

Comment #18 – 7/30/19 – 11:34 a.m.

Thank you for providing a second exposure draft that addresses issues and concerns raised during the review of the first exposure draft.

I have the following comments about this draft for you to take into consideration.

3.4 Reasonableness of Assumptions. The proposed standard says that an assumption is reasonable if it is appropriate for the purpose, reflects the actuary's professional judgment, take experience into account, and has no bias. In order for an assumption to be reasonable all of these criteria must be met.

In this draft, it is not clear to me whether the experience requirement can be met through the use of market data or other sources of information as included in section 3.2. While it is included in the referenced section 3.2, the wording only mentions experience. I would suggest using the words "relevant information" or specifically mention "experience, market data or another relevant source of information" so that it is clear that an assumption can be reasonable even in the absence of experience data.

3.5 Consistency of Assumptions The wording in this section is awkward. I suggest the following wording:

If the assignment requires the actuary to set and take responsibility for multiple assumptions, the actuary should set assumptions that are reasonably consistent with one another.

3.6 Reasonable Assumptions in the Aggregate. The wording in this section is awkward. I suggest the following wording:

If the assignment requires the actuary to set and take responsibility for multiple assumptions, the actuary should set assumptions that are reasonable in aggregate.

3.9 and 3.10 Reliance. I think these sections could be improved. If relying on an assumption from another actuary then I assume both 3.9 and 3.10 would need to be followed. It might be better to just put all of this reliance related content in one section. Maybe something like this:

Reliance on Assumptions Set by Others. The actuary may rely on assumptions set by others, including other actuaries. The actuary should refer to ASOP No. 41 for guidance and should disclose the extent of any such reliance. When relying on another actuary's assumption, the relying actuary should be reasonably satisfied that the other actuary's assumption setting was performed in accordance with the appropriate ASOPs and is appropriate for the assignment.

These comments are submitted on my own behalf, and not on behalf of any organization.

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