



ACTUARIAL STANDARDS BOARD

● **EXPOSURE DRAFT** ●

**Proposed Revision of the Deviation Clause
in Actuarial Standards of Practice**

**Comment Deadline
January 15, 2007**

**Approved for Exposure by the
Actuarial Standards Board
August 2006**

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TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Actuarial Standards of Practice (ASOPs)

FROM: Actuarial Standards Board (ASB)

SUBJ: Proposed Revision of the Deviation Clause in ASOPs

This document contains the exposure draft of a proposed revision of a section in ASOPs that is often referred to as the “deviation clause.” Please review this 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 ASB.

The ASB accepts comments by either electronic or conventional mail but the preferred form is e-mail. 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 include the phrase “Deviation Clause” in the subject line of your message.

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

Deviation Clause
Actuarial Standards Board
1100 Seventeenth Street, NW, 7th Floor
Washington, DC 20036-4601

Deadline for receipt of responses in the ASB office: **January 15, 2007**

Background

ASOPs make specific provision for situations in which the actuary deems it appropriate to deviate from one or more provisions of an ASOP. A deviation clause is included in each ASOP in recognition that actuaries are frequently called upon to render professional services in situations that differ to some extent from those contemplated when the ASOP was adopted or where, in the professional judgment of the actuary, the application of new practice based on recent advances in actuarial science would be more appropriate. The circumstances of an assignment or constraints associated with it may be such that it would be inappropriate for the actuary to conform strictly to the ASOP and, thereby, fail to take those circumstances, constraints, or advancements into account in an appropriate manner.

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As the ASB's work has evolved over the years, so has the standard deviation clause, resulting in different language in some ASOPs that might suggest various interpretations of meaning. The ASB believes that the deviation clause should be clearly and consistently worded among all the ASOPs and is proposing the changes described in this booklet to accomplish this.

The ASB also proposes to change standard language that often appears in section 1.2, Scope, of ASOPs that addresses what the actuary should do in the event that the guidance in an ASOP conflicts with applicable law.

Because the revisions are relatively substantive and are intended to apply eventually to most, if not all, ASOPs, the ASB believes it is appropriate to expose the proposed new language for comment.

The ASB will revise each ASOP to include the proposed new deviation clause and language in the scope, add a special appendix describing any changes made, and adopt them without exposure unless it judges sufficient additional changes have been made that exposure is needed.

The following key changes are proposed. In addition, the ASB might make other nonsubstantive edits to other portions of an ASOP as necessary to complement these changes.

- a. The following would be placed in section 1.2, Scope:
 - 1.2 The actuary should comply with this standard except to the extent it may conflict with applicable law (statutes, regulations, and other legally binding authority). If compliance with applicable law requires the actuary to depart from the guidance set forth in this standard, the actuary should refer to section 4 regarding deviation from standard.
- b. The following would be placed in section 4, Communications and Disclosures:
 - 4.x Deviation from Standard—If, in the actuary's professional judgment, the actuary has deviated materially from the guidance set forth elsewhere in this standard, the actuary can still comply with this standard by applying the following sections as appropriate:
 - 4.x.1 Material Deviations to Comply with Applicable Law—If compliance with applicable law requires the actuary to deviate materially from the guidance set forth in this standard, the actuary should disclose that the assignment was prepared in compliance with applicable law, and the actuary should disclose the specific purpose of the assignment and indicate that the work product may not be appropriate for other purposes. The actuary should use

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professional judgment to determine whether additional disclosure would be appropriate in light of the purpose of the assignment and the intended users of the actuarial communication.

- 4.x.2 Other Material Deviations—The actuary’s communication should disclose any other material deviation from the guidance set forth in this standard. The actuary should consider whether, in the actuary’s professional judgment, it would be appropriate and practical to provide the reasons for, or to quantify the expected impact of, such deviation. The actuary should be prepared to explain the deviation to a principal, another actuary, or other intended users of the actuary’s communication. The actuary should also be prepared to justify the deviation to the actuarial profession’s disciplinary bodies.

The ASB reviewed the draft at the August 2006 meeting and approved its exposure.

Actuarial Standards Board

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