

Comment #1 - 7/13/10 - 12:04 p.m.

The authors are to be commended for the obvious care taken in the development of the exposure draft.

I have three comments

3.4 Market- Estimate Assumptions

One of the most difficult areas in the choice for the Market-Estimate Assumptions relates to mortality and lapse rates and potentially other factors, except where the choice is to use the best estimate assumption as provided for in 3.4.4. It would be helpful if the authors were to provide an example of the basis of development of a market estimate assumption for mortality and lapse rates other than the best estimate assumption, i.e. the authors provide an example in 3.4.2 related to volatility of one year returns on a stock market index it would be helpful to have an example for mortality and lapse rates related to the Use of Relevant Information.

3.5 Provision for Adverse Deviation

In section 3.5.1 it would be helpful if the third sentence was modified as follows..." The actuary should consider the magnitude and frequency in relevant experience, through quantitative as well as qualitative analysis. It is not clear if it is sufficient for the actuary to just use qualitative analysis where data is available.

3.5.3 Effect of Provision

Consider one change to clarify the intent of the section and a comment

In the first sentence

The provision for risk of adverse deviation for each assumption should be such that it contributes to an increase in the net GAAP liability as well as an increase in the net GAAP liability in aggregate from all risk margins.

I expect this will capture the potential impact of combining the risks

In the last sentence I believe you need to provide greater clarity as to what is meant by the authors. How is it intended that the actuary determine the appropriate amount.

I hope these comments are helpful.

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