

Title of Exposure Draft: Second exposure draft of a proposed revision of actuarial standard of practice (ASOP) No. 29, Expense Provisions for Prospective Property/Casualty Risk Transfer and Risk Retention

Comment Deadline: May 1, 2023

Instructions: Please review the exposure draft, and give the ASB the benefit of 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
Julie Lederer, comments submitted on my own behalf

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)
2.1	Turn this into two sentences with a period after "business," such as "Compensation associated with the acquisition and service of business. These fees are paid to agents, brokers, or other parties, including ceding insurance companies."	As it's currently written, the definition makes it sound like "paid" is an adjective that describes "business" such that "business paid to agents, brokers, [...]" is a concept.
2.5	Why is the definition of "loss adjustment expenses" in Section 2.5 different from the definition in Section 2.6 of the proposed revision of ASOP No. 36?	If the concept referenced is the same (and I believe it is), it seems that the definitions should be the same.
2.8	Would the entity face an assessment if the residual market makes a profit?	
2.9 and 2.10	The phrases "risk-management" and "risk-control" don't need hyphens.	
2.9	"Self-insurance" doesn't need a hyphen.	
3.3	Regarding the last sentence of this section, what is an example of a "per coverage" expense?	
3.5	Does the second sentence of this section mean that the actuary should consider that the trend in expense levels may vary from the trends in premiums, losses, or exposure bases? If so, a clearer way of wording this sentence might be, "The actuary	One could interpret the existing wording to mean that the actuary only needs to consider expense trends if those trends vary from trends in premiums, losses, or exposure bases.

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	should consider that the trend in expense levels may vary from the trends in premiums, losses, or exposure bases.”	
3.8 and 3.9	Would “prior excess collections” entail a negative expense provision?	

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
Sections 1.1 and 1.2: Clarify how the reviewing actuary should comply with this ASOP.	<p>In contrast with the current version of the ASOP, the draft standard explicitly applies to reviewing actuaries. But Sections 3 and 4 are still written for the actuary who is developing the expense provisions, not the actuary who’s reviewing the work of another: The draft says that the actuary should “use expense categories” (Section 3.1), “identify the intended measure of each expense provision” (Section 3.2), “disclose [...] the methods, models, intended measures, and material assumptions used in developing each expense provision” (Section 4.1), etc.</p> <p>The standard doesn’t specify the role of the reviewing actuary. Does compliance with this ASOP for the reviewing actuary means that the reviewing actuary ensures that the actuary who developed the expense provisions followed the ASOP? If so, the reviewing actuary is essentially “policing” the other actuary’s adherence to the ASOP. This puts the regulatory reviewing actuary in an uncertain position, since regulators regulate companies and not actuaries.</p>
Clarify the relationship between Sections 3.11, 3.12, and 3.13.	<p>1. What is the difference between Sections 3.11 and 3.12? For example, if the actuary is relying on a model supplied by another party, do Sections 3.11 and 3.12 both apply?</p> <p>2. Why do Sections 3.11 and 3.12 reference ASOP No. 41 but 3.13 does not?</p>

V. Signature:

Commentator Signature	Date
Julie Lederer	3/30/23