communication does not require an actuarial report). Actuarial communications that do not comprise the entirety of the final deliverable to a principal or intended user, but which are a part of larger project performed by a single organization may not require the comprehensive documentation normally required of an actuarial report.</p> <p>b. Actuarial findings provided to a more senior actuary in an organization who has actuarial knowledge about the topic and has adequate knowledge of the context and basis of the findings. Using “a more senior actuary within the organization” as the sole example of this situation gives rise to some of the confusion over whether actuarial communications include internal communications between actuaries working on a project. To reduce this confusion, this example could be generalized to cover the situation by referring simply to an intended user of the</p>

		<p>communication who does not require the level of documentation normally required of an actuarial report. One concern, however, is how this fits with the “sufficient clarity” requirement of 3.3.1., which requires sufficient clarity that another actuary (not the intended user) qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary’s work. This concern would seem to limit this example to situations where additional documentation is available to supplement the findings that would help to meet the sufficient clarity requirement.</p> <p>c. Actuarial opinions based on actuarial knowledge or experience but not based on a substantial analysis. This example identifies the category and does not require further explanation</p> <p>d. Participation in internal brainstorming sessions. We struggle to see how this example would constitute an actuarial communication at all (except, perhaps, as a subset of c.). Without any explanation of why this might constitute an actuarial communication, we suggest deleting it.</p>
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IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
	November 1, 2022