

**Comment Letter # 12 – 5/1/08 – 5:16 p.m.**

To: Actuarial Standards Board

From: Allstate Insurance Company

RE: Exposure Draft for Actuarial Standard of Practice No.13

Included here are comments from the Allstate Insurance Company's actuarial department regarding proposed revisions of Actuarial Standard of Practice No. 13.

- Section 2.6: We propose the following wording:

“Trending Procedure – A process by which the actuary evaluates how changes over time may affect items such as...” <Added the word “may”>

- Section 3.1: There is some confusion over the concept of “marketing analyses”. Is a marketing analysis conducted by an actuary truly an actuarial work product? In other words, if actuaries are really the only ones in a company that have the skill set to employ various trending methodologies and are thereby asked by areas of a company, such as marketing, to perform an analysis, does this analysis fall under the scope of an actuarial work product? Contrast this with Section 1.2, Scope, where it states this standard applies to actuaries when performing services using trending procedures for all property/casualty coverages. Does marketing fall into a property/casualty coverage?

It appears that this ASOP may be expanding the scope of an actuarial work product (as outlined in the Background section of the exposure draft). Ideally, one ASOP alone would not expand the scope of an actuarial work product. Given that this one particular ASOP deals with trending and that the scope affects insurance actions such as underwriting and marketing, should this “expansion of scope” not be argued in a broader context?

- Section 3.2: We propose the following wording:

“Historical Insurance and Non-Insurance Data – The actuary should select available data appropriate for the trends being analyzed. The data can consist of historical insurance or non-insurance information. Considerations should include, ...

<Added the word “available” and deleted the word “Other” in the third sentence>

- Section 3.2: We propose adding a part e., stating:

e. the data that is used for trending and the data that it is being applied to.

- Section 3.3: We propose the following wording:

“Economic and Social Influences - ...It is inappropriate to ***consider*** only those factors that have an impact on trend in one direction.” <Removed the word “analyze” and replaced with “consider”>

- Section 3.4: We propose the following wording:

“Selection of Trending Procedures – The actuary should consider relevant information when selecting trending procedures such as the following:

- a.
- b.
- c.
- d.
- e. actuarial judgment.”

We believe that the removal of “**actuarial judgment**” from the ASOP is inconsistent with the general framework of the Standards of Practice and we highly advocate leaving this concept within the standard. Is there a compelling reason why actuarial judgment was not part of this exposure draft? Arguably, judgment comes into play in many facets of trending procedures and we question the rationale behind the exclusion of actuarial judgment from the Standard.

If you have any questions or need elaboration on any of the suggested changes above, please let me know.

Sincerely,

Steve Armstrong, on behalf of Allstate Insurance Company