

ASOP No. 3 Exposure Draft - Continuing Care Retirement Communities and At Home Programs:

Comment Deadline: February 1, 2021

The ASB is to be commended for considering an update to ASOP No. 3. This practice area is becoming increasingly important as more Americans become residents of CCRCs or become participants in At Home Programs.

I have not practiced in this area. My experience is as a retirement plan actuary for pension and OPEB Plans. However I have read several actuarial reports covering CCRCs and my impression was that the disclosures within some such reports were lacking with respect to a reader being able to fully understand the actuarial methodology and the actuarial assumptions. My suggestions to the ASB are based upon my experience in applying applicable ASOPs to pension and OPEB plans.

I have read the comment letter submitted by Mr. John Cumming. Mr. Cumming has spent considerable time in understanding and communicating the long-term financial challenges facing CCRCs and I encourage the ASB to seriously consider the recommendations he has made.

The comments below are my own and are not intended to represent views of my employer or the views of any professional organization or committee of which I am a member.

I. Identification:

Name of Commentator / Company
Stephen T. McElhaney, FSA, FCA, MAAA, EA

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

Question No.	Commentator Response
N/A	

III. Specific Recommendations:

Section # (e.g. 3.2.a)	Commentator Recommendation	Commentator Rationale
3.7.1	The ASOP should state that the actuary should consider future mortality improvement in selecting the mortality assumption.	The guidance indicates that the actuary should select trend assumptions. It is not clear whether "trend" would include mortality improvement. A more specific reference to mortality improvement would be helpful.
3.7.6	The list of items to take into account should include a requirement that the assumptions have no significant bias except as may be considered under 3.7.6.i.	This requirement is included in ASOP 35, paragraph 3.2.5.e.
3.7	There should be a paragraph within this section indicating that there should be consistency among the assumptions.	This requirement is part of ASOPs No. 27 and No. 35.
3.7	There should be a requirement that the combined effect of the assumptions is expected to have no significant bias except for margins for uncertainty.	This requirement occurs within both ASOPs No.27 and No. 35.

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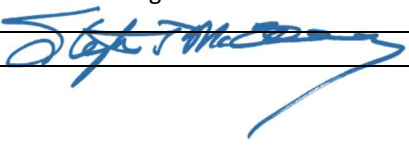
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4.1	There should be a required disclosure regarding the rationale for selecting each of the assumptions.	It is important for the user of any actuarial report to understand how the assumptions were selected. Are these based upon the specific experience within the CCRC, experience under a broad group of CCRCs, or something else? If any experience study was used for the basis of the assumption, when was it performed and what period did it cover? The ASB could refer to ASOP No. 35 section 4.1.2 for suggested language for the rationale requirement. In fact, a requirement to disclose rationale is probably even more important within ASOP No. 3 than other ASOPs due to a lack of standard or published assumptions for these valuations.
4.1	There should be a requirement that the description of each significant assumption should include enough detail such that another qualified actuary can assess the level and pattern of the assumption, for example by showing a table of rates at various ages of time periods, or by reference to a generally available standard table.	Similar requirements occur in other ASOPs, including ASOPs No. 41 and No. 35.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
Many of the paragraphs within Section 3 describe actions that would require the use of models. ASOP No. 56, <i>Modeling</i> , was effective October 1, 2020. The ASB should consider whether specific guidance should be included to assist actuaries in understanding the interaction between ASOP No. 3 and ASOP No. 56.	Such guidance would provide clarification to actuaries as to what disclosures should be included with respect to models used in actuarial reports covering CCRCs and At Home Programs.

V. Signature:

Commentator Signature	Date
	January 21, 2021