



National Council on
Compensation Insurance

Ann M. Bok, FCAS, MAAA
Interim Chief Actuary
Actuarial and Economic Services

901 Peninsula Corporate Circle
Boca Raton, Florida 33487
(P) 561-893-3098 (F) 561-893-5079
Email: ann_bok@ncci.com

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Re: Response to proposed ASOP second draft exposure on "Setting Assumptions"

These comments are being submitted on behalf of NCCI Holdings, Inc. ("NCCI").

The second ASOP exposure draft on setting assumptions addresses many of NCCI's initial questions and concerns. However, some of the language can still be broadly interpreted. The following questions and recommendations are provided to more narrowly define actuarial assumptions and streamline the level of detail that would be disclosed in an actuarial communication.

With respect to Section 1.2 Scope. The second paragraph reads: "Setting assumptions includes, but is not limited to, activities that may variously be referred to as developing or selecting **assumptions**, and may include an analysis of data or experience, industry studies, trends, economic forecasts, and other analysis, as appropriate."

Also, the definition of **data** under section 2.2 clarifies that **assumptions** are not data, but **data** are commonly used in the development of **assumptions**.

Question: Would the selection of data (e.g., paid versus paid plus case) and/or the aggregation of data (e.g., policy year versus accident year) be considered assumptions?

Within the context of "Ratemaking", decisions are made regarding whether to use policy year or accident year data and whether paid or paid plus case data is most appropriate for projecting ultimate losses. This implies a selected methodology based on the experience of the **data**.

Within the context of "Modeling" this would be comparable to deciding which distribution (e.g., Pareto or Gamma) is most appropriate for developing **future estimates** from the **data**.

The purpose of the assignment for "Ratemaking" and "Modeling" are different.

Suggestion: Revise the definition of "Assumption" to clarify that assumptions are not numerical values and do not include the choice of selection of data and aggregation of data or methodology. We suggest having a different definition based on the purpose of assignment.

With respect to Section 4.1.b. "Required Disclosures in an Actuarial Report" reads:

"b. the information and analysis used for setting each significant **assumption** in sufficient detail to permit another qualified actuary to assess the reasonableness of the **assumption**;"

Comment: A strict interpretation of 4.1.b would require the actuary to disclose all methods not used so another qualified actuary could determine the reasonableness of the selected methodology. This would be excessive and burdensome.

Question: Is the selected data and organization of data utilized for the analysis sufficient?

Suggestion: Clarify to what level of detail the actuary needs to disclose the information and analysis for the selected data and organization of data in an actuarial report. The level of detail disclosed should only include the methodology selected and not alternative methods.

Thank you for the opportunity to comment on the exposure draft.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ann M. Bok". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ann Bok