

Comment #13 – 2/14/17 – 2:29 p.m.

ASB COMMENTS ON PROPOSED ASOP: “SETTING ASSUMPTIONS”

The comments I am submitting here are on behalf of myself and no other entity.

General Comments

1. Title of ASOP: “Setting Assumptions.” The term “setting” does not seem to sufficiently describe the scope of this ASOP, when the ASOP also applies to “giving advice about” assumptions that are the responsibility of others and “assessing the reasonableness of” assumptions determined by others. In fact, “setting” does not even include “developing,” which is an important part of the actuary’s work relating to assumptions and is discussed in relative depth in this ASOP. Perhaps the word “determining” can fit better with all three applications of the ASOP, and also encompass the process of developing assumptions.

Regarding the term “assumptions,” what *kind* of “assumptions”? This simple term seems too broad and does not focus on the kind covered in the ASOP. Perhaps “actuarial assumptions”—the kind used by actuaries in their actuarial work—could sufficiently distinguish them from assumptions used by others, in other fields, who create and run models for other purposes. By way of comparison, ASOP No. 41 is not titled “Communications,” it is titled “Actuarial Communications.”

To avoid having to use “actuarial assumptions” throughout the ASOP, a statement could be made that, as used hereafter in the standard, the term “assumptions” means “actuarial assumptions.”

2. General organization and clarity: Given that the ASOP is intended to be used in three general instances—determining assumptions, giving advice about choosing assumptions that are the responsibility of others, and assessing the reasonableness of assumptions determined by others—the organization of the ASOP, especially in Section 3, does not always seem clear about to which instances the language applies. It is suggested that the language could be reviewed and possibly made more clear.

Specific Comments, by Section

- 1.2 Second paragraph, second sentence, is more definitional and less about scope. Suggest making it part of a definition in Section 2.
- 1.4 Not sure why effective date should be based on information date. Don’t know how a principal can monitor such date. Suggest basing it on something like work provided.

- 2.4 Suggest re-naming such assumptions as “Assumptions Restricted by Law,” since confining choice of the assumptions to a prescribed set or range is not really the same as prescribing specific assumptions.
- 3.1 This introductory statement is not clear about which of the three uses of this ASOP apply. It does not seem to address recommending assumptions to another responsible party.
 - 3.1.1 Same comment applies to the first sentence.

Also, the choice of items to be included in a–d seems awkward (and not sure what “nature of the assignment” is intended to mean).
 - 3.1.3 Not sure if this applies to all three instances or if only when the actuary is determining all of the assumptions. For example, if the actuary is asked by the principal only to recommend a persistency assumption, should the actuary adhere to 3.1.3?
 - 3.1.4 Not sure what is meant by “purpose of measurement,” so I don’t understand the sentence.
- 3.4 Both this section and also 3.5 seem to allude to assumptions being set by others, whereas that is not supposed to be within the scope of the ASOP. Not sure why this notion is mentioned.
- 4.1.a Suggest stating that, for an actuary asked to recommend only specific assumptions to the person responsible and for an actuary asked to assess the reasonableness of only specific assumptions, the actuary should be expected to provide sufficient disclosure detail for all such assumptions.
- 4.1.b Language seems vague. Not sure what is meant by “the most recent comparable actuarial results.” Not sure that the actuary seeking guidance will know, either.