



**ACTUARIAL STANDARDS BOARD**

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**Revision of  
Deviation Language for Standards  
and Removal of References to  
Public Statements of Actuarial Opinion (PSAOs)  
from Standards  
(All Practice Areas)**

**Adopted by the  
Actuarial Standards Board  
September 2008  
Updated March 2011**

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**(Doc. No. 161)**

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March 2011

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

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

**SUBJ:** Deviation Language in Actuarial Standards of Practice (ASOPs)

This document contains revisions to the deviation language and deletion of references to Prescribed Statements of Actuarial Opinions (PSAOs) to be reflected in all active ASOPs (except ASOP No. 41, *Actuarial Communications*), effective May 1, 2011.

### Background

The ASB recognized that material on “deviation” is not uniform in all ASOPs. In order to achieve consistency, the ASB exposed language in September 2006 that was intended to be placed in each ASOP to uniformly address the deviation issue. As a result of the 16 comment letters that were received in response to this exposure draft, and its subsequent deliberation, the ASB decided to achieve this desired consistency with a revised approach.

The ASB exposed a second draft in March 2008 and received nine comment letters. It has reviewed these letters and developed the final language in this document.

### Guiding principles

The ASB decided the following:

1. The subject of deviation should be treated consistently.
2. The best way to do this is to move the guidance to ASOP No. 41 and add appropriate references to each other ASOP.
3. The ASOPs address how to comply with an ASOP while deviating from the guidance in the ASOP (as opposed to deviating from the ASOP).
4. Separate guidance is needed for the following three cases:
  - a. when applicable law (which includes regulations and any other legally binding authority such as Statements of Financial Accounting Standards) specifies an assumption or method;
  - b. when a party other than the actuary sets an assumption or method which the actuary has not determined to be appropriate; and

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- c. when the actuary judges it appropriate to deviate from the guidance in the ASOP for any other reason.

Appendix 1 lists all existing ASOPs and indicates how each one will be changed.

Appendix 2 summarizes all comments received on the second exposure draft and the ASB's response.

### Effective Date

The ASB voted in September 2008 to adopt this change. The ASB voted in March 2011 to adopt this revised version (changed only to conform to the final revised ASOP No. 41, and to reflect changes in other ASOPs since 2008). The changes contained herein will take effect May 1, 2011 (concurrent with the effective date of the revised ASOP No. 41).

In December 2010, the ASB adopted a revised version of ASOP No. 41, effective May 1, 2011. The deviation language will be effective concurrent with the effective date of the revised ASOP No. 41.

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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.*

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### Sections to Appear in All ASOPs

1. The following would be inserted (usually to replace a similar section) as the second paragraph in section 1.2, Scope:

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 deems appropriate, the actuary should refer to section 4.
2. Most ASOPs include a disclosure section (usually 4.1). If there is no disclosure section, the following will be inserted (numbering may be adjusted):
  - 4.1 Disclosures—The actuary should include the following, as applicable, in an actuarial communication:

In some ASOPs an appropriate section exists, but a similar lead-in phrase will need to be added.
3. The following subsections will be added to the disclosure section (assumed to be 4.1). If the disclosure list is in another section (such as 4.2), the following subsections will be renumbered as appropriate. Note that letters *x*, *y*, and *z* are variables dependent upon the number of subsections in section 4.1 of each individual ASOP:
  - 4.1.x the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority);
  - 4.1.y the disclosure in ASOP No. 41, section 4.3., if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary;
  - 4.1.z the disclosure in ASOP No. 41, section 4.4, if, in the actuary’s professional judgment, the actuary has otherwise deviated materially from the guidance of this ASOP.
4. All other deviation material will be deleted from section 4.
5. The following language will be inserted after the adopted date on the cover page: “Updated for Deviation Language Effective May 1, 2011.”

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**APPENDIX 1: Analysis of Current ASOPs**

**ASOP sections affected by change in deviation language**

This table shows for each ASOP the current deviation section(s) in section 4, the actual wording (there are currently eight variants), where the new subsections will be added, and any other comments.

Where there is currently no disclosure requirement the ASB will add a new section. The numbering will be as shown in the following table.

At the same time the ASB plans to remove the PSAO language from any ASOPs that contain it, as the concept of a PSAO is no longer relevant due to the revision of the *Qualification Standards* (effective January 1, 2008).

The revised ASOPs will be marked to indicate these changes.

ASOP	Current deviation section (to be deleted)		Subsections to be added	Note	Comments
	Number	Wording			
1	4.5	B	4.2.k, 4.2.l, 4.2.m		Remove 4.4 PSAO
2	none		N/A		
3	4.2	H	4.1.3.k, 4.1.3.l, 4.1.3.m		
4	4.3	H	4.2.a, 4.2.b, 4.2.c	1	
5	4.3	A	4.2a, 4.2b, 4.2.c		Remove 4.2 PSAO; No disclosures section currently
6	4.4	A	4.2.h, 4.2.i, 4.2.j		Remove 4.3 PSAO
7	4.7	A	4.6.a, 4.6.b, 4.6.c		Remove 4.6 PSAO; No disclosures section currently
8	4.3	E	4.1.f, 4.1.g, 4.1.h		Remove 4.2. PSAO; and remove current 4.1.f

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ASOP	Current deviation section (to be deleted)		Subsections to be added	Note	Comments
	Number	Wording			
9					Repeal in progress
10	4.3	A	4.2.a, 4.2.b, 4.2.c		Remove 4.2 PSAO; No disclosures section currently
11	4.3	E	4.2.a, 4.2.b, 4.2.c		Remove 4.2 PSAO; No disclosures section currently
12	4.3	E	4.1.f, 4.1.g, 4.1.h		Remove 4.2 PSAO
13	4.3	F	4.1.c, 4.1.d, 4.1.e		Revised in 2009.
14	Repealed				
15	4.4	E	4.2.m, 4.2.n, 4.2.o		Remove 4.3 PSAO
16	Repealed				
17	4.4	G	4.3.a, 4.3.b, 4.3.c		Remove 4.3 PSAO; No disclosures section currently
18	4.4	A	4.2.a, 4.2.b, 4.2.c		Remove 4.3 PSAO; lead-in phrase needed in 4.2 header
19	4.6	E	4.1.q, 4.1.r, 4.1.s		Remove 4.5 PSAO
20	6.4	D	6.1.a, 6.1.b, 6.1.c		ASOP in old format, Revision currently being worked on by Casualty Committee
21	4.3	A	4.1.a, 4.1.b, 4.1.c		Remove 4.2 PSAO; lead-in phrase needed in 4.1 header
22	4.10	A	4.5.d, 4.5.e, 4.5.f		Remove 4.9 PSAO
23	4.3	E	4.1.i, 4.1.j, 4.1.k		Remove 4.2 PSAO

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ASOP	Current deviation section (to be deleted)		Subsections to be added	Note	Comments
	Number	Wording			
24	4.3	H	4.1.a, 4.1.b, 4.1.c		Remove 4.1 PSAO; No disclosures section currently
25	4.2	A	4.1.a, 4.1.b, 4.1.c		Lead-in phrase needed in 4.1 header
26	4.3	A	4.2.a, 4.2.b, 4.2.c		Lead-in phrase needed in 4.2 header
27	4.3	A	4.2.a, 4.2.b, 4.2.c	1	Add Additional Disclosures section
28	4.4	A	4.4.a, 4.4.b, 4.4.c		No disclosures section currently
29	4.3	A	4.3.a, 4.3.b, 4.3.c	2	No disclosures section currently
30	4.3	A	4.3.a, 4.3.b, 4.3.c	2	No disclosures section currently
31	Repealed				
32	4.4	A	4.4.a, 4.4.b, 4.4.c		Remove current 4.1.8(a); No disclosures section currently
33	4.5	A	4.4.a, 4.4.b, 4.4.c		Remove 4.4 PSAO; No disclosures section currently
34	4.6	A	4.3.j, 4.3.k, 4.3.l		Remove 4.5 PSAO
35	4.4	C	4.2.a, 4.2.b, 4.2.c	1	Revised Sept 2010; add Additional Disclosures section
36					Revised Dec 2010; consistent with this document
37	4.6	A	4.5.a, 4.5.b, 4.5.c		Remove current 4.3 and 4.5 PSAO; No disclosures section currently



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ASOP	Current deviation section (to be deleted)		Subsections to be added	Note	Comments
	Number	Wording			
38	4.5	A	4.3.a, 4.3.b, 4.3.c		Remove 4.4 PSAO; lead-in phrase needed in section 4.3
39	4.4	A	4.3.a, 4.3.b, 4.3.c	2	Remove 4.3 PSAO; no disclosures section currently
40	4.5	A	4.1.2.e, 4.1.2.f, 4.1.2.g		Remove 4.4 PSAO
41					Revised Dec 2010; consistent with this document
42	4.4	A	4.1.f, 4.1.g, 4.1.h		Remove current 4.1.f and 4.3 PSAO
43	4.4	H	4.1.g, 4.1.h, 4.1.i		Remove 4.3 PSAO
44	4.3	H	4.1.6.a, 4.1.6.b, 4.1.6.c	1	Add Additional Disclosures section

**Notes**

1. In the applicable Disclosure or Additional Disclosure section, the standard paragraph “.a” shall be replaced by the following:
  - “a. the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority); however, if the assumption or method was passed, adopted, or promulgated by the plan sponsor (or by the same governing body that establishes benefits or provides for plan funding) then this guidance does not apply and the actuary should follow guidance of paragraph b. below instead;”
2. The phrase “In addition to the disclosure covered in section 4.1” is to be added within the new paragraph 4.3.a.

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**Existing Deviation Wording**

<b>Identifier</b>	<b>ASOPs</b>	<b><u>Wording</u></b>
A	5, 6, 7, 10, 18, 21, 22, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 36, 37, 38, 39, 40, 42	<u>Deviation from Standard</u> —An actuary must be prepared to justify the use of any procedures that depart materially from those set forth in this standard and must include, in any actuarial communication disclosing the results of the procedures, an appropriate statement with respect to the nature, rationale, and effect of such departures.
B	1	<u>Deviation from Standard</u> —An actuary should be prepared to justify the use of any procedures that depart materially from those set forth in this standard and must include, in any actuarial communication disclosing the result of the procedures, an appropriate statement with respect to the nature, rationale, and effect of such departures. Compliance with applicable law that conflicts with this standard shall not be deemed a deviation from this standard, provided the actuary discloses that the professional services were performed in accordance with the requirements of such applicable law.
C	35	<p>4.4 <u>Deviation from the Guidance in the Standard</u>—If the actuary departs from the guidance set forth in this standard, the actuary should include the following where applicable:</p> <p>4.4.1 the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority);</p> <p>4.4.2 the disclosure in ASOP No. 41, section 4.3, if the actuary disclaims responsibility for any material assumption or method in any situation not covered under section 4.4.1 above; and</p> <p>4.4.3 the disclosure in ASOP No. 41, section 4.4, if the actuary otherwise deviated from the guidance of this ASOP.</p>
D	9, 20	<u>Deviation from Standard</u> —An actuary who uses a procedure which differs from this standard must include, in the actuarial communication disclosing the result of the procedure, an appropriate and explicit statement with respect to the nature, rationale, and effect of such use.

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<b>Identifier</b>	<b>ASOPs</b>	<b><u>Wording</u></b>
E	8, 11, 12, 15, 19, 23	<p><u>Deviation from Standard</u>—The actuary must be prepared to justify to the actuarial profession’s disciplinary bodies, or to explain to a principal, another actuary, or other intended users of the actuary’s work, the use of any procedures that depart materially from those set forth in this standard. If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this standard.</p>
F	13	<p>4.3 <u>Deviation</u>—If the actuary departs from the guidance set forth in this standard, the actuary should include the following where applicable:</p> <p>4.3.1 the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority);</p> <p>4.3.2 the disclosure in ASOP No. 41, section 4.3.1, if any material assumption or method was selected under applicable law by a party other than the actuary, and the actuary disclaims responsibility for the assumption or method;</p> <p>4.3.3 the disclosure in ASOP No. 41, section 4.3.2, if the actuary disclaims responsibility for any material assumption or method in any situation not covered under section 4.3.1 or 4.3.2; and</p> <p>4.3.4 the disclosure in ASOP No. 41, section 4.4, if the actuary otherwise deviated from the guidance of this ASOP.</p>
G	17	<p><u>Deviation from Standard</u>—An actuary must be prepared to justify the use of any procedures that depart materially from those set forth in this standard and must include, in any actuarial communication disclosing the results of the procedures, an appropriate statement with respect to the nature, rationale, and effect of such use, subject to the constraints imposed by the nature of the forum.</p>

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<b>Identifier</b>	<b>ASOPs</b>	<b><u>Wording</u></b>
H	3, 4, 24, 43, 44	<p><u>Deviation</u>—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:</p> <p>4.2.1 <u>Material Deviations to Comply with Applicable Law</u>—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 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.</p> <p>4.2.2 <u>Other Material Deviations</u>—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.</p>

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**Appendix 2**

**Comments on the Exposure Draft and Responses**

The exposure draft of *Proposed Revision of Deviation Language for All Standards and Removal of References to PSAOs From All Standards* was issued in March 2008 with a comment deadline of May 31, 2008. Nine 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 ASB carefully considered all comments received, and reviewed (and modified, where appropriate) the proposed changes. Summarized below are the significant issues and questions contained in the comment letters and the responses to each. Unless otherwise noted, the section numbers and titles used below refer to those in the exposure draft. All language that was included in the exposure draft for inclusion in ASOP No. 41 is not contained in this document as it is contained in the concurrent exposure draft of ASOP No. 41.

<b>GENERAL COMMENTS</b>	
Comment	One commentator disagreed with the approach taken to prescribed assumptions in ASOP No. 4 and suggested the ASB reconsider its approach in ASOP No. 41.
Response	The reviewers note that the ASB has separated the treatment of assumptions specified by applicable law from assumptions set by a third party empowered by applicable law, which it believes is sufficiently responsive to this comment.

<b>SECTIONS TO APPEAR IN ALL ASOPS</b>	
<b>Section 4.1.x</b>	
Comment	One commentator pointed out the treatment of materiality was inconsistent, including who determined it.
Response	The reviewers agree and clarified that the test to be applied in any calculation was material change in the result, that each assumption or method should be assessed separately, and that it is the actuary who makes the assessment.

<b>SECTION 4 in ASOP No. 41</b>	
<b>Section 4.2</b>	
Comment	Two commentators felt the level of disclosure was excessive
Response	The reviewers disagree, but have separated the disclosure required for an assumption or method specified in applicable law from assumptions or methods selected by a third party under applicable law. The ASB is also expanding the guidance In ASOP No. 41 about any assumption that the actuary does not judge appropriate for the purpose of the

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	communication.
Comment	One commentator suggested the communication identify the sections of the ASOP from which it deviated, and state that the actuary followed the guidance in all other sections.
Response	The reviewers disagree and believe the approach proposed is appropriate.
Comment	One commentator suggested SFASs be specifically mentioned as an example of applicable law.
Response	The reviewers do not feel SFASs should be singled out as an example. They are an example, but no more or less important than other examples.
Comment	One commentator suggested an edit that would weaken the requirement that the actuary request that the principal circulate the disclosure if it could not be placed in the communication (because, for example, it was a prescribed form).
Response	The reviewers disagree. The ASB took the position stated deliberately.
Comment	One commentator suggested the additional disclosure for prescribed forms was impractical and unnecessary because the form should be expected to include all of the information required by the recipient.
Response	The reviewers agree that the government form may be presumed to include all information needed for the stated recipient. However, government forms frequently appear in other places (for example, publicity material) where this disclosure should be used. Therefore, the reviewers made no change.
<b>Section 4.2c</b>	
Comment	One commentator suggested tax reserve was an insurance term which might not be understood by non-insurance actuaries
Response	The ASB has changed the wording to address this concern.
<b>Section 4.2d</b>	
Comment	Two commentators disagreed with the treatment of assumptions or methods prescribed by applicable law when the actuary did not judge them appropriate.
Response	The ASB revised the disclosure requirement when the assumption or method is specified by law.
<b>Section 4.3</b>	
Comment	One commentator questioned if the use of “comply” in Section 4.3 is appropriate.
Response	The reviewers believe that it is appropriate.
Comment	One commentator suggested the communication identify the sections of the ASOP from which it deviated, and state that the actuary followed the guidance in all other sections.
Response	The reviewers disagree and believe the proposed approach is appropriate.

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Comment	Several commentators believed that the burden of proof was inappropriate, and that the use of the word “justify” compounded this problem.
Response	The reviewers agree and removed the reference to other parties completely and changed the verb "justify" for disciplinary bodies to "explain."