

**Comment #2 – 12-14-18- 4:58 p.m.**

I am writing with my comments on the 3rd exposure draft of the ASOP on Capital Adequacy Assessment.

- I don't like the definitions of risk appetite and risk tolerance. I realize there is a lot of disagreement on exactly what those terms mean, but the definitions you have provided don't seem consistent with the themes I've heard. I've always heard the two distinguished as appetite being the risks you'd like to take (which can be qualitative or quantitative) and tolerance as being the maximum amount of risk you'd like to take (which I've only ever seen as quantitative). I find the risk tolerance definition more problematic as I don't know what "aggregate risk-taking capacity" of an organization means. I think examples of each would significantly help with clarity.
- I'm not clear how both risk capital targets and thresholds are functions of the risk tolerance. I've also never seen a distinction made between risk capital targets and thresholds. It seems to me that the risk tolerance determines the risk capital thresholds, so I'm not sure what targets represent.
- It might be helpful to clarify that the insurer's capital is to be used for comparison with the capital needs identified by the analysis in 3.1. It is not part of the analysis itself.
- In 3.7d, regulators in the parenthetical remark is redundant as they are referenced explicitly later in the sentence.

Thank you for your consideration.

Susan Witcraft, FCAS, CERA