

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

Comment Deadline: November 1, 2022

I. Identification:

Name of Commentator / Company
Erica Johnson, ASA, MAAA / AHCCCS (comments and suggestions are strictly mine, I am not speaking on behalf of AHCCCS)

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

Question No.	Commentator Response
1	The distinctions are mostly clear. Suggestions for revisions are included in the specific recommendations section.
2	Recommend using "materially conflict" instead. This would serve as a link to ASOP No. 1's definition of Materiality (2.6), including the sentence, "The guidance in ASOPS need not be applied to immaterial items." I feel materiality is a more appropriate basis for measurement (could influence a decision of an intended user) of what should be disclosed, whether a "positive" or "negative" disclosure

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)
1.2	<p>Replace "should" with "must" in the second sentence of the fourth paragraph and revise the second part of sentence to state "should comply".</p> <p>Applicable law (statutes, regulations, and other legally binding authority) may prescribe the form and content of a particular actuarial communication. In such situations, the actuary <i>must</i> comply with applicable law and <i>should comply</i> with the guidance in this standard to the extent not prohibited by applicable law.</p>	Is there an instance where an actuary could decide to not comply with applicable law in making an actuarial report? Actuaries must comply with applicable law. They should comply with ASOPs where not prohibited by applicable law.
2.1	<p>Remove definition for electronic communication from 2.1 and add as separate definition</p> <p><u>Actuarial Communication</u> -- A written, electronic, or oral communication issued by an actuary with respect to actuarial services. An electronic communication is a written or oral communication transmitted by means of a computer or other electronic device.</p>	<p>Oral communication has its own separate definition, it doesn't make sense to define electronic communication within the 2.1 definition.</p> <p>Since oral communication is defined separately, it ought to be bolded within this definition. If electronic communication is defined separately, it ought to also be bolded within this definition.</p>
2.3	<p>Replace "findings" with "conclusions" to avoid a self-circular definition</p> <p>2.3 <u>Actuarial Finding</u>—The advice, recommendations, <i>conclusions</i>, or opinions resulting from actuarial services.</p>	Avoid circular language in definitions.
2.4	<p>Add reference to actuarial documentation within actuarial report definition</p> <p><u>Actuarial Report</u>—A set of one or more recorded actuarial communications and/or actuarial</p>	2.2 includes the sentence "Such documentation may include documents that are not part of an actuarial report." which seems to indicate that some documents may be part of an actuarial report.

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	<p>documentation that the actuary issues as a report and makes available to an intended user to support actuarial findings. A recorded actuarial communication is a communication issued in writing or another permanent form for later reference.</p>	
2.x (2.6 & renumber later definitions)	<p>Add a separate definition for electronic communication</p> <p><u>Electronic Communication</u> -- An electronic communication is a written or oral communication transmitted by means of a computer or other electronic device.</p>	<p>Oral communication has a separate definition referenced in 2.1, but electronic communication is defined within 2.1.</p> <p>Either they should both be defined within 2.1, or they should both be defined separately. Written communication is clear without being defined separately.</p>
2.7	<p>Clarify whether oral communication made as an electronic communication should always be assumed to be recorded, or whether an oral communication can be assumed to be not recorded if there is no notification of recording.</p> <p>Either</p> <p>2.7 Oral Communication—An actuarial communication made orally that has not, to the knowledge of the actuary, been recorded or transcribed verbatim. Oral communications which are electronic communications should always be assumed to be recorded.</p> <p>Or</p> <p>2.7 Oral Communication—An actuarial communication made orally that has not, to the knowledge of the actuary, been recorded or transcribed verbatim. Oral communications which are electronic communications may or may not be recorded.</p>	<p>Defining electronic communication (whether as part of 2.1 or as its own separate definition) seems to introduce some ambiguity, since an electronic written communication is always recorded, but an electronic oral communication may or may not be recorded, depending on the system used to transmit the oral communication and the options selected within that system. For example, oral communications within an organization are often transmitted via computer (Teams, Zoom, Meets, etc) but not recorded.</p>
3.3.3.	<p>Revise 3.3.3. to include the italicized language below.</p> <p><u>Responsibility for Assumptions and Methods</u>—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 <i>another party's responsibility for any specific assumption or method</i>, the actuary who issued the actuarial report will be assumed to have taken responsibility for that assumption or method. The actuary's obligation when identifying the other party who selected the assumption or method depends on the following:</p>	<p>It is not clear in the subsections of 3.3.3. that an actuary can choose not to disclose a separate party's responsibility for assumptions and methods and accept responsibility for the assumption or method. Perhaps choosing not to disclose a separate party's responsibility for assumptions and methods and thereby accepting responsibility for such is inconsistent with the new "positive" disclosure requirement, in which case, I have concerns with the "positive" disclosure requirement, as it would appear to require disclosure of all assumptions and methods, not just material assumptions and methods, contrary to the final sentence in the definition of Materiality (2.6) in ASOP No. 1 ("The guidance in ASOPs need not be applied to immaterial items").</p>

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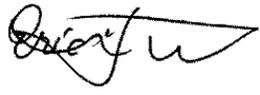
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<p>3.3.3.a.</p>	<p>Change “the” to “a material” before “assumption or method”, to reaffirm consistency with the first sentence of 3.3.3.</p> <p>a. If a <i>material</i> assumption or method is specified by applicable law, the actuary should include the following within the actuarial report:</p>	<p>An actuarial report should identify the party responsible for each material assumption and method that the actuary has not selected.</p> <p>In my interpretation of the above sentence, if applicable law prescribes a non-material assumption or method, an actuary can choose not to disclose and accept responsibility for the assumption or method.</p> <p>If my interpretation is incorrect, and all assumptions and methods prescribed by applicable law must be disclosed because they are not selected by the actuary (whether material or not), then the first paragraph of 3.3.3. should be modified to remove material, which would be inconsistent with the final sentence in the definition of materiality (2.6) in ASOP No. 1 (“The guidance in ASOPs need not be applied to immaterial items”).</p>

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>Further clarification within section 3.3.3. is warranted as it could be interpreted, in its current form, to be inconsistent with ASOP No. 1 by requiring that the proposed revision to ASOP No. 41 apply to both material and immaterial items.</p>	<p>I believe that based on the first sentence of 3.3.3, that the section is meant to address a universe of all <u>material</u> assumptions and methods which impact the actuarial findings addressed in the actuarial report, and 3.3.3.’s subsections should therefore only be referencing subsets of that universe. The current language, however, seems to expand that original universe to all assumptions and methods, not just material ones, as the section moves past the first sentence.</p>

V. Signature:

<p>Commentator Signature</p> <p> Recoverable Signature</p> <p>X </p> <hr/> <p>Signed by: erica.johnson</p>	<p>Date</p>
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