

**Comment #9 – 1/31/17 – 11:09 a.m.**

I am providing comments on the exposure draft for “Capital Adequacy Assessment for Insurers.” I comment for no one but myself, and the comments do not necessarily represent the views of my employer.

1. Does the exposure draft provide sufficient guidance for an actuary designing, performing, or reviewing a capital adequacy assessment for life, property/casualty, and health insurers?

The definitions of "risk appetite" (section 2.5) and "risk tolerance" (section 2.9) could be clarified, although I recognize that the same definitions occur in ASOPs 46 and 47.

- It isn't clear what "aggregate" means in this context. Is it aggregate across all entities in a complex insurance organization, or across all types of risk? For "risk appetite," consider instead, "The type and level of risk that an organization chooses to take in pursuit of its objectives."

- Unlike risk appetite, which "an organization chooses," it isn't clear how risk tolerance is determined, or by whom. The definition reads as if it is an objective characteristic of an organization. Is it independent of the organization's objectives?

- Different organizations define "risk tolerance" in a variety of ways that are not necessarily consistent. In particular, it is hard to reconcile this definition with the one in the NAIC ORSA Guidance Manual: "The company's qualitative and quantitative boundaries around risk-taking, consistent with its risk appetite..." Consider whether it would be more straightforward to omit the definition of "risk tolerance," and, when it appears in the ASOP, replace it with "capacity for taking risk."

4. Are there areas where the exposure draft is too restrictive or too prescriptive?

In section 2.3 (definition of capital adequacy assessment), consider changing the definition to include actual capital: "An assessment of actual or projected capital..."

In section 2.4 (definition of complex insurance organization), consider including "ownership" among the constraints on relationships.

Section 3.6.2 gives examples of level of adversity, when selecting scenario tests and stress tests, although there aren't clear lines separating the three levels of adversity listed. Consider instead, "Whether the level of adversity is appropriate for the intended use of the capital adequacy assessment."

6. Are the disclosures appropriate?

Regarding section 4.1 (disclosures in an actuarial communication), if the intended users of the assessment are already familiar with the information, is it necessary to disclose it again? For example, if an internal capital adequacy assessment is intended for senior management, it could be distracting to reiterate the business plans.

I am available to answer any questions regarding these comments. Thank you for the opportunity to comment.

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