

Comment #12 – 2/9/16 – 12:59 p.m.

1: There are a few instances in this exposure draft where the term used in the current version of ASOP 23 was “material”, while in the draft version the word used is “significant”. For example, 3.5.b in the current ASOP vs. 3.3.b in the exposure draft, or 3.7.d in the current ASOP vs. 3.4.d in the exposure draft. ASOP 1 guides us regarding the definitions of both of these terms for all ASOPs.

“Material”/“Materiality” is defined (in part) as “An item or a combination of related items is material if its omission or misstatement could influence a decision of an intended user.” This would imply that as long as the differences are small enough that the decisions made would not be changed with the additional information, the “material” standard is met.

“Significant” is defined in ASOP 1 (in part, and what seems to be relevant) as “In addition, a result may be significant because it is of consequence.”

It would seem from these definitions that the ASB is tightening the uncertainty allowed within the data itself from a “materiality” standard, which allows some uncertainty as long as the decisions would be the same, to a “significant/significance” standard, which means that any consequence, no matter how small, resulting from the uncertainty of the data, is subject to this ASOP.

On the other hand, the term “of consequence” is commonly used to mean “important”, as in “matters of consequence”. Using this definition, the proposed ASOP would loosen the requirements to only include what the actuary believes to be “important”, which may not be the case even if the decision would be changed due to the data issue (and therefore a “material” concern).

What is the ASB’s intention with these changes?

2: Nontraditional data sources (such as census data, telematics information, or the like) may have no reference point or prior information for the actuary to affirm whether the data is “reasonable and consistent” for the purposes of a “review” of the data as described in section 3.3. If such data sources have been audited by others (such as the United States Government or other governmental entities, other credentialed actuaries or other credentialed data professionals), is a disclaimer (as described in the second half of 3.3.c (which should be 3.3.d or indented differently?)) still required? Is mentioning that audited data was used sufficient? For this type of data, it may be appropriate that instead of the standard of affirmatively determining that the data is “reasonable and consistent”, the standard could be that the review of the data does not reveal any obvious defects, or something similar.

3. In section 3.6, would a “review” of contract provisions and the like, especially if they are relevant to the opinion being prepared, not be appropriate? Contract provisions are extremely material to an actuarial service being prepared (for example, whether defense is within or outside limits for company reserves). Furthermore, where does “contract provisions, plan documents, and reinsurance treaties” end and “Data” begin? “Data” is defined by this ASOP as “Numerical, census, or classification information but not general or qualitative information.” Any

“contract provision” can be a Boolean variable, numerical and therefore included in the definition of “Data”. The “contract provisions” may be used as rating classifications, “plan documents” may affect eligibility, and the “reinsurance treaty” may affect reserve opinions. Why are these not considered to be “Data”?

Thank you for your consideration,

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