

**Comment #4 – 3/30/17 – 3:15 p.m.**

March 30, 2017

Actuarial Standards Board,

I am submitting comments and suggestions regarding the third exposure draft of the proposed ASOP, *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Funding* (formerly *Property/Casualty Ratemaking*). These comments and suggestions are being submitted on my own behalf, not as a representative of my employer, or any other organization.

My comments and suggestions address areas identified in the six questions which the ASB requested reader's attention. In this feedback I indicate the specific question (and number) from the ASB found in the third exposure draft transmittal memorandum for reference.

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 first paragraph of the ASOP's intended measure reference can be unclear to readers. As a potential alternative, the following sentences may provide more clarity.*

*The actuary should determine the intended measure based on the purpose, or presumed use, for the estimate. The purpose, or use, of the estimate may be affected by the principle's desires or needs, applicable legal requirements, and regulatory environments.*

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 ASOP should be made clearer as to whether the scope of this ASOP broadly includes estimating revenue/funding associated with risk transfer contracts, not just estimation of Future Costs.*

*The estimation of the revenue/funding associated with risk transfer may appear to be in the scope of this ASOP because the draft ASOP states "The actuary should consider additional sources of funding and their allocation and timing when estimating future costs." (See Section 3.17 Additional Funding Sources"). The added clarity may be achieved by revision of the ASOP to define "additional/other funding sources" (Section 3.17) in a manner which clearly distinguishes this from "funding sources".*

*Peter Nonken*