



ACTUARIAL STANDARDS BOARD

● EXPOSURE DRAFT ●

**Proposed Revision of
Actuarial Standard
of Practice
No. 41**

Actuarial Communications

**Comment Deadline:
November 1, 2022**

**Developed by the
ASOP No. 41 Task Force of the
Actuarial Standards Board**

**Approved for Exposure by the
Actuarial Standards Board
June 2022**

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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 Communications

FROM: Actuarial Standards Board (ASB)

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

This document contains the exposure draft of a proposed revision of ASOP No. 41, *Actuarial Communications*. Please review this exposure draft and give the ASB the benefit of your comments and suggestions. Each written comment letter or email received by the comment deadline will receive appropriate consideration by the drafting committee and the ASB.

The ASB appreciates comments and suggestions on all areas of this proposed standard. The ASB requests comments be provided using the Comments Template that can be found [here](#) and submitted electronically to **comments@actuary.org**. Include the phrase “ASOP No. 41 COMMENTS” in the subject line of your message. Also, please indicate in the template whether your comments are being submitted on your own behalf or on behalf of a company or organization.

The ASB posts all signed comments received on 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 on 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.

For more information on the exposure process, please see the ASB Procedures Manual.

Deadline for receipt of comments: **November 1, 2022**

History of the Standard

The current version of ASOP No. 41, adopted in December 2010, superseded the version of ASOP No. 41 that was adopted in March 2002. The 2002 version was based on Interpretative Opinion No. 3, Professional Communications of Actuaries, which had been adopted by the Academy in 1981. With the passage of time, and the development and evolution of ASOPs, the ASB believed it would be beneficial to update and clarify ASOP No. 41.

ASOP No. 41 applies to all U.S. actuaries in all areas of practice.

Consistent with the *Code of Professional Conduct*, this standard defines **actuarial communication** as “A written, electronic, or oral communication issued by an Actuary with respect to Actuarial Services.”

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Notable Changes from the Existing ASOP

A summary of the notable changes from the existing ASOP are summarized below. Notable changes do not include additional changes made to improve readability, clarity, or consistency.

1. Improved definitions in section 2 to clarify the differences among actuarial communications, actuarial reports, and actuarial documentation.
2. Added clarity in sections 3 and 4 regarding the disclosure requirements that apply to all actuarial communications versus those that apply only to actuarial reports.
3. Improved consistency between the guidance in section 3 and the disclosure requirements in section 4.
4. Added specific guidance in section 3.3.3(b) regarding the actuary opining on assumptions that do not conflict with what the actuary believes is reasonable.
5. Expanded guidance in section 3.3.6 regarding constraints or circumstances that might reduce the required disclosures in an actuarial report, or the need for an actuarial report, including situations in which an actuary is working as part of a larger team.
6. Expanded guidance in section 3.6 regarding reliance on others.

Request for Comments

The ASB appreciates comments and suggestions on all areas of this proposed standard submitted through the Comments Template. Rationale and recommended wording for any suggested changes would be helpful. In addition, the ASB would like to draw the readers' attention to the following questions:

1. Are the distinctions among actuarial communications, actuarial reports, and actuarial documentation clear? If not, what further clarifications would you recommend for the definitions?
2. Section 3.3.3(b) introduces a proposed new “positive” disclosure requirement for an assumption or method not selected by the actuary that does not significantly conflict with what, in the actuary’s professional judgment, would be reasonable for the purpose of the assignment. This would supplement the current “negative” disclosure requirement for an assumption or method that does significantly conflict. Is “significantly conflict” the appropriate disclosure language, as opposed to “reasonable”/“unreasonable” or some other terminology?

The ASB voted in June 2022 to approve this exposure draft.

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ASOP No. 41 Task Force

Patricia Matson, Chairperson

Gordon C. Enderle	Lisa A. Slotznick
Audrey L. Halvorson	Barbara L. Snyder
John M. Purple	Frank Todisco
Rebecca A. Sheppard	Shari A. Westerfield

Actuarial Standards Board

Darrell D. Knapp, Chairperson

Elizabeth K. Brill	David E. Neve
Robert M. Damler	Christopher F. Noble
Kevin M. Dyke	Judy K. Stromback
Laura A. Hanson	Patrick B. Woods

The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

**PROPOSED REVISION OF
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 or standard) provides guidance to actuaries when issuing **actuarial communications** in any form (written, electronic, or oral).
- 1.2 **Scope**—This standard applies to actuaries when issuing **actuarial communications** in any form (written, electronic, or oral) within any practice area. This standard does not apply to actuaries when issuing a communication that does not include the rendering of **actuarial services**.

The actuary should also refer to the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (U.S. Qualification Standards) and the *Code of Professional Conduct* as they relate to **actuarial communications**.

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 should comply with applicable law and with the guidance in this standard to the extent not prohibited by applicable law.

If a conflict exists between this standard and applicable law, the actuary should comply with applicable law. If the actuary departs from the guidance set forth in this standard in order to comply with applicable law, or for any other reason the actuary deems appropriate, the actuary should refer to section 4.

- 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.
- 1.4 **Effective Date**—This standard is effective for **actuarial communications** issued on or after four months after adoption by the Actuarial Standards Board.

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Section 2. Definitions

The terms below are defined for use in this actuarial standard of practice and appear in bold throughout the ASOP.

- 2.1 Actuarial Communication—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.
- 2.2 Actuarial Documentation—The documents (for example, workpapers, spreadsheets, text messages, emails, presentations) that the actuary determines to be relevant to specific **actuarial findings**. Such documentation may include documents that are not part of an **actuarial report**.
- 2.3 Actuarial Finding—The advice, recommendations, findings, or opinions resulting from **actuarial services**.
- 2.4 Actuarial Report—A set of one or more recorded **actuarial communications** 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.
- 2.5 Actuarial Services—Professional services provided to a **principal** by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations. Such services do not include any other services provided to a **principal**.
- 2.6 Intended User—Any person who the actuary identifies as able to rely on the **actuarial findings**.
- 2.7 Oral Communication—An **actuarial communication** made orally that has not, to the knowledge of the actuary, been recorded or transcribed verbatim.
- 2.8 Other User—Any recipient of an **actuarial communication** who is not an **intended user**.
- 2.9 Principal—A client or employer of the actuary.

Section 3. Analysis of Issues and Recommended Practices

- 3.1 Requirements for Actuarial Communications—The following requirements apply to actuaries when issuing any **actuarial communication**:
 - 3.1.1 Form and Content—The actuary should take appropriate steps to ensure that the form and content of each **actuarial communication** are sufficient, relevant, and appropriate to the particular circumstances, taking into account the **intended users**.

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- 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 users**.
- 3.1.3 Timing—The actuary should issue each **actuarial communication** within a reasonable time period.
- 3.1.4 Identification of Responsible Actuary—An **actuarial communication** should clearly identify the responsible actuary. 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, unless the actuaries determine it inappropriate to do so. 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 determines 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.
- 3.1.5 Uncertainty or Risk— The actuary should include, as appropriate to the particular circumstances and taking into account the **intended user**, cautions regarding possible uncertainty or risk, if any, associated with the **actuarial findings**.
- 3.1.6 Interim Communications—When issuance of the **actuarial report** is expected to occur significantly later than an interim **actuarial communication** of key **actuarial findings**, the actuary should consider including applicable disclosure items discussed in section 3.3 in the interim **actuarial communication**.
- 3.2 Oral Communications—When issuing an **oral communication**, the actuary may comply with the requirements of section 3.1 subsequent to issuing the oral communication.
- 3.3 Requirements for an Actuarial Report—The actuary should issue an **actuarial report** when, in the actuary's professional judgment, the **actuarial findings** will be relied upon by the **intended user** and will have a material effect for the **intended user**. Where an **actuarial report** comprises multiple documents, the actuary should communicate to the **intended user** which documents comprise the report.

The actuary should review the list of required disclosure items included in section 4 of this ASOP and in any other relevant ASOP. Further guidance regarding some of the disclosures described in section 4 follows:

- 3.3.1 Sufficient Clarity—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**.

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

3.3.3 Responsibility for Assumptions and Methods—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 such responsibility, 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:

a. If the assumption or method is specified by applicable law, the actuary should include the following within the **actuarial report**:

1. the applicable law under which the report was prepared;
2. the assumptions or methods that are prescribed by the applicable law; and
3. that the report was prepared in accordance with the applicable law.

These disclosures should be made whether or not the actuary believes the assumption or method is reasonable for the purpose of the **actuarial report**.

b. In all other situations, the actuary is responsible for all assumptions and methods utilized in the preparation of an **actuarial report** unless the actuary discloses the following within the **actuarial report**:

1. the assumption or method that was selected by another party;
2. the party who selected the assumption or method;
3. the reason that this party, rather than the actuary, has selected the assumption or method;
4. the extent to which the actuary has reviewed the assumption or method for general reasonability; and
5. one of the following:
 - i. that the assumption or method does not significantly conflict with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment;

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- ii. that the assumption or method significantly conflicts with what, in the actuary’s professional judgment, would be reasonable for the purpose of the assignment;
- iii. 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; or
- iv. that the actuary was unable to judge the reasonableness of the assumption or method because the actuary was not qualified to do so.

3.3.4 **Information Date**—The actuary should disclose the date(s) through which data or other information has been considered in developing the findings included in the **actuarial report**. Where the **actuarial report** is silent about the information date, the information date will be assumed to be the date of the **actuarial report**.

3.3.5 **Subsequent Events**—The actuary should disclose any relevant event that meets the following conditions:

- a. it becomes known to the actuary after the latest information date described in section 3.3.4;
- b. it becomes known to the actuary before the **actuarial report** is finalized;
- c. it may have a material effect on the **actuarial findings**; and
- d. it is impractical to revise the **actuarial findings** in the **actuarial report** before it is finalized.

The actuary should disclose those events and their potential implications.

3.3.6 **Limitation of Content of an Actuarial Report**—The content of an **actuarial report**, or the need for an **actuarial report**, may be limited under certain circumstances. Examples of such circumstances include the following:

- a. actuarial work that is part of a larger project within a single organization;
- 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;
- c. actuarial opinions based on actuarial knowledge or experience but not based on a substantial analysis; and

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- d. participation in internal brainstorming sessions.

When such circumstances exist, the actuary may choose to omit some of the otherwise required content in the **actuarial report** or choose not to issue an **actuarial report** but should follow the guidance of this standard to the extent practicable. Limiting the content of, or not issuing, an **actuarial report** may not be appropriate if the **actuarial findings** may receive broad distribution.

If the actuary believes circumstances are such that including certain content is not necessary or appropriate, the actuary must be prepared to identify such circumstances and justify limiting the content of, or not issuing, an **actuarial report**. The actuary should consider retaining the **actuarial documentation** for the content that was not included in the **actuarial report**.

- 3.4 Communication of Material Differences—If an **actuarial communication** contains a materially different **actuarial finding** from a prior **actuarial communication** issued by the same actuary on the same topic, the actuary should communicate the change to the recipient(s) of the prior **actuarial communication**.
- 3.5 Risk of Misuse—An **actuarial communication** may be used in a way that may influence persons who are not **intended users**. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse and should take reasonable steps to ensure that the **actuarial communication** is clear and presented fairly. To help prevent misuse, the actuary may include language in the **actuarial communication** that limits its distribution to **other users**. Nothing in this standard creates an obligation for the actuary to communicate with any person other than the **intended users**.
- 3.6 Reliance on Other Sources—An actuary who issues an **actuarial communication** assumes responsibility for it, except to the extent the actuary discloses reliance on other sources. Reliance on other sources means making use of those sources without assuming responsibility for them. The accuracy and completeness of the items supplied by others are the responsibility of those who supply them. An actuary may rely upon other sources, except where limited or prohibited by ASOPs or applicable law. Further guidance on when such reliance is appropriate related to data and other information, and what the actuary's responsibilities are when such reliance is stated, is found in ASOP No. 23, *Data Quality*.
- 3.7 Actuarial Documentation—When issuing an **actuarial communication**, the actuary should consider preparing and retaining **actuarial documentation**. If preparing documentation, the actuary should consider preparing any such documentation in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary's work. The amount, form, and detail of such documentation should be based on the professional judgment of the actuary and may vary with the complexity and purpose of the **actuarial services**.

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Section 4. Communications and Disclosures

4.1 Required Disclosures in any Actuarial Communication—The actuary should include in any **actuarial communication** the following disclosures, if applicable:

- a. identification of the responsible actuary (see section 3.1.4);
- b. cautions about uncertainty or risk (see section 3.1.5); and
- c. reliance on other sources (see section 3.6).

When issuing an **oral communication**, the disclosures required by this section 4.1 may be met in a subsequent communication (see section 3.2).

4.2 Required Disclosures in an Actuarial Report—In addition to the requirements in section 4.1, when issuing an **actuarial report** to which this standard applies, the actuary should disclose the following, if applicable:

- a. the scope and intended purpose of the engagement or assignment;
- b. the **intended users** of the **actuarial report**;
- c. any limitations or constraints on the use or applicability of the **actuarial findings** contained within the **actuarial report**;
- d. the acknowledgement of qualification as specified in the U.S. Qualification Standards;
- e. the recorded **actuarial communications** comprising the **actuarial report** (see section 3.3);
- f. the **actuarial findings** and identification of the methods, procedures, assumptions, and data (see section 3.3.1);
- g. conflict of interest (see section 3.3.2);
- h. any material assumption or method prescribed by applicable law (see section 3.3.3[a]);
- i. any material assumption or method selected by a party other than the actuary (see section 3.3.3[b]);
- j. information date (see section 3.3.4); and
- k. subsequent events (see section 3.3.5).

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The disclosures required by this section 4.2 may be limited as set forth in section 3.3.6, Limitations of Content of an Actuarial Report. Note that other ASOPs that apply to a particular assignment may have additional disclosure requirements that should also be followed.

- 4.3 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, 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.
- 4.4 Confidential Information—Nothing in this ASOP is intended to require the actuary to disclose confidential information.