April 24, 2017

Setting Assumptions ASOP
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

Dear Sir or Madam:

The following comments are being submitted on behalf of Lincoln Financial Group in response to the Actuarial Standards Board Request for Comments on the proposed ASOP titled Setting Assumptions. In general, Lincoln is supportive of the proposed ASOP, though we have a few specific changes to the language we would like to propose. Following are our comments:

Section 1: Purpose, Scope, Cross References, and Effective Date
- Scope – We agree the scope ought to include assumption setting as well as the methodology selected to implement an assumption as the two are largely inseparable.
- Section 1.2 – Consider removing the beginning of the second paragraph “When assumptions are to be used in an actuarial work product” as redundant. All assumptions only apply to actuarial work products.
- Section 1.2 – Consider adding to the end of the second sentence in the second paragraph “or when the actuary is setting assumptions as a part of a group or committee”

Section 2: Definitions
- The ASOP should include a definition of both assumptions and methodologies. The recent ASOP on modeling defined assumptions and the same definition ought to be used here. Methodologies may be defined separately as ‘the specific form of assumption implementation within a model’
- Section 2.4 – Consider simplifying from “Prescribed Assumptions Set by Law” to “Assumptions Prescribed by Law” which is consistent with ASOP 41 section 4.2. If changed here, there should be similar changes made throughout the rest of the document as well.

Section 3: Analysis of Issues and Recommended Practices
- Section 3.1.3a – The last sentence is not necessary.
- Section 3.1.3b – Consider changing from “whether a set of assumptions is reasonable in the aggregate” to “whether a set of assumptions is reasonable in aggregate within the
modeling application” because there is no definition of aggregate. One could assume aggregate at the product level or business unit level if we are not clear.

- Section 3.1.3d – Suggest adding “with each other” after “reasonably consistent”
- Consider adding a section 3.6 ‘Assumptions Set by Committee’ to explicitly recognize the industry practice that assumptions are often set by voting members of a committee rather than by individual persons. The ASOP will still apply to individual actuaries, and as a voting committee member the actuary will be expected to follow the tenants of ASOP 41 section 3.4.4b. Adding this section will provide clarity that setting assumptions within a committee structure is an acceptable actuarial practice.

Thank you for the effort put into this so far and for the opportunity to comment. We look forward to seeing the final draft of this important ASOP that will continue to move our profession forward.

Sincerely,

Amy Eby
Vice President and Appointed Actuary