

Comment #5 – 4/5/17 – 9:44 a.m.

General comment:

I'm unclear as to why the standard "...also applies to developing or reviewing the future cost estimates by class within a risk classification system" when a) we have ASOP 12 in place to address risk classification, and b) I may not explicitly develop all cost elements for each of the risk classes in each analysis. At the same time items such as "treatment of catastrophes" are not in scope for this standard, and the actuary is merely directed to the appropriate ASOP.

Requested comments:

1. Does the proposed ASOP provide sufficient and appropriate guidance to actuaries estimating future costs for prospective property/casualty risk transfer and risk funding?
It does, keeping in mind my general comment.
2. The proposed ASOP has added reference to "intended measure" for the estimation of all future costs to eliminate any implication that the only appropriate estimate of all future costs was an expected value without any consideration of potential variability. Is it clear what is meant by "intended measure"?
Yes, though it was a little cloudy before reading the comments on ED2.
3. Are the definitions of "risk transfer" and "risk funding" in the proposed ASOP complete from the perspective of all activities in which an actuary is involved when estimating future costs for prospective property/casualty risk transfer and risk funding?
I believe so.
4. Is it clear that this proposed ASOP provides guidance only for the estimation of future costs for prospective property/casualty risk transfer and risk funding? Is it clear that the scope does not include items such as the balancing and interaction of potentially competing objectives related to regulation, business objectives, and actuarial cost estimates?
Again, outside my general comment, I believe so.
5. When the role of the actuary is reviewing the estimate of future costs developed by another actuary, is the guidance provided in the proposed ASOP sufficient and clear?
Yes.
6. Is the level of disclosure required in the proposed ASOP sufficient and appropriate? If the response is no, what are the issues?
It seems so.