

**Comment Letter #9 – 3/20/08 – 5:03 p.m.**

Thank you for the opportunity to provide comments on the January, 2008 Exposure Draft of ASOP No. 13.

I have the following comments:

- I agree with the increased scope of the standard.

My concerns are with the additional sections 4.1 and 4.2. It seems as though these sections are covered by the standards that apply to everything we do as actuaries as far as what we are expected to document and disclose (including specifically ASOPs 23 and 41). I have concerns with getting so specific on the guidance for disclosure and documentation for various components of our work. It seems as though these sections are trying to provide detailed guidance on when we should qualify various aspects of our trending process but yet are trying to keep the wording general enough to apply broadly that I am frankly not clear on what exactly is being advised. There is a balance between communicating clearly to the intended audience the actuary's estimate and the usefulness of that number versus providing so many disclaimers that the audience places no value on the estimate. While I have these concerns generally with both 4.1 and 4.2, the specific sections that most concern me are:

- 4.1 (c) addresses disclosure of specific significant risks and uncertainties that might cause the actual trend to vary from the trend estimate. The very fact that it is an estimate means that it is always possible and even likely that the estimate will be different from the exact outcome. There are risks and uncertainties inherent in this process. Oftentimes those specific risks and uncertainties are not known, otherwise the estimate would be different.
- 4.2 (b) talks about an update to a trend. It is not entirely clear what is an update to a trend estimate compared to a new trend estimate. As new data becomes available, actuaries continually calculate new trend estimates for future time periods. Those trend estimates are typically going to change as the historical data reveals itself, and it may be appropriate to change methods or assumptions as a result of that new data. In fact it may be inappropriate not to change.
- Also regarding 4.2 (b) in some cases I do not believe it is appropriate to quantify the impact of changes in trend estimates. If the actuary believes the latest estimate is the most appropriate estimate, it would not necessarily be appropriate for the actuary to also calculate a different estimate based on a method the actuary no longer believes to be appropriate for the data and to calculate a difference.

In summary, much of parts 4.1 and 4.2 seem to be calling for the actuary to appropriately qualify the numbers and guidance they are giving to their audience. It seems as though we should rely on the guidance we have already in ASOPs 23 and 41. If it is necessary to address the issue separately in various ASOPs then I would recommend providing a general statement guiding the actuary to provide appropriate disclosures of material

assumptions, judgments, and change in approaches that were made in calculating the trend estimates and requiring detailed documentation of the actuary's work product.

Thank you.

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