Proposed Revision of Actuarial Standard of Practice (ASOP) No. 22, *Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities*

Comment Deadline: November 30,2020

Instructions: Please review the exposure draft, and give the ASB the benefit or your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: http://www.actuarialstandardsboard.org/email/2020/ASB-Comment-Template-Sample.docx

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to comments@actuary.org and include the phrase 'ASB COMMENTS' in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system's spam filter.

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted to the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

I. Identification:

Name of Commentator / Company
Alice Fontaine

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

Question No.	Commentator Response

III. Specific Recommendations:

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
2.11	Subsequent Events - Material events that occur after the valuation date and before the date the statement of actuarial opinion is ~~filed~~ signed.	Although the opinion is often filed immediately after it is completed, there is the possibility of events happening between the date of signing the opinion and the filing date. Further, as Annual opinions are sent in electronically with the annual statement, it may not be the actuary who is "filing" the opinion. If the ASB feels the date the opinion is "filed" is critical, then perhaps a requirement for an updated opinion (if the actuary became aware of a material event that occurred between the signature and filing date) would be appropriate?
3.1.1	Cash flow testing may be used in a variety of circumstances and is generally appropriate where cash flows may vary, ~~or where the present value of cash flows may vary,~~ under different economic scenarios.	I believe including the "present value" criteria doesn't help with choosing cash flow testing as the appropriate method. GPV's will, by definition have "a present value of cash flows that may vary under different scenarios". Also, since the definition of scenarios is not limited to economic variations, scenarios that include variations in liability assumptions would seem to necessitate the

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		selection of cash flow testing as the appropriate methodology.
3.1.1.a	Gross Premium Reserve Test- A gross premium reserve test may be appropriate where the testing would emphasize the sensitivity of results under moderately adverse conditions and polichyholder cashflows are not sensitive to economic scenarios. For example, this type of method may be appropriate for term insurance backed by noncallable bonds.	Even though this is an example, I think it would be clearer to emphasize that GPV tests are not typically appropriate if there is dynamic policyholder behavior or policy mechanics that are sensitive to economic scenarios.
3.1.1.c	Demonstration of Immaterial Variation - A demonstration that the risks are not subject to material variation may be appropriate when the cash flow risks have been limited by product design and the investment strategy. For example, this type of method may be appropriate for a non-life contingent payout annuity that is supported by an ALM matching investment strategy	The example should include both the product design parameter and the investment strategy parameter that results in low risk variance. A non life contingent payout annuity that is backed by a bullet bond would not be suitable for this method, although one with a closely matched duration strategy would be.
3.1.2.1.c	the impact of trends on ~~**asset adequacy analysis** results~~ liability cash flows; for example, the effect of future economic conditions on policyholder elections.	The consideration of trends should not be dependent on the results of the analysis. If that was the intent, then the example should be changed.
3.1.2.3	Discount Rates - When using an analysis method that requires the use of discount rates, the actuary should choose discount rates that are consistent with the **assets** ~~used in the analysis~~.supporting the reserves and other liabilities being tested.	Since some analyses (specifically a GPV) doesn't "use" assets, I think the suggested language, which is drawn from the 3.1.1 "other methods" is more accurate.
3.1.7.f (add a new bullet)	Management Action – f. the anticipated delay between management decisions to implement an action and the actual implementation date	This consideration may be captured in item b (documented procedures and historical practice), but I think it is important to highlight a conscious decisions/consideration of implementation time lines for any modeled management action.
3.1.7.f	The actuary should ~~consider quantifying~~ quantify the impacts of these changes as part of the analysis.	The disclosure requirement in 4.1.j requires the disclosure of the "assumed results of management action". I believe, for consistency, section 3.1.7 needs to require quantification unless a different type of disclosure was intended in 4.1.j
3.1.10	The use of new methods, models, or assumptions for new **liability** segments (for example, a new line of business or product) or new **asset** amounts is not a change within the meaning of this section. ~~Similarly, when the analysis is based on the periodic updating of experience data, factors, or weights, such periodic updating is not a change within the meaning of this section.~~	Why have "periodic" updates been excluded from this section? The section only requires consideration, and I believe blanket exclusion of considering quantifying the impact of periodic experience updates is careless. I don't think that striking the language imposes additional disclosure requirements, unless such change was "material". (per 4.1.o)

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IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)

V. Signature:

Commentator Signature	Date
	November 26, 2020