

Comment #6 – 12/16/13 – 4:33 p.m.

Thank you for soliciting comments regarding the Proposed Actuarial Standard of Practice for Principle-Based Reserves. I have just a few questions or comments.

Should Subsection 3.5.1(c) indicate extending cash flows into the future so that no "material" obligations remain? Without a materiality threshold, this could otherwise extend modeling work far beyond a practical point.

Should Section 3.5.3 permit exclusion of model validation in situations "When not excepted by Exclusion Tests" for those additional validation procedures that the actuary should consider? The additional validation procedures as written appear to presume model building always occurs.

This is an issue also with VM-20, but should the ASOP give more guidance on which assumptions or when are assumptions appropriately modeled stochastically and which assumptions or when are they more appropriately handled through sensitivity testing or through margins. Subsection 3.7.6 (b) indicates that the actuary "should" consider using statistical methods to assess the potential volatility, but I question whether many will do so for practical (stochastic on stochastic) limitations on assumptions like inflation, mortality or taxes.

I appreciate the opportunity to provide feedback.

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