



AMERICAN ACADEMY *of* ACTUARIES

*Objective. Independent. Effective.*™

July 31, 2019

Setting Assumptions (second exposure draft)  
Actuarial Standards Board  
1850 M Street NW, Suite 300  
Washington, DC 20036-5805

**Re: Proposed Actuarial Standard of Practice (ASOP), *Setting Assumptions***

To Whom It May Concern:

On behalf of the Health Practice Council of the American Academy of Actuaries,<sup>1</sup> I would like to offer comments in response to the Actuarial Standards Board's (ASB) second exposure draft of a proposed actuarial standard of practice (ASOP) titled *Setting Assumptions*.

Section 2.1

Is an assumption always a value? Aren't there assumptions about how things work or formulas/methodologies for projections?

Section 3.2.a

What about adjustment to expected future conditions?

Sections 3.5 and 3.6

Shouldn't the assumptions be consistent and reasonable no matter who set them?

Section 4.1.c

We suggest adding the words "If applicable," to the beginning of that sentence.

Section 3.2 c

What is meant by "or a combination of both"? Is it better to state "a combination of both future expectations or estimates," or "available and appropriate"? If the first, then we suggest wording

---

<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

as, “future expectations or estimates inherent in market data, or a combination of both, when available and appropriate.” If the second, then it’s acceptable as written.

#### Section 3.4

The use of the term “reasonable.” Does this section now define “reasonable”? Can “reasonable” be defined? Actuaries often prefer “not unreasonable.” Did the ASB consider using “not unreasonable” in the last sentence before the listing of items a through d: “For this purpose, an assumption is not unreasonable [or “considered not unreasonable”] if it has the following characteristics:”

\* \* \* \* \*

We would welcome the opportunity to speak with you in more detail and answer any questions you have regarding these comments. If you have any questions or would like to discuss further, please contact David Linn, the Academy’s senior health policy analyst, at 202-223-8196 or [linn@actuary.org](mailto:linn@actuary.org).

Sincerely,

Audrey Halvorson, MAAA, FSA  
Vice President, Health Practice Council  
American Academy of Actuaries