

Comment #5 - 7/27/10 – 4:35 p.m.

Thank you for the opportunity to comment on the Proposed Revision of Actuarial Standard of Practice No. 10.

A. Scope and background

I echo Dennis Lauzon's comments on Accounting Standards Codification. Below are my proposed wording changes to paragraph 1.2 and to the appendix.

1.2 Scope -- ... or authoritative GAAP guidance (Accounting Standards Codification Topic 944 Financial Services, Insurance, and Staff Accounting Bulletins issued by the US Securities and Exchange Commission). If compliance with applicable law

...

Background paragraph 2: GAAP standards for stock life insurance companies are primarily established by Accounting Standards Codification Topic 944 Financial Services, Insurance. Prior to GAAP codification these standards could be found in SFAS No. 60, ...

B. Definitions

The definitions section should include the definition of VOBA. VOBA is a significant financial item for many insurance enterprises. With VOBA defined, paragraphs 2.9 and 3.10 should be updated to include VOBA.

C. Questions

My response to the specific questions posed in the Request for Comment:

1. Yes.
2. No comment.
3. Yes, the guidance is appropriate and useful. I question whether the guidance in final sentence of paragraph 3.7 is consistent with paragraph 3.5.3. Is it consistent to provide for an increased mortality assumption for life insurance and a decreased mortality assumption for immediate annuities? I would strike the last sentence of paragraph 3.7 entirely. A PAD is just a PAD and there is no necessity for internal consistency. For paragraph 3.5.3 or 3.7 you may want to say that PADs are typically developed at the portfolio level, not the individual policy level.

D. IFRS

The FASB and IASB are currently working on a joint project on insurance contract accounting which would significantly alter US GAAP. I encourage the ASB to be prepared to revise this ASP prior to the effective date of the new standard.

Please feel free to contact me if I can be of any further assistance.

Sincerely,

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