

Title of Exposure Draft: Expense Provisions for Future Cost Estimates for Prospective Property/Casualty Risk Transfer and Risk Retention (2nd Exposure)

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
Laura Maxwell on behalf of Pinnacle Actuarial Resources, Inc.

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

Question No.	Commentator Response
None	

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)
2.5	Loss adjustment expenses are frequently divided into allocated and unallocated subsets; or defense containment cost expenses and adjustment & other expenses.	Many companies are using defense & cost containment expenses (DCC) and adjustment & other expenses (A&O) instead of allocated and unallocated. Financial statements require LAE be split into DCC and A&O.
2.9	A risk-management and risk-control strategy for the assessment, management, or financing of risk associated with the coverage using the entity's own funds. Examples of risk retention include self-insurance, deductibles, and coinsurance certain types of single parent captives.	<ul style="list-style-type: none">• Coinsurance should be included as a part of risk retention.• A single parent captive is not a risk retention.
2.10	A risk-management and risk-control strategy, involving legally binding agreements, that shifts responsibility from one party to another or requires indemnifies one party by to indemnify another party for the financial obligations associated with the coverage	To add clarity.
2.11	Add "other than assessment for residual market expenses" after "Any mandated assessments"	This would make it clear that residual market expenses defined in Section 2.8 are not included in statutory assessment expenses.

Title of Exposure Draft: Expense Provisions for Future Cost Estimates for Prospective Property/Casualty Risk Transfer and Risk Retention (2nd Exposure)

Comment Deadline: May 1, 2023

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
3.3	When developing or reviewing expense provisions, the actuary also should refer to ASOP No. 53, <u>Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention</u> and ASOP No. 56, <u>Modeling</u> .	ASOP 53's title is not provided previously.
3.6	When determining an expense provision for loss adjustment expenses , the actuary should provide for all components of loss adjustment expenses that are not combined with losses in the determination of the provision for losses. The actuary should consider using different methods, models, or assumptions in developing the expense provision for allocated loss adjustment expenses <u>or defense and cost containment expense</u> than in developing the expense provision for unallocated loss adjustment expenses <u>or adjusting and other expense</u> .	Many companies are using defense & cost containment expenses and adjustment & other expenses instead of allocated and unallocated. Financial statements require LAE be split into DCC and A&O.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
The comments above are the collected comments of the consultants employed or affiliated with Pinnacle. If you have any questions regarding our comments, please contact Laura Maxwell, Pinnacle's Professional Standards Officer, at lm Maxwell@pinnacleactuaries.com . Laura A. Maxwell, FCAS, MAAA, CSPA	May 1, 2023