

Comment #13 – 4/30/17 – 2:19 p.m.

Pinnacle Actuarial Resources, Inc. (Pinnacle) is pleased to have the opportunity to provide the following comments in regards to the third Exposure Draft of the proposed *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding* standard of practice.

Response to the specific questions posted

- 1. Does the proposed ASOP provide sufficient and appropriate guidance to actuaries estimating future costs for prospective property/casualty risk transfer and risk funding?**

The ASOP provides sufficient guidance to actuaries.

- 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”?**

The definition of intended measure is not clear as it is determined by the desires or needs of several potential users. Additionally, the example of *mean* in section 3.2 is very broad.

- 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?**

The definitions are complete.

- 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?**

Balancing and interaction of potentially competing objectives are not explicitly discussed in the ASOP. However, some of the items regarding adjustments to historical data take into account regulation and business objectives.

- 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?**

It is clear that someone reviewing an estimate should refer to section 3 for guidance.

- 6. Is the level of disclosure required in the proposed ASOP sufficient and appropriate? If the response is no, what are the issues?**

The disclosures are appropriate.

The comments above are the collected comments of the consultants employed or affiliated with Pinnacle. If you have any questions regarding our comments, please contact Laura Maxwell at lmaxwell@pinnacleactuarial.com.