

**Comment #1 – 3/19/19 – 9:19 a.m.**

**Discount rate:**

The discount rate section should be expanded to explain where discount rates may be used. For example, in the current context are discount rates being used to discount projected surplus? The draft references the use of gross premium valuations which also use discount rates. However, the rates used in those 2 forms of analyses would be different.

Second, it is commonplace for the discount rate to also reflect taxes. While you may not want the draft to suggest how results should be discounted I feel it would be prudent to mention that the actuary should consider whether taxes should be used in the discount rate calculation.

**Additional reserves:**

One area in which the ASOP has been silent is how the actuary may calculate what level of additional assets are needed. Too often I have seen actuaries merely use discounted deficiencies in order to set additional assets/reserves. I feel the draft should encourage the actuary to confirm that the additional assets are indeed sufficient by re-running the cash flow testing models with the additional assets (and liabilities) to confirm that there is sufficiency. This points back to the discount rate section since, to me, the only use of discount rates is for reporting results. They shouldn't be used to actually set asset/liability levels.

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