

Comment #1 – 11-28-18- 3:47 p.m.

Below are my comments on the latest exposure draft.

The exposure draft on *Page 3 Section 3.1.f* says: *current or available resources, including those available from affiliated entities as well as the capabilities of the insurer and affiliated entities to use the available resources. Resources include capital, data, computing power and storage, and human resources.*

Comment: My concern is this requirement too broad? I believe that this should be limited to just capital. I'm concerned that this could reveal too much detail to competitors if we are required to make commentary at this level. Can you provide justification of why this is necessary for capital adequacy?

Comment on Page 6 Section 3.6.1 Types of (Scenario) Tests. Should there be required content regarding the sources of the scenarios in addition to the characteristics? For example, "we used Lloyd's of London realistic disaster scenarios in our adequacy tests."

The exposure draft on Page 7 Section 3.7 says: *Incorporating Management Actions—When management actions are incorporated into a capital adequacy assessment, the actuary should consider the following:*
a. effectiveness and applicability of prior management actions, given changes between when such actions were taken and the projection period, for example:

Comment: I'm concerned that this is no limit on the time horizon on the above requirement. You may want to use a restriction such as in the past 2 to 3 years. This could become a lengthy list of managerial practice that is no longer practiced within the entity. I really don't want to know what the company did in 1987 or 1997, etc.

Comment 2: Should Section 3.7 also contain information on how capital is allocated? For instance, at one company I worked at, we had to allocate the capital down to different geographical levels to decide to exit specific markets. If not discussed in this strategy section, should capital allocation be discussed along with its impact be elsewhere in the study?

The exposure draft on Page 8 Section 3.8.b says: *variations in taxation and approaches to litigation in various regulatory regimes.*

Comment: Does this requirement imply that the capital adequacy should be done both on a pre- and post-tax basis? If this is the case, shouldn't a pre- or post-tax basis discussion of the adequacy statement should be mentioned earlier in the document than here?

--Steven Craighead