

Comment #20 – 4/9/17 – 12:55 p.m.

Hello,

The following comments pertain to the draft exposure ASOP for Setting Assumptions.

2. Definitions

- Should Actuarial Services be defined as it is in other ASOPs?
- Should there be a definition of Assumptions including common examples of assumptions used by actuaries? For example: “An estimate of a future unknown element that impacts financial projections. Common examples used by actuaries include: Mortality, Morbidity, Persistency, Interest Rates, Investment Returns and Expense.”

3.1.1 General Considerations

- Possible this is covered in “a. the nature of the assignment”, but would it make sense to say “a. the nature of the assignment and the purpose or use of the assumptions”. As an example, if one is setting a mortality assumption for use in a Gross Premium Valuation the assumption may differ from one used for Statutory Reserving purposes.
- Should there be a comment about the factors for which the assumption might vary? For example, when setting an assumption for mortality or lapse there are multiple factors for which the assumption might vary that the actuary needs to consider.

3.1.3 Reasonableness of Assumptions

- It is common practice when setting assumptions to consider relevant industry experience in setting the assumption. I think it would be good to state that when available and relevant, the actuary should compare the assumption to industry experience or to industry assumption surveys.
- For part d. would it be good to cite an example for consistency? Such as: “As an example: to the extent one expects a shock lapse to occur, it would be common to expect deterioration in mortality subsequent to the shock.”

3.1.4 MADs

- Should a comment be made that when data is lacking, it would be common practice to include a greater margin to the extent uncertainty is higher? Even in situations when one might be trying to establish a best estimate assumption, it would be common to add some prudence to an assumption where there are greater unknowns.

Sincerely,

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