

Comment #18 – 3/22/17 – 8:23 p.m.

From Warren Luckner, FSA

The ASB appreciates comments on all areas of this proposed standard and would like to draw readers' attention to the following areas in particular:

1. In some circumstances, the setting of assumptions is largely inseparable from the selection of methodology. The standard addresses this issue by including such methodology in the discussion of "assumptions" in section 1.2. Is this sufficiently clear?

Yes

2. Does the proposed standard provide appropriate guidance across all practice areas? If not, how should the guidance be modified?

Not qualified to respond for all practice areas, but the proposed standard does seem general enough

3. Is the proposed standard clear on how to handle conflicts with practice-specific ASOPs? If not, how could it be improved?

Yes, clearly describes which guidance to follow

4. Would it be helpful to define additional terms in section 2? If so, what terms?

Possible "assumption", "reasonably consistent" and "materially inconsistent". Perhaps "assumption" is well understood and so doesn't need to be defined, and the other two might just have to be left to "actuarial judgment"?

5. Is the guidance in section 3.1.3(b) that the actuary should consider the reasonableness of the results from using the assumptions, and not simply the reasonableness of each individual assumption, clear and appropriate?

Yes, although below I suggest possible rewording for the last paragraph of that section

6. Does the proposed standard appropriately address sensitivity analysis as discussed in section 3.2?

Yes, although below I suggest moving "on the findings" for clarity

7. Are the disclosures about assumptions and changes in assumptions in section 4.1 of the proposed standard clear and appropriate?

Yes

My comments below are mostly editorial.

Section 1.2

a. Minor editorial suggestion, first line: Is "to the setting of assumptions" necessary?

b. Minor editorial suggestion, first line second paragraph: Is "When assumptions are to be used in an actuarial work product" necessary?

Section 1.3

c. Last line, not sure what "this" refers to: The setting assumptions ASOP, or the "amended or restated" referenced document?

Section 1.4

d. Perhaps add "of this standard" between "adoption" and "by"

Section 2

e. Add a definition of "Assumption" or is that unnecessary because it is commonly understood?

f. Section 3.1, third line: Is "the principal or" necessary?

g. Section 3.1.3 b, last paragraph: Suggest changing "needed" to "whether reasonable adjustments that would yield reasonable results are possible." It seems to be that if the results are not reasonable,

adjustments are needed and the question whether reasonable adjustments that yield reasonable results are possible.

- h. Section 3.1.3 d: How are “reasonably consistent” and “material inconsistency” to be determined? Actuarial adjustment?
- i. Section 3.1.4: Would “the assignment” be appropriate/clearer than “the purpose of the measurement” “Measurement” seems a bit unclear as to what it is referring to.
- j. Section 3.2: Suggest moving “on the findings” to between “effects” and “of”
- k. Section 3.3: Is the first sentence necessary?
- l. Section 4.1: Add “in” between “... report,” and “the”
- m. Section 4.1 b: Add “were” between “results” and “communicated”?