

Comment #24 – 7/30/19 – 5:56 p.m.

Dear Chairpersons and Members of the Assumptions Task Force, General Committee, and ASB:

The March, 2019 draft of “Setting Assumptions” is a clear, concise ASOP with generally good content.

However, I strongly recommend the addition of a critical note on the assumption sensitivity, along the lines of:

"The actuary should understand the sensitivity of measures of the assignment's purpose to the values of the assumption."

There are various apt places to insert this, such as under 3.4, "Reasonableness of Assumptions", after a. "it is appropriate for the purpose of the assignment".

(This comment stands regardless of the reason for removal of sensitivity analysis, due to the removal of another section, in the first exposure draft.)

Below are less critical suggestions.

(A) Section 3.2 - Information Used When Setting Assumptions

Items a., b., and c. are a good checklist.

But the "or" should be changed to an "and", at least regarding the connection of a, b, and c, and possibly d. as well.

"Setting Assumptions" encompasses determining what's appropriate for the purpose of the assignment, developing/selecting the assumptions, and checking for reasonableness. When that full process is considered, an actuary should *consider* using each of these sources. If one of these sources does not exist or in the actuary's judgment is not necessary, it can be ignored.

(B) Section 2 - Definitions

Consider adding a definition for "actual experience" (used in 3.2.a).

Here is just a starting point for wording: "Actual experience is the historical expression of the assumption value being set, with very close match to material impacts [that may include but are not limited to: issuing or sponsoring entity, product features or specifications, customer or participant characteristics, sales methodology and personnel characteristics]."

(C) Section 1.2 - Scope

Paragraphs 1,3, 4, 5, and 5 provide a clear and comprehensive description of applicability.

In the second paragraph, I find myself tripping over the word "trends" compared to the other enumerated activities, which are good. If it means assessing trends in data, I would think that would be understood to be part of any "analysis". If it means a different type of trend, I don't know what.

Thank you very much for your work and for considering these recommendations and suggestions.

Sincerely,

Mary Jo Napoli, MAAA