

January 25, 2018

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington DC 20036

Subject: ASOP 17

Dear Actuarial Standard Board:

I understand that the comment period for the exposure draft of ASOP 17 is closed, but I wanted to submit this comment for consideration. Section 3.5 of the exposure draft provides:

Conflict of Interest—The actuary should be aware of the possibility of conflict of interest, and should address any real or apparent conflict of interest in accordance with Precept 7 of the Code.

Precept 7 the Code provides the following:

An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:...

I am confused by Precept 7 referring to “potential” conflicts of interests and the existing ASOP 17 and the ASOP 17 exposure draft referring to “apparent” conflict of interests. I am not aware of a special definition with respect to actuaries. As I understand it, the definitions are roughly:

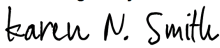
- Actual conflict of interest – A situation where an actuary has competing duties to multiple principals or an actuary’s personal interest is in conflict with his principal. A conflict of interest exists even if there has been no impropriety.
- Apparent conflict of interest – It could reasonably appear that there is a conflict of interest.
- Potential conflict of interest –An actual or apparent conflict of interest does not yet exist, but there is a reasonable possibility that one could develop.

If it is desired to have ASOP 17 Section 3.5 apply to potential conflicts of interest, then in Section 3.5 “apparent” should be changed to “potential.” If the intent is that section 3.5 apply to “apparent” conflicts, it may be appropriate to add further explanation or commentary because that it not covered by Precept 7. If it is the intention that both potential and apparent conflicts of interest be addressed, then perhaps the language should be changed to the following:

Conflict of Interest—The actuary should be aware of the possibility of conflict of interest, and should address any real or potential conflict of interest in accordance with Precept 7 of the Code. Additionally, the actuary should address any apparent conflict of interest by disclosing the apparent conflict of interest, why there is not an actual conflict of interest and any steps taken to mitigate the apparent conflict of interest.

Thank you for your consideration of my comment. My comment is my individual comment and does not represent any actuarial organization to which I belong.

Sincerely,

DocuSigned by:

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Karen Smith

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