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April 27, 2017

TO: Actuarial Standards Board (ASB)

FROM: Insurance Services Office

SUBJECT: Comments on the ASB's First Exposure Draft of ASOP *Setting Assumptions*

I am responding on behalf of Insurance Services Office, Inc., a company which employs 66 members of the American Academy of Actuaries.

Regarding questions 1 and 4 in the "Request for Comments" section, we believe that a definition of "assumption" would be helpful in clarifying the intended scope of this ASOP. For example, it is unclear whether this ASOP is intended to apply to assumptions involved in adjustments made to address issues of data quality. We believe that ASOP No. 23 *Data Quality* should be left to govern the assumptions involved in data adjustments and that those types of assumptions should be outside of the scope of the proposed ASOP.

Here are our more detailed comments by section:

- Section 2.4 Prescribed Assumptions Set by Law - The definition provided is somewhat unclear. Providing some examples may help the actuary to understand intended meaning of "prescribed assumptions set by law."
- Section 3.1.4 Margins for Adverse Deviations - We propose the following underlined modification to the first sentence to provide more clarity on the distinction between the two cases: *"Where the purpose of the measurement allows for margins for adverse deviation, the actuary should consider whether it is appropriate to adjust the assumptions by including such margins, or choose assumptions that have already been adjusted to reflect such margins."*
- Section 3.2 Alternative Assumptions and Sensitivity - More guidance should be provided on when sensitivity testing is appropriate or expected.

Sincerely,

A. David Cummings
Senior Vice President