

I. Identification:

Name of Commentator / Company
Michael Beeson Marjorie Carlson Kevin Daugherty Kory Olsen
Please note that our review and feedback is limited to the life practice area.

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

1. Does the guidance appropriately cover each practice area (life, health, property/casualty)? If not, please recommend clarifications.
 - a. For the P/C practice area: The proposed scope includes P/C investment cash flow risk but not most analyses involving underwriting and reserving risk. Previously, ASOP No. 7 applied to actuaries “when performing the analysis of cash flows involving both invested assets and liabilities for property/casualty insurers.”
 - i. Should P/C actuaries be subject to this standard?
 - ii. Is the guidance in proposed section 1.2, Scope, and section 3.1, When to Perform a Cash Flow Analysis, appropriate for P/C actuaries? Please explain.
 - iii. Is there current actuarial practice with respect to underwriting or reserving risk that would benefit from expanding the scope for P/C actuaries to include liability cash flow risk?
 - b. For the life and health practice areas, is the guidance clear for cash flow analysis based on assets, liabilities, or both assets and liabilities?
 - c. For the health practice area, does the scope appropriately include health insurance risk covered by nontraditional health insurance entities that self-insure or take on insurance risk?
2. Is the guidance appropriate for an actuary performing cash flow analysis for a noninsurance entity that self-insures or takes on insurance risk? If not, please recommend clarifications.
3. Is the guidance appropriate for all types of cash flow analysis? Does it provide sufficient guidance when determining which type of cash flow analysis to use? If not, please recommend clarifications.

Question No.	Commentator Response
1	We believe the guidance appropriately covers the life practice area.
1b	We believe the guidance is clear for the life practice area.
2	We do not have a response to this question.
3	For life asset adequacy analysis, when reviewed in conjunction with ASOP 22, perhaps okay, but more detail might be helpful. When performing life pricing, we do not think there is sufficient guidance to help the actuary determine which type of analysis to use.

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)
3.3	Suggest adding reference to ASOP 22 when determining type of cash flow analysis for asset adequacy testing.	Prior ASOP had a section titled “cash flow testing is not always necessary” that emphasized there are different types and degrees of risk and provided some guidance where cash flow testing may not be warranted.
3.3	Restore the approach used in 3.2.2 of the current ASOP 7.	The positioning of the examples in the current ASOP provide more guidance to the actuary. The new language is too neutral.
3.2.3	We suggest creating a new section 3.2.3 with the guidance in section 3.7 from the current ASOP and titling it “completeness.”	Whether to include or exclude certain cash flows is an important consideration for this ASOP.
3.6	Recommend restoring the language used in current ASOP section 3.10.1.b: “Number of Scenarios— Consistent with the purpose of the analysis, the actuary should consider a sufficient number of scenarios to reasonably represent the underlying variability of the asset, policy, or other liability cash flows.”	We believe this language provides better guidance vs. “the actuary should use an appropriate type, range, and number of scenarios.”
3.6.b	Recommend “testing modeled cash flows for sensitivity to alternative models, assumptions, or data, assumptions, or methods, and performing additional analysis when the resulting cash flows are highly sensitive; and”	We found the original text, “testing modeled cash flows for sensitivity to alternative models ...” confusing. Would an alternate excess lapse function within the context of an asset liability model be an example of the intended meaning? If so, could we substitute “alternate method” for “alternative model”? We also believe putting data first sets the tone for the list being inputs to the model vs. entirely different modeling software.
4.1.b.3	Consider adding a reference to ASOP 11.	ASOP 11 provides reinsurance disclosure requirements.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date May 6, 2024
Michael Beeson Marjorie Carlson Kevin Daugherty Kory Olsen	