

Comment # 4 - 7/27/10 – 10:47 a.m.

It's been a while since I read ASB 10, hence some of these comments may be applicable to language that has existed in the past. That in no way would impact my recommendations as to what I deem appropriate language

In Section 3.1-The Role of The Actuary, it suggests that assumption setting is the sole province of management, not the actuary. To avoid this suggestion, I recommend the first sentence of the section be written as follows:

*Although the GAAP financial statements of life insurance companies are the responsibility of management, the actuary is responsible for assuring that reasonable assumptions are used to compute the assets and liabilities related to insurance policies in force.*

In Section 3.6-Lock-In it states that "It is appropriate to adjust policy benefit liabilities and DPAC, even when they are subject to lock-in, for persistency experience." I believe this is opening Pandora's Box since the statement does not limit adjustments to increases in the net liabilities, but could produce reductions in the net liabilities. The use of the factor method automatically adjusts results for persistency (as well as mortality) deviations. The worksheet method is supposed to replicate the factor method. I recommend this sentence be eliminated.

In Section 3.8-Methods and Techniques the items an actuary should consider in establishing assumptions are enumerated. Since the typical agent has a great impact on replacements, hence on the persistency of the business written, I recommend you add an item such as:

*The substance of the relationship between the agent that sold the policy and the company as well as the policyholder.*

One only has to see what happens to deferred annuity persistency after surrender charges end to see how the agent impacts results.

Respectfully submitted,

Joseph Fafian, Jr.