

Comment #7 – 4/13/17 – 10:24 a.m.

Dear Actuarial Standards Board,

I am submitting comments regarding the third exposure draft of the proposed ASOP, Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding.

Section 3, 3.14 (Treatment of Unusual Events): I found myself wanting a bit more direction for the treatment of unusual events, particularly around low-frequency/high severity exposures.

- First, I would prefer a different word than “unusual” for this section as “unusual” is somewhat subjective. Could you use language like “relatively infrequent?”
- I like the example of “large individual losses” but I want to make sure this isn’t the only consideration – for example, an actuary may have to consider how to treat large aggregate losses from a single event (wave of class-action lawsuits, claims arising out of an economic downturn like the credit crisis of 2007-2008, etc.).
- I found the references to ASOP 38 and 39 to be more helpful than 23 and 25. Is there a way to indicate what relevant pieces one should review for this section?

Section 4.1.d (Assumptions Used): I would add the word “key” before “assumptions.” Communicating all assumptions could be a bit burdensome.

Section 3.2 (Intended Measure): I understand the intent of this section, but it took me a few times reading through it to understand it. Could you make it more understandable by starting with “The intended measure used should...”?

Regarding the six questions requested for commentary (with the exceptions noted above), I believe the guidance is sufficient, appropriate, and helpful for actuaries estimating future costs for prospective property/casualty risk transfer and risk funding.

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Travelers