

Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice No. 41, Actuarial Communications (2nd Exposure Draft)

Comment Deadline: March 15, 2025

I. Identification:

Name of Commentator / Company
Ellen L. Kleinstuber / Infinity Actuarial Consulting LLC

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

Question No.	Commentator Response
1	Please see my comments on section 3.1 with respect to what it means for an actuarial communication to be “recorded,” which is necessary to ensure clarity as to when an actuary should issue an actuarial report.
2	Section 4.1 only applies to “actuarial reports” and not other actuarial communications, whereas sections 4.2 and 4.3 apply to both actuarial communications and actuarial reports. If this is the intention, then it is clear. However, I believe some of the items addressed in section 4.1 should also be required of certain actuarial communications not documented through the issuance of an actuarial report. Please see my comments in Section IV for further discussion and a specific recommendation.

III. Specific Recommendations:

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
2.1	“ <u>Actuarial Communication</u> – A written, <u>oral, or</u> electronic, or oral communication...”	Both written and oral communications may be provided electronically, so it is preferable to list the two options to which “electronic” applies first.
2.3	“Actuarial Report – An actuarial communication that the actuary issues in writing or another permanent form to support actuarial conclusions.”	What constitutes a permanent form is too vague and thus not useful. For example, many consider email to be a “permanent” form of communication because it is in writing, yet anything transmitted electronically can be permanently deleted from an email account and the recipient’s backup file servers. If the intention is to convey a difference between hard copy (paper) and soft copy (electronic), then this is easily edited to reflect both options clearly. If there is a different intention, clearer language is required or a definition or example must be added to clarify what is “another permanent form”.
3.1	“ <u>Clarity, Form, and Content</u> – When issuing an actuarial communication , the actuary should take appropriate steps to ensure that it is clear and appropriate to the circumstances and its intended users and satisfies applicable ASOPs. When an oral actuarial communication is not recorded (<u>for example, no audio recording or transcript</u>), the actuary should consider following up with an <u>recorded communication</u> actuarial report or other written or electronic actuarial communication. ”	What is meant by “recorded form” in this context is unclear. A clarifying example would be helpful. I presume the primary circumstance the ASB considers to not be “recorded” is an oral presentation. If there are other situations in mind, this section should be clearer about what it means for an actuarial communication to not be recorded.
3.5	“intended users” should be bolded in the final sentence.	The term “intended users” is defined in section 2 and, for consistency, should be shown in boldface.
3.6	“ <u>Actuarial Report</u> – When issuing an actuarial communication that includes actuarial conclusions ,	I have three comments related to this section that are reflected in the proposed wording.

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	<p>the <u>responsible</u> actuary should issue an actuarial report or confirm that an actuarial report has been or will be issued. <u>An actuarial report may comprise one or several documents and may be in several different formats (such as formal documents, presentations, e-mail, paper, or websites). Where an actuarial report comprises multiple documents, the responsible should communicate which documents comprise the report.</u> Unless otherwise disclosed, the <u>responsible</u> actuary or actuaries issuing the actuarial report will be assumed to have taken responsibility for all actuarial conclusions, material assumptions, and methods <u>in the actuarial report.</u>”</p>	<p>First, section 4.1.a of the second exposure draft of ASOP No. 41 uses the phrase “responsible actuary” to describe the party that issues the actuarial report and I believe that language is appropriate to include in this section.</p> <p>Second, the language in section 3.2 of the current version of ASOP No. 41 that allows an actuarial report to be a collection of documents has proven to be an extremely useful tool for retirement actuaries. As an example, when asked to perform a plan design study or risk assessment, it is common to refer to the most recent actuarial valuation report to meet most of the disclosure requirements of ASOP No. 23 and 27. Removing this language entirely from ASOP No. 41 implies that this is no longer considered an appropriate practice. I encourage the ASB to reinstate this language (which I have edited/simplified).</p> <p>Finally, I note an inconsistency between the proposed language in section 3.6 regarding the assumption of responsibility when an actuarial communication or actuarial report is issued by more than one actuary and the language in section 3.23 of ASOP No. 6. ASOP 6 notes that “while each actuary may concentrate on his or her area of expertise during the project, the actuary (or actuaries) issuing the actuarial opinion must take professional responsibility for the overall appropriateness of the analysis, assumptions, and results.” [emphasis added] ASOP 6 does not leave open the possibility of an actuary taking responsibility for only a portion of an actuarial report. I encourage the ASB to reconcile this difference to provide consistent guidance or explain how the difference in approach between section 3.23 of ASOP No. 6 and this section of the proposed ASOP No. 41 are to be reconciled.</p>
4.1	<p>“The actuary may choose to omit some any of the disclosures in (a) – (p) above when, in the actuary’s professional judgment, the intended users will be adequately informed about the basis for the actuarial conclusions that do not apply with respect to the actuarial conclusions in the actuarial report (as opposed to affirmatively stating the lack of applicability).”</p>	<p>As worded, this sentence effectively negates the need for section 4.2 regarding deviation. If an actuary can exercise professional judgment to exclude an otherwise required communication, disclosing a deviation from the standard should never be necessary.</p>
4.1	<p><u>“any conflict of interest that results from the responsible actuary not being financially, organizationally, or otherwise independent concerning the subject of the actuarial report”</u></p>	<p>These disclosures are required by the current version of ASOP No. 41 and are important to retain in the updated standard.</p>

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	<u>“if applicable, the documents comprising the actuarial report”</u>	
4.1.n.4	“the extent to which the actuary has reviewed the assumption or method for reasonableness and consistency with <u>for the scope of the actuary’s assignment purpose of the actuarial report</u> ; and”	<p>Section 4.1.m refers to the “purpose of the actuarial report”. References throughout section 4.1n should be consistent, and of the various options used the language from 4.1.m provides reasonable clarity.</p> <p>I also note that similar language appears in section 4.2 of ASOP No. 27, which became effective on January 1, 2025. Ideally, the language between section 4.2 of ASOP No. 27 and section 4.1.n of ASOP No. 41 would be harmonized so that actuaries performing work subject to ASOP No. 27 are not left to reconcile inconsistent wording. If the language used in ASOP No. 27 does not work in the context of other practice areas, it would be helpful to recognize that in the transmittal memo or response to comments to aid pension actuaries in understanding whether these requirements are intended to be different, or effectively the same.</p>
4.1.n.5	<p>“one of the following:</p> <ul style="list-style-type: none"> i. a statement that the actuary has reviewed the assumption or method and finds that it is reasonable and consistent with the scope of the actuary’s assignment <u>purpose of the actuarial report</u>; ii. a statement 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 <u>actuarial report</u>; iii. a statement that the assumption or method significantly conflicts with what, in the actuary’s professional judgment, would be reasonable for the purpose of the assignment <u>actuarial report</u>, how it conflicts, why it is still used, and a statement regarding the ability of the intended users to rely on the results in the report due to the conflicting assumption or method; or iv. a statement that the actuary was unable to judge the reasonableness of the assumption or method, why the actuary was unable to judge the reasonableness, and a statement regarding the ability of the intended users to rely on the results in the report due to the actuary’s inability to judge the reasonableness of the assumption or method.” 	As noted for 4.1.n.4, the language used with respect to “purpose” for prescribed assumptions set by another party should be consistent throughout section 4.1.

IV. General Recommendations (If Any):

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Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>Add a new section 4.2, Required Disclosures in an Actuarial Communication: “<u>Required Disclosures in an Actuarial Communication</u> – When issuing an actuarial communication that is not in the form of an actuarial report, the actuary should include the disclosures required by sections 4.1.a, 4.1.c, 4.1.d, 4.1.e, 4.1.f, 4.1.g, 4.1.h, 4.1.j, and 4.1.o. The actuary may choose to omit any of these items that do not apply with respect to the actuarial conclusions in the actuarial communication (as opposed to affirmatively stating the lack of applicability).”</p> <p>Renumber current sections 4.2 and 4.3 to 4.3 and 4.4, respectively.</p>	<p>Some of the requirements in 4.1 should apply with respect to actuarial communications that do not take the form of an actuarial report. For example, I believe it is of critical importance for an actuary communicating an actuarial conclusion through an oral presentation to state any limitations or constraints on the use of the information provided and to disclose possible uncertainty or risk associated with the actuarial conclusions. Even if the intention is to follow up with an actuarial report that includes those disclosures, in the interim, the intended users of the oral communication could act on the actuarial conclusions stated without having the appropriate context.</p>

V. Signature:

Commentator Signature	Date
Ellen L. Kleinstuber	February 14, 2025