

## Comment Letter #10 - 4/28/08 – 3:21 p.m.

Below please find a set of comments on the captioned that have been collaboratively drafted by a group of actuaries at the Insurance Services Office. We appreciate your consideration of these comments.

Section 2.6 => In the definition of "Trending Procedure", reference is made to "response rates" and "conversion/issue rates". These terms are not included in the ASB definitions, but have meaning that may not be readily apparent. We recommend that the terms "response rates" and "conversion/issue rates" be separately defined.

Section 3.2 => The first paragraph of this section uses the adjective "historical" to modify "insurance and non-insurance data". This can be interpreted as implicitly prohibiting procedures that blend historic data with **projections** acquired from external parties. We therefore recommend that "historical" be removed.

Section 3.2 paragraph c. => The use of the word "versus" seems to imply that data can be either predictive or explanatory, but not both. We therefore recommend to change the word "versus" to "and/or".

Section 3.3 => The next to last sentence in this section reads - "It is inappropriate to analyze only those factors that have an impact on trend in one direction." Sometimes certain factors do not lend themselves to rigorous analysis, and the remaining factors could potentially impact the trend only in one direction. We therefore recommend that this sentence be revised to read - "It is inappropriate to consider for analysis only those factors that have an impact on trend in one direction."

Section 4.1 paragraph c. => The current wording could potentially require documentation of risks and uncertainties that are not likely to result in a large deviation from the trend estimate. Therefore, we recommend that this paragraph be revised to read as follows - "specific significant risks and uncertainties that might cause the actual trend to vary materially from the trend estimate, if any."

Section 4.2 paragraph b. => We recommend that this paragraph be removed from ASOP 13. The trigger language seems unclear, particularly the meaning of "update of the previous estimate". Also, this paragraph seems to be superfluous since the requirement to document assumptions, procedures, methods or models, or changes to such, already exists. For example, Section 5.2 of ASOP 9 - Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations basically states the same requirement - "Any material changes in sources of data, assumptions, or methods from the last analysis should be documented. The actuary should explain the reason(s) for and describe the impact of the changes." Even if ASOP 9 is eventually repealed, Section 3.6 of ASOP 41 - Actuarial Communications essentially requires the same disclosure - "Such documentation should identify the data, assumptions, and methods used by the actuary with sufficient clarity that another actuary qualified in the same practice area could evaluate the reasonableness of the actuary's work."

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