



**ACTUARIAL STANDARDS BOARD**

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**• SECOND EXPOSURE DRAFT •**

**Actuarial Standard  
of Practice  
No. 41**

**Actuarial Communications**

**Comment Deadline:  
March 31, 2010**

**Developed by the  
General Committee of the  
Actuarial Standards Board**

**Approved for Exposure by the  
Actuarial Standards Board  
December 2009**

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December 2009

**TO:** Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Actuarial Communications

**FROM:** Actuarial Standards Board (ASB)

**SUBJ:** Actuarial Standard of Practice (ASOP) No. 41

This document is a second exposure draft of a proposed revision of ASOP No. 41, *Actuarial Communications*.

Please review this second exposure draft and give the ASB the benefit of your comments and suggestions. Each written response and each response sent by e-mail to the address below will be acknowledged, and all responses will receive appropriate consideration by the drafting committee in preparing the final document for approval by the ASB.

The ASB accepts comments by either electronic or conventional mail. The preferred form is e-mail, as it eases the task of grouping comments by section. However, please feel free to use either form. If you wish to use e-mail, please send a message to **comments@actuary.org**. You may include your comments either in the body of the message or as an attachment prepared in any commonly used word processing format. **Please do not password protect any attachments.** Include the phrase “ASB COMMENTS” in the subject line of your message. Please note: Any message not containing this exact phrase in the subject line will be deleted by our system’s spam filter.

If you wish to use conventional mail, please send comments to the following address:

ASOP No. 41 Revision  
Actuarial Standards Board  
1850 M Street, Suite 300  
Washington, DC 20036-4601

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Unsigned or anonymous comments will not be considered by the ASB nor posted to the website. The comments will not be edited, amended, or truncated in any way. Comments will be posted in the order that they are received. Comments will be removed when final action on a proposed standard is taken. The ASB website is a public website and all comments will be available to the general public. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

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**Deadline** for receipt of responses in the ASB office: **March 31, 2010**

### Background

The current version of ASOP No. 41 has been in effect for seven years, and applies to all U.S. actuaries in all areas of practice. During that time, the ASB has received comments regarding a lack of clarity in the document and confusion in respect to its wording and structural arrangement. One of the ASB's priorities is to make sure that all ASOPs are clear and unambiguous.

In September 2008 the ASB approved the first exposure draft of a revised ASOP No. 41. Twenty-three comment letters were received. Most had multiple comments, many were substantive. The majority of commentators were supportive of the effort to revise this ASOP, and most comments were positive in nature, but some indicated that the first draft had some serious deficiencies. The ASB's General Committee gave serious consideration to each comment. The result of their efforts combined with further ASB review is this second exposure draft. Because of the extent of the revisions and some key changes in direction from the prior draft, the ASB has decided to re-expose this draft for review and comment by members of the profession and other interested parties.

### Key Changes

Most of the key changes identified in the first draft remain, including specifically the coordination of the proposed revisions to this draft with its efforts to standardize the treatment of deviation among all ASOPs. Accordingly, the ASB has restructured section 4 as follows:

1. all required disclosure is listed in section 4; and
2. the treatment of deviations from the guidance of any ASOP (including situations where assumptions are not set by the actuary) is codified in this section 4.

Other significant changes from the existing ASOP No. 41 that remain from the first draft are as follows:

3. Reference to Prescribed Statements of Actuarial Opinion (PSAOs) has been removed.
4. Section 3 has been reorganized. Disclosure requirements have been moved to section 4 while additional guidance relating to disclosures remains in section 3.3.
5. Section 3.3.4 makes it clear that the actuary is responsible for all actuarial assumptions

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and methods utilized in producing the actuarial communication, unless the actuary discloses otherwise.

Comments received on the first exposure draft convinced the reviewers that two substantive changes in perspective were necessary to accommodate changes in technology and in the way actuarial services are, and will be, delivered. Changes since the first exposure draft are as follows:

6. The first change is to drop the concept of a single formal actuarial report, which is required to contain all necessary disclosures. Instead we have adopted the concept that communication is an ongoing and interactive process and that an actuarial report with all necessary disclosure elements may comprise several different pieces of communication, perhaps delivered in different forms. This approach within the standard does create the obligation for the actuary to identify all of the related documents that compose the report. The actuary should take reasonable steps to ensure that each intended user has access to all elements of the applicable report.
7. A second substantive change is in the subsection on documentation. After much discussion and deliberation the ASB decided that specifying what material should be retained and for how long is not appropriate for this standard. Accordingly, this subsection has been substantially shortened.

Other changes have been made in response to specific suggestions by commentators.

For additional clarity the following features of the requirements of this proposed revision are highlighted:

8. The language of the scope section, coupled with the definition of an actuarial communication, is intended to convey that this standard applies to communications made by an actuary if, and only if, the actuary is communicating an actuarial finding to an intended user. If a communication does not include the result of professional services acting in the capacity of an actuary then it is not considered an actuarial communication for the purposes of this standard.
9. The interrelationship of the definitions of sections 2.1, 2.2, and 2.8 are to be interpreted such that the universe of actuarial communications may be divided into the two mutually exclusive subsets of a) actuarial documents, and b) oral communications.
10. Section 4.1.2 requires that every actuarial document be uniquely identified.

### **Request for Comments**

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The ASB is issuing this revised version of ASOP No. 41 as a second exposure draft to provide members of actuarial organizations governed by the ASOPs and other interested parties an opportunity to comment. While all comments will be considered, the committee is particularly interested in the following questions:

1. Is the revised concept of an actuarial report reflected in this draft both clear and appropriate?
2. Is the revised ASB position on documentation appropriate?
3. Does this revised draft incorporate an appropriate emphasis on the need for the actuary to consider the needs of the intended users?

The ASB reviewed this draft at the December 2009 meeting and approved its exposure.

General Committee of the ASB

Thomas K. Custis, Chairperson	
Michael S. Abroe	Martin M. Simons
Peter Hendee	Chester J. Szczepanski
William J. Schreiner	Armand M. Yambao

Actuarial Standards Board

Stephen G. Kellison, Chairperson	
Albert J. Beer	Robert G. Meilander
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*The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the U.S.*



**ACTUARIAL STANDARD OF PRACTICE NO. 41**

**ACTUARIAL COMMUNICATIONS**

**STANDARD OF PRACTICE**

Section 1. Purpose, Scope, Cross References, and Effective Date

- 1.1 Purpose—This actuarial standard of practice (ASOP) provides guidance to actuaries with respect to actuarial communications.
- 1.2 Scope—This standard applies to actuaries issuing actuarial communications within any practice area. This standard does not apply to communications that do not include an actuarial opinion or other actuarial findings (for example, this standard does not apply to brochures, fee quotes, or invoices).

This standard establishes minimum requirements for organizing and completing actuarial communications, including those that may be required by the *Qualification Standards* or by other ASOPs. If such other guidance contains communication requirements that are additional to or inconsistent with this standard, the requirements of such other guidance supersede the requirements of this ASOP. However, any disclosures or additional communication requirements imposed by this standard, which are not inconsistent with such other guidance, should be included in the actuarial communication.

Law, regulation, or another profession's standards may prescribe the form and content of a particular actuarial communication (such as a government form). In such situations, the actuary should comply with the guidance in this standard to the extent not prohibited by applicable law, regulation, or standard.

If the actuary departs from the guidance set forth in this standard in order to comply with applicable law (statutes, regulations, and other legally binding authority), or for any other reason, the actuary should refer to section 4 regarding deviation.

- 1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should consider the guidance in this standard to the extent it is applicable and appropriate.

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- 1.4 Effective Date—This standard will be effective for any actuarial communication dated three months after approval of this document.

**Section 2. Definitions**

The terms below are defined for use in this actuarial standard of practice.

- 2.1 Actuarial Communication—A written, electronic, or oral communication issued by an actuary with respect to actuarial services.
- 2.2 Actuarial Document—An actuarial communication in any recorded form (such as paper, e-mail, spreadsheets, presentations, audio or video recordings, web sites, and court or hearing transcripts). Notes taken by someone other than the actuary are not considered actuarial documents.
- 2.3 Actuarial Finding—The result of a professional service provided by an individual acting in the capacity of an actuary in performing that service (including commentary on another actuary’s work). Such services include, but are not limited to, providing advice, conclusions, statements of actuarial opinion, other opinions, or recommendations, based upon actuarial considerations.
- 2.4 Actuarial Report—The set of actuarial documents that the actuary identifies as relevant to specific actuarial findings that is available to an intended user.
- 2.5 Deviation—The process by which an actuary departs from the guidance of an ASOP while still complying with the ASOP through appropriate disclosure.
- 2.6 Intended Audience—All intended users.
- 2.7 Intended User—Any person who the actuary intends to be able to rely on the actuarial findings.
- 2.8 Oral Communication—An actuarial communication made orally that has not, to the knowledge of the actuary, been recorded or transcribed verbatim. An oral communication is an actuarial communication but is not an actuarial document.
- 2.9 Other User—Any user of an actuarial communication who is not a member of the intended audience.

**Section 3. Analysis of Issues and Recommended Practices**

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- 3.1 Requirements for Actuarial Communications—The performance of a specific actuarial engagement or assignment typically requires significant and ongoing communications between the actuary and the principal regarding the following: the scope of the requested work; the methods, procedures, assumptions, and data, and other information required to complete the work; and the development of the communication of the actuarial findings. Some requirements of this standard apply to each actuarial communication; others apply to the actuarial report.
- 3.1.1 Form and Content—The actuary should take appropriate steps to ensure that the form and content of each actuarial communication is appropriate to the particular circumstances, taking into account the intended audience.
- 3.1.2 Clarity—The actuary should take appropriate steps to ensure that each actuarial communication is clear and uses language appropriate to the particular circumstances, taking into account the intended audience.
- 3.1.3 Timing of Communication—The actuary should issue each actuarial communication without undue delay, unless other arrangements, mutually satisfactory to the principal and actuary, have been made. In any event, the timing of the communication should consider the needs of the intended audience.
- 3.1.4 Identification of Responsible Actuary—The actuary issuing an actuarial communication should ensure that the actuarial communication clearly identifies the actuary responsible for it. When two or more individuals jointly issue a communication (at least some of which is actuarial in nature), the communication should identify all responsible actuaries. The name of an organization with which each actuary is affiliated also may be included in the communication, but the actuary’s responsibilities are not affected by such identification. Unless the actuary judges it inappropriate, the actuary issuing an actuarial communication should also indicate the extent to which the actuary is available to provide supplementary information and explanation.
- 3.2 Actuarial Report—When the actuary intends the findings in an actuarial document to be relied upon by the intended user, then the actuary should complete an actuarial report within a reasonable time period agreed to by the actuary and the principal. An actuarial report may comprise one or several documents. The report may be in several different formats (such as formal documents produced on word processing, presentation or publishing software, e-mail, paper, or web sites). The report for a specific intended user is the set of all documents available to that user, and may differ from the report for a different intended user (for example because one user joined a project team at a different time from other users). Even the least comprehensive version of an actuarial report is subject to this standard. Where an actuarial report comprises multiple documents, the actuary should communicate to the

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intended user which documents comprise the report.

In the actuarial report, the actuary should state the actuarial findings, and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report.

The actuary should consider the needs of the intended user in communicating the actuarial findings in the actuarial report. The actuary should make a reasonable effort to ensure that the intended user has access to all documents of the actuarial report.

3.3 Disclosures Within an Actuarial Report—Consideration of the items to be disclosed is an important part of the preparation of any actuarial communication. The actuary should review the list of required disclosure items included in section 4 of this ASOP, and in any other relevant ASOP. Further discussion regarding some of these disclosure items follows:

3.3.1 Uncertainty or Risk—The actuary should consider what cautions regarding possible uncertainty or risk in any results should be included in the actuarial report.

3.3.2 Conflict of Interest—An actuary who is not financially, organizationally, or otherwise independent concerning any matter related to the subject of an actuarial communication should disclose in the actuarial communication any pertinent information that is not apparent. This includes any situation where the actuary acts, or may appear to be acting, as an advocate. 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.

3.3.3 Reliance on Other Sources for Data and Other Information—An actuary who makes an actuarial communication assumes responsibility for it except to the extent the actuary disclaims responsibility by stating reliance on other sources. Reliance on other sources for data and other information means making use of those sources without assuming responsibility for them. An actuarial communication making use of any such reliance should define the extent of reliance, for example by stating whether or not checks as to reasonableness have been applied. An actuary may rely upon other sources for information except where limited or prohibited by applicable standards of practice or law or regulation. Further guidance on when such reliance is appropriate, and what the actuary's responsibilities are when such reliance is stated, is found in ASOP No.23, *Data Quality*.

3.3.4 Responsibility for Assumptions and Methods—An intended user of an actuarial communication will generally expect that the assumptions and methods employed in

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preparing the actuarial findings within an actuarial communication were endorsed by the actuary. The actuary should disclose where this is not the case. The appropriate disclosure depends upon how the assumption or method was selected.

- a. If the assumption or method is specified by applicable law (statutes, regulations, and other legally binding authority), the actuary should include the disclosures identified in section 4.2. These disclosures should be made whether or not the actuary believes the assumption or method is reasonable for the purpose of the communication.
- b. If a material assumption or method is selected by another party the actuary has three choices:
  1. If the assumption or method does not conflict significantly with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment, the actuary has no disclosure obligation;
  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
  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, the actuary should disclose that fact as specified in section 4.3.
- c. In all other situations, the actuary is responsible for all assumptions and methods utilized in the preparation of a communication unless the actuary prominently discloses otherwise within the communication by including the disclosures identified in section 4.4.

3.3.5 Information Date of Report—The actuary should communicate to the intended user the date through which data or other information has been considered in developing the findings included in the report.

3.3.6 Subsequent Events—The actuary should disclose any event:

- a. that becomes known to the actuary after the information date described in 3.3.5;
- b. that becomes known to the actuary before the report is issued; and

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- c. that may have a material effect on the actuarial findings if it were reflected in the actuarial findings.

If the actuary learns of changes to data or other information (on or before the information date) after some findings have been communicated, but before the report is completed, the actuary should communicate those changes, and their implications, to any intended user to whom the actuary has communicated findings.

- 3.4 Reconciliation of Material Differences—If a later actuarial communication produced by the same actuary for the same assignment includes materially different results or expresses a different opinion from the former communication, the actuary should reconcile the differences. The later communication should make it clear that the earlier results or opinion are no longer valid and why they have changed. If the later communication is oral, the actuary should follow-up with a document that clarifies the reason for the changes.
- 3.5 Restrictions of Specific Circumstances—An actuary’s communication may be constrained by the circumstances. Some examples include presenting testimony, dealing with transcripts (whether of testimony or otherwise), and transactions under time pressure. The actuary should follow the guidance of this standard to the extent reasonably possible within such constraints. An actuary so doing is not deviating from this guidance.
- 3.6 Oral Communications—When the actuary is providing an oral communication, the actuary should consider the extent to which (if any) the disclosures listed under section 3.3 should be included in the oral communication and include each such disclosure if appropriate in the particular circumstances. Where the actuary has a concern that the oral communication may be passed on to other parties, the actuary should consider following up with an actuarial document.
- 3.7 Responsibility to Other Users—An actuarial document may be used in a way that may influence persons who are not part of the intended audience. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse of such a document and should take reasonable steps to ensure that the actuarial document is clear and presented fairly. To help prevent misuse, the actuary may include language in the actuarial document that may limit its distribution to other users (for example, by stating that it may only be provided to such parties in its entirety or only with the actuary’s consent).

Nothing in this standard creates an obligation for the actuary to communicate with any person other than the intended audience.

- 3.8 Documentation—An actuary may choose to keep file material other than that which should be disclosed under section 3.3. Nothing in this ASOP requires the actuary to disclose any such documentation to any other party.

Section 4. Communications and Disclosures

- 4.1 Disclosures in any Actuarial Communication—Disclosures in any actuarial communication should include the following:
- 4.1.1 Identification of Responsible Actuary—Any actuarial communication should identify the actuary who is responsible for the actuarial communication (see section 3.1.4).
  - 4.1.2 Identification of Actuarial Documents—Any actuarial document should include the date and subject of the document with any additional modifier (such as “version 2” or time of day) to make this entire description unique.
  - 4.1.3 Disclosures in Actuarial Reports—Any actuarial report should disclose the following information unless it is inappropriate to do so:
    - a. the principal(s) for whom the actuarial findings are made;
    - b. the intended audience for the actuarial report;
    - c. the scope and intended purpose of the engagement or assignment;
    - d. the acknowledgement of qualification as specified in the *Qualification Standards*;
    - e. any cautions about risk and uncertainty (see section 3.3.1);
    - f. any limitations or constraints on the use or applicability of the actuarial findings contained within the actuarial communication including, if appropriate, a statement that the communication should not be relied upon for any other purpose;
    - g. any conflict of interest as described in section 3.3.2;
    - h. any information that has a material impact on the actuarial findings on which the actuary relied and for which the actuary does not assume responsibility (see section 3.3.3);
    - i. the information date as described in section 3.3.5; and
    - j. subsequent event(s) (if any) as described in section 3.3.6.

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Note that other ASOPs that apply to a particular assignment may have additional disclosure requirements that should also be followed.

4.2 Certain Assumptions or Methods Prescribed by Law—Where any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority), the actuary should disclose the following in the actuarial report:

- a. the applicable law under which the report was prepared;
- b. the assumptions or methods that are prescribed by the applicable law; and
- c. that the report was prepared in accordance with the applicable law.

If the actuarial report is in a prescribed form that does not accommodate these disclosures, the actuary should make these disclosures in a separate communication (such as a cover letter) to the principal requesting that both communications be disseminated together where practicable.

4.3 Responsibility for Assumptions and Methods—In any situation not covered under section 4.2, where the actuary states reliance on other sources (as described in section 3.3.4.b.2 and 3) and thereby disclaims responsibility for any material assumption or method, the actuary should disclose the following in the actuarial report:

- a. the assumption or method that was set by another party;
- b. the party who set the assumption or method;
- c. the reason that this party, rather than the actuary, has set the assumption or method; and
- d. either
  1. that the assumption or method significantly conflicts with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment; or
  2. 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.

If the actuarial report is in a prescribed form that does not accommodate these

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disclosures, the actuary should make these disclosures in a separate communication (such as a cover letter) to the principal, requesting that both communications be disseminated together where practicable.

- 4.4 Deviation From the Guidance of an ASOP—If, in the actuary’s professional judgment, the actuary has deviated materially from the guidance set forth in an applicable ASOP, other than as covered under sections 4.2 or 4.3 of this standard, the actuary can still comply with that ASOP by providing an appropriate statement in the actuarial communication with respect to the nature, rationale, and effect of such deviation.

## **Appendix 1**

### **Background and Current Practices**

*Note:* This appendix is provided for informational purposes, but is not part of the standard of practice.

#### Background

The current version of ASOP No. 41, adopted in March 2002, was adapted from and superseded Interpretative Opinion No. 3, *Professional Communications of Actuaries*. Interpretive Opinion No. 3 was itself adopted by the American Academy of Actuaries in 1981. The 2002 version of ASOP No. 41 conformed to the format adopted by the Actuarial Standards Board in May 1996 for all actuarial standards of practice, and while this standard generally followed Interpretative Opinion No. 3, it also expanded upon, clarified, and eliminated portions of that opinion. Additionally, this standard offered guidance to complement the requirements imposed by the *Code of Professional Conduct*. It was drafted and is still intended to help actuaries apply the *Code of Professional Conduct* when making professional communications (by written, electronic, or oral means) to clients, employers, regulators, policyholders, pension plan participants, investors, and other users of actuarial services.

This revision has used definitions that are consistent with those found in the *Code of Professional Conduct* and in the recently revised *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinions*. This revision also incorporates language in section 4 that is the foundation of the ASB's new approach to creating consistency in the treatment of deviation language within all ASOPs.

It should be noted that all recorded forms of communication (including—but not limited to—paper, e-mail, spreadsheets, presentations, audio or video recordings, web sites, and court or hearing transcripts) could be considered records of such communications and may be, therefore, discoverable in legal proceedings.

#### Current Practices

Actuaries are currently guided by the *Code of Professional Conduct*, by ASOP No. 41, and by other actuarial standards of practice, depending on the nature of the work at hand.

Actuarial communications may be made available to a variety of users of actuarial work products including clients, employers, regulators, shareholders, and policyholders, as well as external audiences such as the general public. Actuarial communications may be delivered in many forms, including written, electronic, or oral; and may stand alone or be part of a broader pattern

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of communication. While preparing an actuarial communication an actuary should be mindful of the needs and concerns of each member of the intended audience.

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**Appendix 2**

**Comments on the Exposure Draft and Responses**

The first exposure draft of this ASOP, *Actuarial Communications*, was issued in September 2008 with a comment deadline of December 31, 2008. Twenty-three comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The General Committee carefully considered all comments received, reviewed the exposure draft and proposed changes. The ASB reviewed (and modified, where appropriate) the proposed changes.

Summarized below are the significant issues and questions contained in the comment letters and the responses.

The term “reviewers” in appendix 2 includes the General Committee and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in the second exposure draft.

<b>GENERAL COMMENTS</b>	
Comment	One commentator suggested that the ASOP should require both date and signature, while another indicated circumstances where signature may be inappropriate or impractical.
Response	The reviewers agreed on the date issue, and ultimately concluded that, while in most circumstances it would be appropriate for an actuary to sign his/her communications, there are legitimate cases where such a requirement would not be appropriate. Section 3.1.4 states that the actuary should ensure that the actuarial communication clearly identifies the actuary responsible for it.
Comment	Several commentators indicated that it was unclear how the standard applied to oral communication.
Response	The reviewers edited the standard to distinguish carefully between “documents” and “oral only” communication, and have provided specific guidance in each case.
Comment	Several commentators expressed concern that there was no requirement to consider or disclose the potential risk or uncertainty associated with the actuarial findings within an actuarial communication.
Response	The reviewers agreed and have provided guidance in section 3.3.1, Uncertainty or Risk, indicating that such a disclosure should be included

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	when appropriate to the intended user.
Comment	One commentator thought that inclusion of the terms “actuarial findings” and “statement of actuarial opinion” were circular and confusing.
Response	The reviewers agreed that there was some confusion and decided to use only the term actuarial findings as it is intended to be somewhat more general in nature.
<b>TRANSMITTAL MEMORANDUM</b>	
Question 1: Do you believe it appropriate to require the actuary to be responsible for assumptions and methods used within an actuarial communication unless otherwise disclosed? Do you believe that this standard is the appropriate place to do that? Does this draft make this intent sufficiently clear?	
Comment	Twelve commentators responded in the affirmative. While a few comments were received about expanding this requirement or making it more specific, no commentator responded that this was inappropriate.
Response	The reviewers retained this requirement.
Question 2: This ASOP is titled <i>Actuarial Communications</i> even though it also addresses documentation. Does this create any confusion? If so, what would a better title be?	
Comment	Eight commentators felt the title should be left as is; a total of six commentators felt the addition of “documentation” and/or “disclosure” would be appropriate.
Response	After considering the responses, the reviewers still believe that the current title is sufficient and any changes or additions are unnecessary.
Question 3: Does this draft make it sufficiently clear when the actuary should issue an actuarial report disclosing methods, procedures, assumptions, and data as opposed to issuing another form of actuarial communication that does not make these disclosures, and only documenting these items?	
Comment	Three commentators responded affirmatively, while eleven felt that the first draft failed to make this clear.
Response	The reviewers agreed that the first draft was unclear, and have taken a revised approach in this draft. Section 3.2 now states that whenever an actuary issues an actuarial document that presents findings that the actuary intends may be relied upon then the actuary should complete an actuarial report.
Question 4: Are the added disclosure requirements in cases involving deviation clear and appropriate?	

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Comment	Eleven commentators responded in the affirmative; none in the negative.
Response	The reviewers made no change.
<b>SECTION 2. DEFINITIONS</b>	
<b>Section 2.1, Actuarial Communications</b>	
Comment	One commentator stated “with respect to actuarial services” is too broad and instead suggested, “A written, electronic, or oral communication issued by an actuary with respect to actuarial services for the purpose of conveying actuarial findings or opinions.”
Response	The reviewers believe the commentator’s concern is addressed by the narrowing of application included in the first paragraph of section 1.2, Scope, and made no change to 2.1.
<b>Section 2.3 (formerly 2.2), Actuarial Findings</b>	
Comment	One commentator felt the use of the word “individual” instead of the use of the word “actuary” was potentially confusing.
Response	The reviewers were concerned that using the term “actuary” (without the phrase “acting in the capacity of an actuary”) would broaden the application of the standard beyond its intent, while use of the term actuary with the clarifying phrase seems awkward and redundant.

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<b>Section 2.4 (formerly 2.3), Actuarial Report</b>	
Comment	A total of six commentators expressed concern over the definition of “actuarial report.”
Response	The reviewers revised the definition.
<b>Section 2.5 (new), Deviation</b>	
Comment	Several commentators felt a definition for “deviation” should be included in the standard.
Response	The reviewers agreed and added this section.
<b>Section 2.6 (formerly 2.4), Intended Audience</b>	
Comment	Two commentators expressed concerns over the term “intended audience.”
Response	The reviewers have made “intended user” the primary definition (instead of “intended audience”) and have shortened and simplified the definition in an attempt to reduce any confusion, keeping in mind that a definition is not the best place to include guidance.
<b>SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES</b>	
<b>Section 3.1, Requirements for Actuarial Communications</b>	
Comment	Several commentators expressed confusion with respect to the application of the language regarding actuarial report.
Response	The new direction of this draft addresses these concerns.
Comment	One commentator expressed concern that the addition of the word “procedures” may unduly tie the hands of the actuary.
Response	The reviewers disagreed. Sufficient disclosure of procedures so that another actuary in the same practice area can judge the reasonableness of results does not restrict the choice of procedures nor require the actuary to reveal proprietary information.
Comment	One commentator thought that the requirements should be strengthened to allow another actuary to replicate the results.
Response	The reviewers disagreed. Such a requirement may very well require the actuary to disclose proprietary and/or confidential information.
Comment	One commentator suggested that the term “parties” in section 3.1.2 be replaced with “principal and actuary.”
Response	The reviewers agreed and made the change in the new section 3.1.3.

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<b>Section 3.3 (formerly 3.2) Disclosures Within an Actuarial Report</b>	
Comment	One commentator suggested that the word “complete” be deleted from the second sentence and the phrase “and any relevant ASOP” be added at the end of the same sentence.
Response	The reviewers agreed and have made these changes.
Comment	One commentator questioned the phrase “pertinent information that is not apparent” suggesting the addition of a laundry list of examples.
Response	The reviewers believe the language is clear enough for an actuary to apply appropriate judgment.
Comment	One commentator applauded the addition of the concept of advocacy to the “conflict of interest” section, but suggested enhancement with examples.
Response	The reviewers believe that the guidance is sufficiently clear.
Comment	One commentator questioned the term “other information,” and whether or not this could be interpreted to include assumptions or methods.
Response	The language is taken from ASOP No. 23, <i>Data Quality</i> , and the reviewers believe it is sufficiently clear.
Comment	One commentator questioned the claim that the intended audience will expect that the assumptions and methods have been selected by the actuary unless otherwise disclosed, and suggested that the actuary should always identify the source of any assumption or method. Another commentator suggested that actuaries should opine on why they believe it is appropriate for others to select assumptions or methods.
Response	The reviewers disagreed with the first commentator, but agreed in part with the second and added section 4.3(c).
<b>Section 3.4, Reconciliation of Material Differences</b>	
Comment	Three commentators expressed questions about the requirement to document the reconciliation of differences with earlier communication, particularly if the earlier communication is oral.
Response	The reviewers disagreed and believe the guidance is sufficiently clear.

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<b>Section 3.5, Restrictions of Specific Circumstances</b>	
Comment	One commentator expressed concern (referring to former section 3.3, Oral Communication) that the constraints of oral communication may be found in other forums as well.
Response	This issue has been addressed both in the general change in direction, and in specific reference to guidance applicable to communication constrained by specific circumstances.
<b>Section 3.7 (formerly 3.5), Responsibility to Other Users</b>	
Comment	One commentator expressed concern that the guidance with regard to responsibility to other users may be problematic when dealing with oral communication, particularly when communicating within an organization.
Response	The reviewers agreed and redrafted section 3.7 to apply only to actuarial documents. They modified section 3.6 to address concerns of misquoting an oral communication.
<b>Section 3.8 (formerly 3.6), Documentation</b>	
Comment	One commentator suggested the need to tighten the guidance with respect to the length of time documentation is to be retained.
Response	The reviewers now believe a different approach to documentation is appropriate within this standard. Except for the required disclosure items (which must be made available to all intended users), the choice of what documentation to retain and for how long is viewed as a business and/or legal decision.
<b>SECTION 4. COMMUNICATIONS AND DISCLOSURES</b>	
<b>Section 4.1, Disclosure in Actuarial Communications</b>	
Comment	Several commentators expressed concern over the requirement to disclose a possible conflict of interest in circumstances where the intended audience may change over time.
Response	The reviewers were sensitive to this issue. In this revision, the completeness of a report is to be judged by the information provided to each intended user. Accordingly, if the intended audience has changed, the actuary will need to be careful that he or she has made a reasonable effort to provide complete disclosure information to each intended user.

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<b>Section 4.2, Certain Assumptions or Methods Prescribed by Law</b>	
Comment	One commentator questioned whether the guidance was intended to require the actuary to disclose the specific section of IRC or other applicable law or regulation.
Response	The reviewers did not believe that it was necessary or prudent to try to prescribe the specificity of this disclosure requirement, and believe that the actuary should be able to apply appropriate judgment to each particular situation.
<b>Section 4.3, Responsibility for Assumptions and Methods</b>	
Comment	Several commentators expressed concern about the concept of “disclaiming” assumptions and what must be disclosed in these circumstances. One commentator, in particular, pointed out that the requirements in the first draft are less stringent than similar requirements in the recently adopted revisions to ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> .
Response	The reviewers agree. The language of this section has been significantly revised to be made consistent with the requirements found in ASOP No. 4.
Comment	One commentator suggested the language: “Where the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method in any situation not covered under section 4.2 or 4.3.1 (now section 4.2, Certain Assumptions or Methods Prescribed by Law), the actuary should prominently disclose the following....”
Response	The reviewers generally preferred this language to that found in the existing ASOP and have incorporated it into the new section 4.3, Responsibility for Assumptions and Methods.
Comment	One commentator suggested that it should be required that an actuary disclose when material changes in assumptions have been made from a prior analysis.
Response	While the reviewers recognize that in most cases this may be desirable or standard practice, they were also able to identify a number of examples where it may not be appropriate to do so. Accordingly, no such requirement was added to this standard.

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<b>Section 4.4, Deviation from the Guidance of an ASOP</b>	
Comment	A couple commentators felt that the last sentence of section 4.4 was unnecessary.
Response	The reviewers agreed and have removed this sentence from this draft.