

Comment #7 – 5/21/19 – 10:46 a.m.

May 21, 2019

To: Task Force to Revise ASOP No. 22 of
the Life Committee of the Actuarial Standards Board

From: Michael DuBois

Subject: Comments on the exposure draft on Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Liabilities

Thank you for the opportunity to comment on the exposure draft on Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life or Health Liabilities developed by the Task Force to Revise ASOP No. 22 of the Life Committee of the Actuarial Standards Board.

General Comments

In several places, the reference is to the ‘adequacy of reserves and other liabilities.’ While it is a technical point, the testing is of the adequacy of the assets supporting the reserves and other liabilities (hence the term ‘asset adequacy analysis’). Dependent on what assets are designated to support the liabilities, there could be multiple levels of reserves that would need to be held. I suggest the following phrasing for §2.2’s definition of “Asset Adequacy Analysis”; I recognize the current phrasing is consistent with the Valuation Manual –

“An analysis of the ability of the assets supporting the cash flows associated with the tested reserves and other liabilities to adequately provide for those cash flows as specified in the statement of actuarial opinion.”

Section 1 Purpose, Scope, Cross References and Effective Date

Section 2 Definitions

Generally, are these consistent with VM-30 where they exist there?

§2.2 – Asset Adequacy Analysis - see general comment

§2.13 – Subsequent Events - Should there be a more detailed discussion concerning the valuation date and the date the opinion is filed? Should the term “Valuation Date” be defined?

Section 3 Analysis of Issues and Recommended Practices

§3.1.1.c – Demonstration of Immaterial Variation – Consider explicitly mentioning liabilities with a life of less than 1 year where there is no or minimal interest rate sensitivity. Examples could include dividend liabilities for the next calendar year, claims liabilities, liabilities that credit only a money market rate (e.g., retained asset account).

§3.1.3 – Trends in Assumptions – Consider a difference in treatment for favorable versus unfavorable trends.

§3.1.4 – Assumption Margins – There is an oblique reference in the first sentence of the last paragraph to correlation. More discussion regarding correlation would be helpful.

§3.1.10 – Completeness – Immaterial is a vague term. The term should be defined in the actuarial opinion so that clarity exists.

§3.2.7 – Opinions of Other Actuaries – This should be more closely tied with §3.1.11.

Section 4 Communications and Disclosure

§4.1.f - Where a margin is NOT used, there should be a requirement for explicit disclosure

§4.1.o – This should be modified to ‘material deficiencies or limitation’ as all data, analyses, assumptions, or related information have some level of deficiencies or limitations