

**Title of exposure draft: ASOP No. 7**

**Comment Deadline: June 1, 2024**

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:

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
Craig Morrow, MAAA, FSA Chairperson, Life Valuation Committee (American Academy of Actuaries)

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

Question No.	Commentator Response
1	Yes, we believe the guidance appropriately covers the <u>life</u> practice area. We are not commenting with respect to the health and property/casualty practice areas.

**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)
Definitions 2.1 a	In 2.1 Asset, add an example(s) of intangible assets.	Section 2.1 refers to tangible or intangible assets but appears to list only tangible assets. We encourage the ASB to consider adding an example of intangible asset(s) that has associated cash transactions such as brand recognition or reputation.
3.1. a	"Determination of reserve <i>and/or</i> reserve adequacy"	Cash flows are used to determine PBA stochastic reserves (VM-20 and VM-21) and reserve adequacy (asset adequacy testing).
3.1. b	"Determination of capital <i>and/or</i> capital adequacy"	Cash flows are used to determine C-3 Phase 1 and C-3 Phase II capital, and in capital adequacy testing.
3.3. d	Expand/revise to clarify intent	We had differing views of how this applied and why it is important. Please clarify why this is important to consider.
3.5.1	1. Change the first bullet as follows; " <del>a</del> . b. the historical experience of <del>similar</del> liabilities with similar risk characteristics, to the extent such experience is credible and relevant to the projection of future cash flows".	3.5.1.a as it is currently written covers historical experience of similar liabilities. Reword and renumber it as "b."

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	<p>2. Add “a. the historical experience of the liabilities.”</p> <p>3. Change bullet “h.” as follows; “ <del>h</del> i. other known factors that are likely to have a material effect on liability cash flows, such as company news/reputation, off-balance sheet items, debt payments, general account guarantees of separate account contracts.”</p> <p>4. Renumber the remaining bullets.</p>	<p>Experience of existing liabilities should also be considered. Add this as a new bullet point; “a.”</p> <p>Reword current bullet point “h” and renumber it as “i.” The rewording adds reference to how company news/reputation can impact cash flows.</p> <p>The remaining bullets now need to be renumbered.</p>
3.5.2	Add “g. regulator actions/limitations that may impact cash flows.”	Regulatory actions can limit management policies (e.g., restrictions during COVID-19)
Second paragraph under “Current Practices”, third sentence	“Other types, such as a gross premium reserve projection or loss ratio methods, <del>are</del> <i>may be</i> appropriate in several situations such as when the assets and liabilities have short duration.”	Such methods are not always appropriate when assets and liabilities have short duration.

**IV. General Recommendations (If Any):**

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

**V. Signature:**

Commentator Signature	Date
Craig Morrow, Chairperson, Life Valuation Committee	05/16/2024