
**Actuarial Standard of Practice
No. 41
Actuarial Communications**

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ASOP 41: Actuarial Communications

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.

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Background (cont'd.):

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.

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Background (cont'd.):

The ASB's General Committee gave serious consideration to each comment. The result of their efforts combined with further ASB review was this second exposure draft. Because of the extent of the revisions and some key changes in direction from the prior draft, the ASB decided to re-expose this draft for review and comment by members of the profession and other interested parties.

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Key Changes (from original, included in first draft):

1. All required disclosure is listed in section 4;
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.
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 and methods utilized in producing the actuarial communication, unless the actuary discloses otherwise.

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Key Changes (as a result of comments to first draft):

The first substantive 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.

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Key Changes (as a result of comments to first draft):

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.

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Additional Changes (as a result of comments to first draft):

1. 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.
2. 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.
3. Section 4.1.2 requires that every actuarial document be uniquely identified.

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Critical 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 consider the needs of the intended users?**

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Response to Second Exposure Draft:

1. The ASB received 37 comment letters regarding the Second Exposure Draft.
 - Respondents included the Casualty Practice Council of the AAA.
2. Several were quite intense.
3. There were four potentially substantive issues that received multiple comments.

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Issue 1, 'Actuarial Reports':

A total of 19 commentators commented on the approach in the second draft regarding what constitutes an actuarial report, when a report should be completed, and what it should contain. Of those only one felt the guidance in ED2 was appropriate and adequate. The rest of these commentators thought that we had significantly "raised the bar"; and most felt that we did so inappropriately. The general tone running through these comments is that the actuarial report as described is fine for a formal project (usually carried out by a consultant) but is too cumbersome for informal and internal communications either between a consultant and his client, or especially internal to an insurance company.

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Issue 2, 'Definitions':

A total of nine commentators raised issues with the definitions. Many provided suggestions to clarify the definitions; others raised problems they felt required resolution. Issues identified included the relationship of "actuarial findings" to Statements of Actuarial Opinions, and the specific wording of the definition of "actuarial communication". A number of commentators expressed concern with potential inconsistencies between the ASOP 41 definitions and definitions within the Code of Conduct, Qualification Standards, or other ASOPs. We also received at least two suggestions that we should include a definition of "principal" (and to make it clear how it applies in internal situations).

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Issue 3, 'ASOP 9':

There were four commentators that expressed a concern relative to the proposed elimination of ASOP 9, including two commentators who represented actuarial groups or committees. These concerns generally were related to portions of ASOP 9 that may not be specifically addressed in the proposed ASOP 41. These commentators request that any proposed elimination of ASOP 9 following the adoption of the proposed ASOP 41 be accomplished only after the ASB ensures that the current requirements of ASOP 9 are not lost without an analysis to determine that no material Standard needs are lost following the elimination of ASOP 9. The primary areas of concern relate to "documentation" and to "significant changes in assumptions, methods, or procedures". The GC believes that these are issues to be dealt with by the ASB and the Casualty Committee and not within ASOP #41. However, we would incorporate appropriately general language into this ASOP, if the ASB so directs.

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Issue 4, 'Consistency with ASOP 4':

Three commentators commented on the requirements of 3.3.4. Each believed that the requirements as included in section 3.3.4 go inappropriately beyond those of ASOP #4. The GC agrees to review the specifics of this assertion. The revision of this section in the second draft of ASOP #41 was intended to parallel the new treatment of "specified assumptions" in ASOP #4. At least one of the commentators explains in considerable detail how the two ASOPs differ. The GC proposes to check directly with the authors of the revised ASOP #4 in order to make sure that the two ASOPs do not conflict.

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The process from here:

- The GC will attempt to formulate a basis for achieving agreement on a direction from the ASB on moving forward to address the concerns of the commentators.
