

**Title of Exposure Draft:**

**Comment Deadline: [Month, Day, Year]**

Enterprise Risk Management (exposure draft)  
Comment deadline: September 15, 2023

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](mailto: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
Max J. Rudolph, FSA CFA CERA MAAA / Rudolph Financial Consulting, LLC – comments made on my own behalf

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

Question No.	Commentator Response
1	<p>I participated in the creation of ASOPs 46, 47 and 55 and don't believe that this document replaces those efforts. It reads more like a practice note for an insurer required to file a regulatory ORSA. The current ASOP should be titled Risk Reporting. It ignores enterprise (holistic, including interactions) analysis except for emerging risks (an odd exception).</p> <p>The document ignores the management of risks by eliminating the definition/discussion of risk control cycle and risk management system present in previous ASOPs and eliminates the definition of ERM that was approved by both the CAS and SOA. (the definition of Organization now seems inconsistent with what is discussed) For example, risk mitigation now runs through a single cycle. There is no rinse and repeat. Why include mitigation at all if you don't react to its outcome?</p> <p>There are no risks being managed, just reporting what a risk team would present to others. I don't believe that this even meets the requirements of a regulatory ORSA (in the US a requirement only for insurers with large premium levels that requires them to address how they internally manage risks), because it does not include how risk is managed over multiple time periods/cycles.</p> <p>For those actuaries managing risks the conditions of aggregation, interaction and repeating the risk cycle are relevant. If it is deemed to not be relevant then the actuarial profession in the US has taken itself out of the conversation of professions interested in performing ERM and that is very disappointing.</p>
1	<p>In the history section of the document it says "actuarial practice in the field has evolved considerably" with no examples provided. While some reporting clarifications have been made by regulators for insurers, I don't believe the management practices have evolved at all in the last decade, except for climate (which is not mentioned in the standard). Examples of ERM nomenclature should also be shared. What terminology has changed?</p>
1	<p>On page vi in the Request for Comments section, bullet b asks "whether the services fall within the actuary's role and authority." ERM is a very important function but no one profession owns it. We have fought for a seat at the table of decision makers for many years. To only have standards for duties that exclusively belong to actuaries, while also saying that every report we write is "actuarial" and covered by the standards, confuses the profession. Insurers don't need to have a Chief Actuary sign their annual report. Eliminating standards that cover the management of enterprise risks will further reduce the profession's relevance.</p>

**III. Specific Recommendations:**

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Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
2.6	Stochastic methods or deterministic proxies is unclear. Why is one method and one proxy? They should be consistent. I suggest stochastic or deterministic methods.	Stochastic methods are estimates, or proxies, not exact replicas of a known distribution. Because deterministic scenarios are easier to understand they are harder to manipulate results.
2.8	I suggest splitting the definition of ORSA between the generic and regulatory types. It is very wordy trying to do both in one definition.	
2.9	Is this the regulatory version, which only some insurers are required to complete, or the generic "how do you assess the risks you are managing"? It's not clear and I don't believe the generic should need to follow the regulatory blueprint.	
2.9 b and c	Add "where appropriate," since not all companies are required to complete an ORSA report in the US and not all Organizations are insurers.	
2.10	I suggest including a statement about how the accounting basis is likely to vary depending on the purpose of the ORSA report and the Organization writing it.	
2.17	"narrative description" is confusing when used to describe scenario analysis because narrative scenarios has common usage	IPCC SSP scenarios are a well known example.
2.15	Change "updated register" to "updated list"	Use something other than register since risk register is used in the next sentence.
3.2 at end	Why are interactions with emerging risks considered but not interactions between identified risks, or between emerging and identified risks?	Is this supposed to be 3.2e? Higher order interactions often cause the discontinuities that lead to insolvencies.
3.4.1e and 3.6	It seems important to refer to alignment between these governance topics (also elsewhere when risk limits and risk metrics are discussed)	
3.5	What does risk mitigation mean with no risk control cycle? It becomes a reporting requirement rather than helping to manage over multiple time periods.	
3.6.1a	Change : to ;	
3.6.1b	Add "or a combination" at the end	Is a High Medium Low metric quantitative or qualitative?
3.6.1d	Change confidence level to statistical confidence level	It needs the specificity – people are confident about lots of things based on a gut feel.
3.6.1g	Does "they" in the first sentence refer to regulatory constraints or risk metric?	
3.7b	Change organizations's to organization's	
3.7c	Add ", where appropriate" at the end	Correlations are not stable and capital may be set at a level where correlations are 1.0
3.7e	What does "quality" of available assets mean? Credit, liquidity?	Concentration of risks should be discussed in the ASOP as well.
3.9	Change general risk management to enterprise risk management	Statement seems to avoid any interactions between risks
4.1a	If you want to include three lines of defense, you should include ", if applicable," since not everyone	

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	will use this marketing term that the consulting firms like so much.	
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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
Max J. Rudolph	September 15, 2023