Comment #14 – 7/29/19 – 11:45 a.m.

To whom it may concern:
I’m struggling with 1.4: “This standard is effective for any actuarial work involved in setting assumptions performed on or after 12 months after adoption by the Actuarial Standards Board.” It is my understanding that the 12 month timeframe was developed because some assumptions are set annually. I have a few reactions:

- Although this e-mail includes my personal comments and should not be attached to my employer in any way, it may be worth noting that my employer (which is a significant insurer) develops some assumptions on a rhythm of every 3 to 5-years. All significant assumptions are reviewed annually, but some assumptions that are deemed to be less significant (while still material) and/or less likely to change are given leeway for a less frequent review. This includes assumptions for renewal premiums and lapse skew. If there is a linkage between this lag time (between adoption date and effective date) and the cycle for setting assumptions, then one could make an argument for the lag time to increase to 60 months. Although I don’t think this is the right course of action, it would be the natural logical consequence of the explanation, as I understand it.
- The exposure draft used to contain verbiage that the ASOP would apply to the development and use of assumptions. When the scope included ‘use’, I think a 12 month lag (or arguably 60 month lag) is very reasonable. Without such a lag, then an assumption becomes stale and actuaries would need to go through extra work off cycle to remediate the situation. To the extent this 12 month lag is related to ‘use,’ which has since been removed, then please consider a shorter lag so long as ‘use’ stays out of scope.
- I heard another explanation that the 12 month lag (between adoption date and effective date) is helpful for actuaries who review assumptions developed by others. However, that explanation does not seem to be solved by merely extending the lag. For example, consider an adoption date of 1/1/2020. Actuary A develops an assumption and finishes his/her work on 12/15/2020, which is before the ASOP is effective. Actuary B relies on the work of actuary A but actuary B’s work product is done in 2021 and therefore subject to the ASOP, despite his/her ‘upstream’ work not being subject to the standard. If this explanation is truly the goal for a long lag, perhaps the ASB would consider something along the lines of the following wording: “This standard is effective for any actuarial work that does not rely on actuarial work subject to this ASOP performed by another actuary and that involves setting assumptions performed on or after 6 months after adoption by the Actuarial Standards Board. For any actuarial work that involves setting assumptions performed on or after 12 months after adoption by the Actuarial Standards Board, this standard is effective regardless of any reliance on others.” Please note that such a change may set an expectation for a similar ‘cascading’ of effective dates in the new Modeling ASOP, specifically for using, reviewing, or evaluating models.

Thank you.

All the best,
Andrew

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