



ACTUARIAL STANDARDS BOARD

● **SECOND EXPOSURE DRAFT** ●

**Proposed
Actuarial Standard
of Practice**

Enterprise Risk Management

**Comment Deadline:
November 1, 2024**

**Developed by the
Enterprise Risk Management Committee of the
Actuarial Standards Board**

**Approved by the
Actuarial Standards Board
September 2024**

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September 2024

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Enterprise Risk Management

FROM: Actuarial Standards Board (ASB)

SUBJECT: Proposed Replacement of Actuarial Standards of Practice (ASOPs) Nos. 46 and 47

This document contains the second exposure draft of a proposed single ASOP titled *Enterprise Risk Management* to replace ASOP Nos. 46 and 47, *Risk Evaluation in Enterprise Risk Management* and *Risk Treatment in Enterprise Risk Management*, respectively. Please review this second exposure draft and give the ASB the benefit of your comments and suggestions. Each comment letter received by the comment deadline will receive consideration by the drafting committee and the ASB.

The ASB appreciates comments and suggestions on all areas of this proposed standard. The ASB requests comments be provided using the Comments Template that can be found [here](#) and submitted electronically to comments@actuary.org. Include the phrase “ERM ASOP COMMENTS” in the subject line of your message. Also, please indicate in the template whether your comments are being submitted on your own behalf or on behalf of a company or organization.

The ASB posts all signed comments received on 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 on 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.

For more information on the exposure process, please see the [ASB Procedures Manual](#).

Deadline for receipt of comments: **November 1, 2024**

History of the Standards

ASOP Nos. 46 and 47 were the first ASOPs applying specifically to actuaries performing actuarial services for the purposes of enterprise risk management (ERM). Both were adopted by the ASB in 2012, specifically ASOP No. 46 in September and ASOP No. 47 in December.

ASOP No. 55, *Capital Adequacy Assessment*, covering topics with strong connections to ERM, was adopted in June 2019 with an effective date of November 1, 2019.

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ASOP Nos. 46 and 47 were prepared when ERM as a field of practice for actuaries was in fledgling form, with a relatively small number of actuaries having experience in the area. In the years since, actuarial practice in the field has evolved considerably, with many actuaries now working as risk practitioners and a number working in senior risk roles, including chief risk officer. Moreover, ERM nomenclature has also evolved.

Thus, the ASB decided to replace ASOP Nos. 46 and 47 with a new ERM ASOP to reflect the developments since 2012, to better reflect today’s ERM practices and terminology, and to align with ASOP No. 55.

First Exposure Draft

The first exposure draft was released in May 2023 with a comment deadline of September 15, 2023. Fifteen comment letters were received and considered in making changes that are reflected in this second exposure draft.

For a summary of issues contained in these comment letters, please see appendix 2.

Notable Changes from the First Exposure Draft

Notable changes from the first exposure draft included in this second exposure draft are summarized below. Notable changes do not include changes made to improve readability, clarity, or consistency.

1. In section 1.2, guidance has been added to limit the scope of the standard.
2. Concepts in section 2.9 were moved to new section 3.10.
3. A definition of risk classification was added in section 2.14.
4. In section 3.4, guidance on the risk appetite framework was streamlined into one section.
5. Section 3.9 was split into sections 3.9 and 3.10. Section 3.9 now lists the ORSA basic requirements.
6. In section 3.11, language was modified.

Notable Changes from the Existing ASOPs

Early in the drafting process, the ASB decided that it would be more appropriate to have a single ASOP covering the overarching subject of “ERM framework.” ASOP No. 46 is primarily concerned with how risk is measured and monitored, while ASOP No. 47 is focused on risk appetite and the setting of limits, and how risks are managed. Because the activities covered by ASOP Nos. 46 and 47 are intertwined, the ASB drafted a single ASOP with the development and maintenance of an ERM framework as its core.

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This new ASOP contains many significant changes from ASOP Nos. 46 and 47, including a heavily revised set of definitions that better reflects current practice.

Other notable changes from the guidance in ASOP Nos. 46 and 47 are summarized in the following.

1. The new ASOP covers activities in an order that reflects how organizations typically establish an ERM framework. Such a framework is then managed as a continuous cycle from the identification and classification of risks to risk appetite setting and mitigation. Because topics were split between two ASOPs, ASOP Nos. 46 and 47 did not reflect the holistic framework.
2. The new ASOP provides guidance on the following topics where ASOP Nos. 46 and 47 previously provided little or no guidance:
 - a. governance over risk processes;
 - b. risk identification;
 - c. risk classification; and
 - d. considerations related to an organization's own risk and solvency assessment.

The ASB voted in September 2024 to approve this second exposure draft.

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The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

PROPOSED ACTUARIAL STANDARD OF PRACTICE

ENTERPRISE RISK MANAGEMENT

STANDARD OF PRACTICE

Section 1. Purpose, Scope, Cross References, and Effective Date

- 1.1 **Purpose**—This actuarial standard of practice (ASOP or standard) provides guidance to actuaries when performing actuarial services with respect to developing, maintaining, or reviewing all or part of an **enterprise risk management (ERM) framework**.
- 1.2 **Scope**—This standard applies to actuaries when performing actuarial services with respect to developing, maintaining, or reviewing all or part of an **ERM framework**. While **ERM frameworks** vary among different **organizations**, the following are common components:
- a. **governance**;
 - b. risk identification;
 - c. **risk classification**;
 - d. **risk appetite**;
 - e. risk mitigation;
 - f. risk metrics;
 - g. capital management;
 - h. **stress testing and scenario analysis**; and
 - i. **own risk and solvency assessment (ORSA)**.

This standard does not apply to actuaries when performing actuarial services that are related to a component of an **ERM framework** but are not for the purposes of developing, maintaining, or reviewing all or part of an **ERM framework**. Examples of such services include pricing of insurance products, the evaluation of liabilities of insurers and pension plans, designing a health insurance program, and executing a product-specific reinsurance or hedging program.

If the actuary is performing actuarial services that involve reviewing all or part of an **ERM framework**, the actuary should follow the guidance in this ASOP to the extent practicable within the scope of the actuary's assignment.

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If the actuary determines that the guidance in this standard conflicts with an ASOP that applies to all practice areas, this standard governs.

If a conflict exists between this standard and applicable law (statutes, regulations, and other legally binding authority), the actuary should comply with applicable law. If the actuary departs from the guidance set forth in this standard in order to comply with applicable law, or for any other reason the actuary deems appropriate, the actuary should refer to section 4.

- 1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should follow the guidance in this standard to the extent it is applicable and appropriate.
- 1.4 Effective Date—This standard is effective for actuarial services performed on or after four months after adoption by the Actuarial Standards Board.

Section 2. Definitions

The terms below are defined for use in this ASOP and appear in bold throughout the standard. The actuary should also refer to ASOP No. 1, *Introductory Actuarial Standard of Practice*, for definitions and discussions of common terms, which do not appear in bold in this standard.

- 2.1 Available Capital—The excess of assets over liabilities that is available to cover the **required capital**, calculated on a basis consistent with **required capital**.
- 2.2 Emerging Risk—New or evolving risks that may be difficult to identify, manage, or measure because they have not been experienced previously and therefore their likelihood, magnitude, timing, or interdependency with other risks are more uncertain.
- 2.3 Enterprise Risk Management (ERM) Framework—The collection of processes by which the **organization** identifies, classifies, mitigates, measures, monitors, and manages its risk exposures. These processes are repeated periodically.
- 2.4 Governance—The structure of an **organization's** personnel, committees, and boards; the processes for review, referral, notification, escalation, and decision-making; and the identification of responsible parties for these processes.
- 2.5 Internal Capital Assessment—A methodology used to calculate the assets in excess of liabilities necessary to withstand shocks based on an internal quantification of financial risk exposures. An **internal capital assessment** may indicate capital levels that are higher or lower than levels specified by regulators or rating agencies.

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- 2.6 Organization—The entity or entities to which the **ERM framework** applies. Examples include public or private companies (individual or a group), government entities, and associations, whether for profit or not for profit. Components of an **ERM framework** may function differently at the company level or be unified across the whole group.
- 2.7 Own Risk and Solvency Assessment (ORSA)—An internal assessment of the adequacy of an **organization’s** risk management and current and prospective solvency position, including action plans produced from the assessment. **ORSA** is a widely recognized key component of the **ERM frameworks** of many insurance **organizations**. **ORSA** is a requirement in most insurance regulatory regimes globally, although in some regimes it is not mandated for certain **organizations**. Nevertheless, some **organizations** elect to perform non-mandated **ORSAs**.
- 2.8 ORSA Report—A summary of an **ORSA** addressed to senior management and boards. It may also be submitted to insurance regulators.
- 2.9 Required Capital—The minimum level of excess of assets over liabilities necessary to withstand shocks based on a quantification of financial risk exposures. **Required capital** may be based on internal calculations, regulatory requirements, or rating agency recommendations.
- 2.10 Risk Appetite—The risks an **organization** is willing to accept in pursuit of its business objectives. Such risks may or may not be measurable or estimable. **Risk appetite** may refer to individual risks or risks in the aggregate.
- 2.11 Risk Appetite Framework—A framework used to identify, measure, and place limits on risks an **organization** is willing to accept in pursuit of its business objectives.
- 2.12 Risk Appetite Limit—The level that a risk measure should not exceed for the **organization** to remain within its **risk appetite**. **Risk appetite limits** may be applied in aggregate or specifically to a risk type. They may also apply at a line of business level, company level, or group level, possibly with different limits at each defined level.
- 2.13 Risk Appetite Statement—A statement by management of an **organization** (or a part of an **organization**) of its **risk appetite**. There may be several **risk appetite statements** pertaining to individual risks or a single statement across an **organization**.
- 2.14 Risk Classification—The process of establishing a system for evaluating, prioritizing, and cataloging risks, normally involving the creation of a **risk inventory** and an associated **risk taxonomy**.
- 2.15 Risk Inventory—A regularly updated list of the risks to which an **organization** is exposed. Also commonly referred to as a risk register.

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- 2.16 Risk Taxonomy—A tiered structure with broad **risk classifications** and more narrowly defined classifications to the level of granularity that is appropriate for the **organization**. **Risk inventories** typically use taxonomy to index their risks.
- 2.17 Scenario Analysis—A process for assessing the impact of one possible event or several simultaneously or sequentially occurring possible events. **Scenario analysis** may include a narrative (non-financial) description or numerical (financial) calculations.
- 2.18 Stress Testing—A **scenario analysis** that measures the impact of adverse changes affecting an **organization’s** financial position.
- 2.19 Three Lines —A common model for **governance** of an **organization’s ERM framework**. The “first line” refers to business and process owners within the **organization** who own and manage risk. The “second line” identifies where there is separate oversight of risk-taking activities, with some independence from the first line. The “third line” audits the effectiveness of the implemented **ERM framework**. “**Three lines**” is also known as “three lines of defense.”

Section 3. Analysis of Issues and Recommended Practices

- 3.1 Governance—When performing actuarial services related to an **ERM framework**, the actuary should understand how their role and deliverables fit into the **governance** of the **organization**. When an **organization** uses the **three lines** model, the actuary should understand which line(s) their ERM activities fall under and understand the extent of their independence from the other line(s).
- 3.2 Risk Identification—When performing actuarial services related to the identification of risks for a **risk inventory**, including **emerging risks**, the actuary should take into account the following:
- a. how risks relate to the business objectives of the **organization**;
 - b. how the **organization** defines risk, which depends upon a number of factors, such as business profile, ownership structure, and regulatory jurisdiction;
 - c. how risks emerge across different time horizons;
 - d. how risks are viewed through financial and non-financial lenses relevant to the **organization**;
 - e. how risks may interact with each other; and
 - f. how risks represent new threats to and opportunities for the **organization**.

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- 3.3 Risk Classification—When performing actuarial services related to **risk classification**, the actuary should use a **risk inventory** and prioritize risks on the basis of 1) management’s assessment of the importance of a risk to the **organization’s** business objectives, and 2) the financial and operational significance of the risk. The actuary should take into account any **risk taxonomy** for purposes of classification of risks in the **risk inventory**. If there is no established **risk taxonomy**, the actuary may recommend that one be created.

For each risk being classified, the actuary should take into account the following:

- a. the **organization’s** attitude to the risk, such as risk avoiding, risk minimizing, risk accepting, or risk taking;
 - b. the potential impact of the risk on the **organization’s** business objectives;
 - c. the potential impact of the risk across different time horizons;
 - d. any existing classifications or assessments that may already be articulated within the **organization**;
 - e. potential capital implications of the risk; and
 - f. classification of risk exposures by other parties, such as internal or external auditors.
- 3.4 Risk Appetite Framework—When performing actuarial services related to developing a **risk appetite framework**, the actuary should confirm that the following items exist and are appropriate for material risks in the **risk inventory**:

- a. **risk appetite statements**;
- b. risk metrics;
- c. **risk appetite limits**;
- d. **risk appetite** triggers, which serve as early warning indicators that a risk metric is approaching its **risk appetite limit**, set at a level to allow management time for additional risk mitigation; and
- e. **governance** roles for setting **risk appetite limits** and triggers and for monitoring risk metrics.

To the extent that these items do not exist or are inappropriate, the actuary should instead recommend they be developed or modified.

- 3.5 Risk Mitigation—When performing actuarial services related to risk mitigation, the actuary should evaluate the proposed risk mitigation activities using **scenario analysis** or

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other methods. When performing this evaluation, the actuary should take into account the following:

- a. the extent to which the risk mitigation activity impacts the severity or frequency of an event and the length of time it takes to realize the impact;
- b. the extent to which the proposed risk mitigation activity, targeting specific sets of risks, affects the total risk faced by the **organization**;
- c. the extent to which the proposed risk mitigation activity transforms the risks less tolerated by the **organization** into other risks the **organization** is more willing to manage;
- d. cost of the risk mitigation activity; and
- e. applicable law.

When evaluating the effects of risk mitigation activities using models, the actuary should use appropriate granularity.

3.6 Risk Metrics—When performing actuarial services related to risk metrics, the actuary should confirm that the risk metrics

- a. align with the **organization's** business objectives both at an organizational level and within specific business units, if applicable;
- b. are clearly defined to support the measurement of risk exposures before and after risk mitigation (i.e., inherent risk and residual risk), if applicable;
- c. align with the **organization's risk appetite**; and
- d. cover all the material risks in the **risk inventory**.

To the extent that risk metrics do not reflect (a)–(d), the actuary should instead recommend they be developed or modified.

3.6.1 Developing or Modifying Risk Metrics—When performing actuarial services related to developing or modifying risk metrics, the actuary should take into account the following:

- a. the frequency and severity of the risk;
- b. the extent to which the risk metric is qualitative or quantitative;
- c. the time horizon for which the risk metric is applicable;

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- d. the confidence levels intended, if applicable;
- e. whether the risk metric is a leading, lagging, or coincident indicator;
- f. the extent to which prior experience is used and how current and future trends may impact the risk metric; and
- g. applicable law.

3.7 Internal Capital Assessment—When performing actuarial services related to an **internal capital assessment** that is a part of an **ERM framework**, the actuary should confirm, to the extent applicable, that the **internal capital assessment**

- a. reflects the way the **organization** manages its business and capital, given the nature of the risks of the business;
- b. is calibrated at appropriate confidence levels, if management monitors the **organization's** capital at certain stress levels;
- c. includes a diversification credit from the aggregation of risks making suitable adjustments for correlations of risks, where appropriate;
- d. considers the fungibility of assets accessible as **available capital** in different parts of an **organization**, including restrictions or limitations on such transfers and costs of such transfers; and
- e. considers the quality of available assets to fulfill the **organization's** obligations.

To the extent that the **internal capital assessment** does not reflect (a)–(e), the actuary should instead recommend modifications.

3.8 Stress Testing and Scenario Analysis—**Stress testing** and **scenario analysis** are used to test an **organization's** resiliency, set or adjust **risk appetite limits**, or test the processes by which an **organization** manages capital and liquidity.

3.8.1 Resiliency Testing—When performing actuarial services related to **stress testing** or **scenario analysis** to test the resiliency of an **organization** against one or more risks, the actuary should confirm that the **stress testing** or **scenario analysis** takes into account the following:

- a. business objectives and how they are disrupted under stress(es) or scenario(s);
- b. the mitigating actions available to the **organization** if the adverse situation were to occur;

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- c. potential obstructions to the mitigating actions; and
- d. correlations and tail dependencies between risks, if appropriate.

To the extent the **stress testing** or **scenario analysis** does not reflect (a)–(d), the actuary should instead recommend modifications.

3.8.2 Risk Appetite Limits—When performing actuarial services related to **stress testing** or **scenario analysis** associated with **risk appetite limits**, the actuary should refer to section 3.8.1 and should confirm that the **risk appetite limits**

- a. are appropriate for the **organization** to continue to meet its business objectives under the stresses or scenarios that are tested;
- b. have been tested by stress(es) or scenarios that are at appropriate levels of severity (often expressed by an **organization** in terms of confidence levels); and
- c. have been tested by stresses or scenarios that include an appropriate range of risk factors, which may include external drivers, such as macro-economic effects, as well as internal drivers specific to an **organization**.

To the extent the **risk appetite limits** do not reflect (a)–(c), the actuary should instead recommend modifications.

3.8.3 Testing Target Levels for Capital or Liquidity—When performing actuarial services related to **stress testing** or **scenario analysis** associated with capital and liquidity, the actuary should refer to sections 3.8.1 and 3.8.2. The actuary should also refer to ASOP No. 55, *Capital Adequacy Assessment*.

When performing actuarial services related to **stress testing** or **scenario analysis** in a manner prescribed by rating agencies or regulators, the actuary should align the stress(es) with those prescribed.

3.9 Own Risk and Solvency Assessment (ORSA)—When performing actuarial services related to an **ORSA**, the actuary should confirm, to the extent practical within the scope of the actuary’s assignment, that the **ORSA**

- a. is performed regularly and when there are material changes to an **organization’s** risks;
- b. assesses the material and relevant risks associated with an **organization’s** business objectives;
- c. assesses the sufficiency of capital resources to support those business objectives; and

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- d. is appropriate to the nature, scale, and complexity of an **organization’s** risks.

If the **ORSA** does not conform to the above, the actuary should recommend modifications.

3.10 ORSA Report—When acting as signatory of an **ORSA report**, the actuary should

- a. complete all appropriate assessments of material and relevant risks and sufficiency of capital resources, or rely on assessments made by others, to support conclusions and action plans in the **ORSA report**;
- b. document how the conclusions and action plans in the **ORSA report** are supported;
- c. ensure that the **ORSA report**
 - 1. describes how the **ERM framework** operates;
 - 2. describes the assessment of material and relevant risk;
 - 3. describes the sufficiency of capital resources;
 - 4. communicates the conclusions and action plans of the **ORSA**; and
 - 5. complies with applicable law; and
- d. communicate the **ORSA report** appropriately, particularly to senior management and boards, in accordance with an **organization’s governance** structure.

3.11 Reliance on Another Party—When relying on another party and thereby disclaiming responsibility

- a. for data and other information relevant to the use of data, the actuary should refer to ASOP No. 23, *Data Quality*.
- b. for a model, the actuary should refer to ASOP No. 56, *Modeling*.
- c. for assumptions and methods prescribed by another party, the actuary should review the assumption or method for reasonableness and consistency to the extent practicable and appropriate within the scope of the actuary’s assignment.
- d. for assumptions and methods not prescribed by another party, or for any other item not addressed above, the actuary should review the item for reasonableness and consistency to the extent practicable and appropriate within the scope of the actuary’s assignment. In addition, the actuary should be reasonably satisfied that the reliance is appropriate, taking into account the following, as applicable:

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1. when the other party is an actuary, whether the actuary knows that the other party is appropriately qualified and has followed applicable ASOPs;
 2. whether the actuary knows that the other party has expertise in the applicable field;
 3. whether the actuary knows the other party's stated purpose for the item and the extent to which it is consistent with the actuary's intended purpose; and
 4. whether the actuary knows of differences of opinion within the other party's field of expertise that are material to the actuary's use of the item.
- 3.12 Documentation—The actuary should prepare and retain documentation to support compliance with the requirements of section 3 and the disclosure requirements of section 4. The actuary should prepare documentation in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary's work. The amount, form, and detail of such documentation should be based on the professional judgment of the actuary and may vary with the complexity and purpose of the actuarial services. In addition, the actuary should refer to ASOP No. 41 for guidance related to the retention of file material other than that which is to be disclosed under section 4.

Section 4. Communications and Disclosures

- 4.1 Required Disclosures in an Actuarial Report—When issuing an actuarial report to which this standard applies, the actuary should refer to ASOP Nos. 23, 41, and, if applicable, ASOP Nos. 55 and 56. In addition, the actuary should disclose the following in such actuarial reports, if applicable to the scope of the actuary's assignment:
- a. the line(s) in which the actuary was working within the **three lines** and, if the actuary is working in the second or third line, any limitations on the independence of the actuary or the actuary's work products (see section 3.1);
 - b. the processes used to identify and classify risks, including **emerging risks** (see sections 3.2 and 3.3);
 - c. any recommendations to develop or modify the **risk appetite framework** (see section 3.4);
 - d. considerations important to conclusions reached when evaluating or recommending an **organization's** risk mitigation strategy (see section 3.5);
 - e. any recommendations to develop or modify risk metrics (see sections 3.6 and 3.6.1);

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- f. results of **internal capital assessments**, their intended use, and any known limitations of the **internal capital assessments** (see section 3.7);
- g. a description of the stress(es) and scenario(s), assumptions, the results of the **stress testing** or **scenario analysis** and their intended use, any known limitations of the **stress testing** or **scenario analysis**, and any recommendations to modify the **stress testing** or **scenario analysis** (see section 3.8.1 and 3.8.2);
- h. the role the actuary played in the design, preparation, or review of an **ORSA** and in drafting or signing an **ORSA report** (see section 3.9 and 3.10); and
- i. the extent of any reliance on another party (see section 3.11).

An actuary who is a signatory to an **ORSA report** may satisfy the requirements of section 4.1 by including the required disclosures in the **ORSA report**.

4.2 Additional Disclosures in an Actuarial Report—The actuary also should include disclosures in accordance with ASOP No. 41 in an actuarial report for the following circumstances:

- a. if any material assumption or method was prescribed by applicable law;
- b. if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary; and
- c. if in the actuary's professional judgment, the actuary has deviated materially from the guidance of this ASOP.

4.3 Confidential Information—Nothing in this ASOP is intended to require the actuary to disclose confidential information.

Appendix 1

Background and Current Practices

Note: This appendix is provided for informational purposes and is not part of the standard of practice.

Background

Enterprise risk management (ERM) includes methods and processes by which organizations manage risk. One of the key objectives of ERM is to provide an enterprise risk management framework that supports an organization's business objectives. The practice of ERM within an organization is important to stakeholders including shareholders, management, regulators, and rating agencies.

Current Practices

At its most fundamental level, ERM is a control cycle. Risks are identified, risks are evaluated, risk appetites are chosen, risk limits are set, risks are taken, risk mitigation activities are performed to prevent limit breaches, and actions are taken when limits are breached. Risks need to be re-evaluated periodically and after risk events as the risks may have changed or the mitigation may need refining for future events, and the entire process of identification, evaluation, etc. needs to be repeated. Risks are monitored and reported as they occur and for as long as they remain an exposure to the organization. This cycle can be applied to specific risks within a part of an organization or to an aggregation of all risks at the enterprise level.

More formalized ERM frameworks clarify the elements of risk governance, organize and prioritize identified risks, articulate risk appetite, and provide a process to measure and monitor risk. The ERM frameworks applied to the financial services and insurance industry also contain important elements focused on capital management and capital resiliency (for example, stress testing and scenario analysis).

Within the insurance industry, organizations describe the ERM process via the own risk and solvency assessment (ORSA) reporting process. ORSAs need to be appropriate for the applicable regulatory environment, as well as for the nature, scale, and complexity of an organization's risks, and therefore ORSAs vary from one organization to the next.

Appendix 2

Comments on the Exposure Draft and Responses

The first exposure draft of proposed ASOP *Enterprise Risk Management* was issued in May 2023 with a comment deadline of September 15, 2023. Fifteen comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The Enterprise Risk Management (ERM) Committee of the Actuarial Standards Board (ASB) carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the ERM Committee.

Summarized below are the significant issues and questions contained in the comment letters and the responses. Minor wording or punctuation changes that are suggested but not significant are not reflected in the appendix, although they may have been adopted.

The term “reviewers” in appendix 2 includes the ERM Committee and the ASB. The section numbers and titles used in appendix 2 refer to those in the exposure draft, which are then cross referenced with those in the final standard.

TRANSMITTAL MEMORANDUM	
Comment	One commentator suggested including more examples of what has changed in the actuarial practice of ERM since ASOP Nos. 46, <i>Risk Evaluation in Enterprise Risk Management</i> , and 47, <i>Risk Treatment in Enterprise Risk Management</i> , were adopted.
Response	The reviewers disagree and made no change in response to this comment.
Transmittal Memorandum Question 1: Does the proposed standard cover all parts of ERM that may be relevant to actuaries practicing in the field of ERM? If not, please provide examples and explain.	
Comment	Two commentators said yes.
Comment	Two commentators said that the circular nature of ERM does not come through in the proposed ASOP.
Response	The reviewers agree and added a sentence in section 2.3 and language in section 3.9 to capture the circular nature of the ERM process.
Comment	One commentator expressed concern that guidance is not needed in some areas, such as risk identification and risk classification. The commentator thought the guidance on modeling was insufficient but acknowledged that modeling is covered in other ASOPs.
Response	The ASOP covers ERM framework from end to end, and the reviewers did not agree with the suggestion to exclude some part of the framework. The ASOP provides guidance to the actuary for each piece of the ERM framework as actuaries may be working on any piece. With regard to modeling, the reviewers believe that overall guidance related to modeling is appropriate when considering section 3.7 and 3.8 in combination with existing ASOP Nos. 55 and 56. Therefore, the reviewers made no change in response to this comment.

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Transmittal Memorandum Question 2: Is the guidance with the conditionality as described above—conditional on (a) and (b)—effective? If not, please propose an alternate approach.	
Comment	Two commentators said the conditionality guidance is effective.
Comment	One commentator said that the guidance is generally effective but suggested adding a paragraph at the beginning of section 3 stating that not all actuarial participation constitutes actuarial services and that it depends on the context of the work and the actuary’s training and level of participation in specific ERM tasks.
Response	The reviewers disagree with the commentator’s proposition that an actuary working in ERM (or in a component of the ERM framework) could partition his or her work into actuarial services and non-actuarial services. Therefore, the reviewers did not add the suggested paragraph. The reviewers clarified which actuarial services do not fall within the scope of this standard.
Comment	One commentator suggested adding a documentation requirement for the actuary to note exactly what work constituted actuarial services and what did not.
Response	The reviewers note that ASOPs apply only to actuaries when performing actuarial services and made no change in response to this comment.
Comment	One commentator suggested that the draft was a hybrid between an ASOP and a practice note, observing that some topics included may typically have less actuarial involvement.
Response	The reviewers disagree and note that the ASOP provides guidance to actuaries providing actuarial services in all components of the ERM framework.
Transmittal Memorandum Question 3: Subject to the conditionality in question 2 above: a. Is the proposed guidance appropriate and sufficient? If not, please explain and suggest language. b. Does the proposed standard contain any guidance that might be impractical to apply in practice? If so, please provide examples and explain.	
Comment	One commentator observed that the ASOP will lead to ERM actuaries being held to standards, while other ERM professionals may not be held to standards.
Response	The reviewers acknowledge this to be the case and note that actuaries are already held to ASOP Nos. 46, 47, and 55. This will always be the case as long as standards for actuaries working in ERM exist.
Comment	One commentator said that the proposed conditionality guidance is appropriate and sufficient.
GENERAL	
Comment	One commentator suggested changing the title to ERM Framework.
Response	The reviewers disagree and made no change.
Comment	One commentator expressed concern that the standard provides insufficient emphasis on the management of risk, including aggregation of risks and interactions among risks.
Response	The reviewers believe aggregation and interactions are sufficiently addressed in the new ASOP in combination with ASOP No. 55 and that the standard provides appropriate guidance to the actuary performing actuarial services in relation to all elements of enterprise risk management. Therefore the reviewers made no change in response to this comment.
Comment	One commentator interpreted the draft standard as “to only have standards for duties that exclusively belong to actuaries.”
Response	The reviewers believe the standard, provides guidance to the actuary when (but only when) an actuary is providing services in part or all of the ERM framework. The standard covers ERM from end-to-end without regard to whether actuaries are more or less commonly involved in a particular component.

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Comment	One commentator noted that, in contrast to the draft, ASOP No. 55 defines a group as an affiliated group of individual companies, of which at least one is an insurer (emphasis added). The commentator suggested adding “if applicable” to the ASOP No. 55 reference in section 3.8.3 if the new ASOP is intended to apply to a larger set of organizations or groups.
Response	The reviewers made no change to section 3.8.3 but deleted the definition of “group” from section 2.
Comment	One commentator suggested adding “material” or “materiality” in several places for clarification.
Response	The reviewers added “material” in several places.
Comment	One commentator said the draft was an improvement over the current ASOP Nos. 46 and 47.
Comment	One commentator said the ASOP should include considerations for the effect of risks on liquidity and earnings profiles as well as on capital.
Response	The reviewers believe that the language sufficiently covers earnings, liquidity, and capital and therefore made no change in response to this comment.
SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.1, Purpose	
Comment	One commentator suggested adding “monitoring.”
Response	The reviewers added monitoring to the definition of ERM framework in section 2.3.
Section 1.2, Scope	
Comment	One commentator suggested adding “an ORSA report” to the reviewing paragraph.
Response	The reviewers believe that because an ORSA report is part of an ERM framework, the review of an ORSA report already falls within the scope of the standard and made no change.
Comment	One commentator suggested expanding the reviewing language to include review of another actuary’s contribution to the ERM work product.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested adding “liquidity” to item (g).
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding guidance for conflicts with other ASOPs.
Response	The reviewers agree and added language.
Comment	One commentator suggested defining all the terms listed in scope.
Response	The reviewers added a definition of risk classification but believe the other terms do not need to be defined.
Comment	One commentator asked for clarification to help the actuary understand when their actuarial services fall within the scope of the standard.
Response	The reviewers clarified the guidance by expanding it and including examples of actuarial services that do not fall within the scope of this standard.
Comment	One commentator observed that the scopes of ASOP Nos. 46 and 47 excluded actuarial services that are outside the ERM framework and requested clarification of the scope in this standard.
Response	The reviewers added a paragraph clarifying the actuarial services that fall outside the scope similar to the limitations in ASOP Nos. 46 and 47.

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Comment	One commentator questioned whether the ASOP would apply to an actuary making final decisions over a risk framework, for example, a chief risk officer (CRO).
Response	The reviewers note that the ASOP applies both to actuaries with partial involvement and to those with a more comprehensive role such as the CRO. The reviewers believe it unnecessary to differentiate by decision-making authority within this ASOP and therefore made no change.
SECTION 2. DEFINITIONS	
Section 2.1, Available Capital	
Comment	One commentator suggested deleting the definition of available capital, because it is used only twice.
Response	The reviewers believe the definition is necessary and made no change.
Section 2.2, Emerging Risk	
Comment	One commentator suggested replacing “impact” with “magnitude.”
Response	The reviewers agree and made the change.
Section 2.3, Enterprise Risk Management (ERM) Framework	
Comment	One commentator suggested adding “(including governance)” after collection of processes.
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding “monitoring” to the collection of processes.
Response	The reviewers agree and made the change.
Comment	One commentator suggested replacing “finances (with capital)” with “manages.”
Response	The reviewers agree and made the change.
Comment	One commentator asked for clarification of “with capital.”
Response	The reviewers replaced “finances (with capital)” with “manages” in response to another comment.
Section 2.4, Governance	
Comment	One commentator suggested adding “review,” “referral,” and “notification” and deleting “escalation.”
Response	The reviewers agree with the proposed additions and made changes accordingly, but did not delete “escalation.”
Comment	One commentator suggested changing “and escalation” to “and maintain accountability and escalation,” to draw the connection between the processes and accountability in the section.
Response	The reviewers disagree and made no change in response to this comment.
Section 2.6, Internal Capital Assessment (now Section 2.5)	
Comment	Two commentators suggested deleting “deterministic proxies” because it suggests stochastic methods are preferred.
Response	The reviewers deleted stochastic methods and deterministic proxies to avoid implication of preference.

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Section 2.8, Own Risk and Solvency Assessment (ORSA) (now Section 2.7)	
Comment	One commentator suggested splitting the definition of ORSA between the generic and regulatory types.
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding “or a risk self-assessment similar to ORSA.”
Response	The reviewers disagree and made no change in response to this comment.
Section 2.9, ORSA Report (now Section 2.8)	
Comment	One commentator recommended the following: “A report produced with the following objectives: a. To provide information on the organization’s material and relevant risks; and b. To provide a group-level perspective on risk and capital.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator drew distinctions between regulatory and generic ORSA reports.
Response	The reviewers believe there is no need to distinguish between required and optional ORSA reports in the definition and made no change in response to this comment.
Comment	One commentator suggested adding “where appropriate” to items (b) and (c) as they are not always required.
Response	The reviewers simplified the definition and made no change in response to this comment.
Section 2.10, Required Capital (now Section 2.9)	
Comment	One commentator suggested revising the language because required capital can vary based on the context of its determination.
Response	The reviewers agree and modified the language accordingly.
Comment	One commentator suggested 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.
Response	The reviewers agree with the observation but believe such a statement is unnecessary. Therefore, the reviewers made no change in response to this comment.
Section 2.11, Risk Appetite (now Section 2.10)	
Comment	One commentator suggested adding that risks may be estimable and that risk appetite may change based on current or future market conditions.
Response	The reviewers added the “estimable” but not the sentence on risk appetite, as risk appetite may change for a variety of reasons, not just market conditions.
Section 2.12, Risk Appetite Framework (now Section 2.11)	
Comment	One commentator suggested moving “The risk appetite framework may include quantitative or qualitative components” from section 3.4 to section 2.12.
Response	The reviewers disagree and made no change in response to this comment.
Section 2.13, Risk Appetite Limit (now Section 2.12)	
Comment	One commentator suggested using “the organization’s risk appetite” instead of “risk measure.”
Response	The reviewers believe the language is appropriate and made no change in response to this comment.

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Comment	One commentator suggested edits to clarify that different levels may have different limits.
Response	The reviewers agree and modified the language accordingly.
Comment	One commentator suggested replacing “risk appetite limit” with “risk tolerance.”
Response	The reviewers disagree and made no change. The reviewers acknowledge that practitioners and organizations use terms differently and interchangeably.
Section 2.15, Risk Inventory	
Comment	One commentator suggested using “updated list” instead of “updated register,” as “risk register” is used in the next sentence.
Response	The reviewers agree and made the change.
Section 2.16, Risk Taxonomy	
Comment	One commentator suggested that the existing language implied a top-down approach.
Response	The reviewers agree and modified the language.
Section 2.17, Scenario Analysis	
Comment	One commentator differentiated between “narrative description” and “narrative scenarios.”
Response	The reviewers believe the language is appropriate and made no change.
Section 2.18, Stress Testing	
Comment	One commentator suggested a more complex and narrower definition to encompass adverse and positive impacts inside a single organization. The commentator also suggested distinguishing the adverse assumptions and adverse output or result.
Response	The reviewers prefer to keep a simpler definition and did not make the change.
Section 2.19, Three Lines of Defense (now Three Lines)	
Comment	One commentator suggested adding compliance as one of the auditor’s responsibilities.
Response	The reviewers disagree but modified the language in response to another comment.
Comment	One commentator suggested that the second line also identifies where there is effective challenge of risk-taking activities.
Response	The reviewers disagree and made no change.
Comment	One commentator suggested revising the end of the last sentence to “reviewing the effectiveness of the implemented ERM framework.”
Response	The reviewers modified the language.
Comment	Several commentators suggested changing “three lines of defense” to “three lines.”
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding that the responsibility of the first line is to own and manage risk.
Response	The reviewers agree and made the change.
New Section 2.15, Risk Classification	
Comment	One commentator suggested adding a definition of risk classification.
Response	The reviewers added a definition of risk classification.

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Comment	One commentator said that, if the intent is for risk classification to include risk assessment, then the definition in section 2 should reflect this.
Response	The reviewers agree and added a definition of risk classification.
Section 2.X, Proposed new definitions	
Comment	Two commentators suggested adding a definition of “risk metric.”
Response	The reviewers note that risk metric is used throughout the ASOP but believe it is commonly understood and does not need to be defined.
Comment	One commentator suggested adding a section on “Form F: Enterprise Risk Report (ERR).”
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding a definition of “risk.”
Response	The reviewers disagree and made no change.
Comment	Two commentators suggested adding definitions of “inherent risk” and “residual risk.”
Response	The reviewers believe these definitions are unnecessary and made no change.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Governance	
Comment	One commentator suggested clarifying that that actuaries might be performing risk management in any of the three lines and deleting the last sentence.
Response	The reviewers agree and modified the language.
Comment	One commentator suggested adding “actuaries working for an audit firm may work in the third line.”
Response	The reviewers modified the language in response to other comments but did not specify the role of an auditor.
Comment	One commentator suggested deleting the last two sentences.
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding “of the” between “governance” and “framework.”
Response	The reviewers disagree but clarified the language.
Section 3.2, Risk Identification	
Comment	One commentator suggested revisions to (a) and (d).
Response	The reviewers agree and modified the language.
Comment	One commentator suggested adding “and opportunities for” to the last sentence.
Response	The reviewers agree and made the change.
Comment	One commentator suggested deleting “understand” in (b).
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding language on interactions between identified risks, or between emerging and identified risks.
Response	The reviewers agree and modified the language accordingly.

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Section 3.3, Risk Classification	
Comment	One commentator suggested replacing “management’s assessment of risk” with “the actuary’s assessment of risk.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested reordering the two points and deleting “management.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested adding guidance for situations when the organization has not established a risk taxonomy.
Response	The reviewers agree and added a sentence.
Comment	One commentator suggested changing “for any given risk” to “for each risk being evaluated.”
Response	The reviewers agree and modified the language.
Comment	One commentator suggested replacing “risk neutral” with “risk accepting” and using “risk minimizing” for risks that cannot be avoided but are expected to be materially mitigated within risk appetite in section 3.3(a).
Response	The reviewers agree and modified the language.
Comment	One commentator suggested adding “potential” before “impact” in sections 3.3(b) and (c).
Response	The reviewers agree and made the change.
Comment	One commentator suggested moving language on prioritization of risk in section 3.3 to section 3.4.
Response	The reviewers disagree and made no change but note that the new definition of risk classification includes a prioritization aspect.
Section 3.4, Risk Appetite Framework	
Comment	The separation of qualitative and quantitative sections in 3.4.1 and 3.4.2 generated a number of comments, several of which proposed changes to or expansion of the guidance related to the qualitative aspect.
Response	The reviewers simplified the bulleted items and combined sections 3.4.1 and 3.4.2 into section 3.4.
Section 3.4.1, Quantitative Components of Risk Appetite Framework (now Section 3.4)	
Comment	One commentator suggested including a definition of risk metric that includes materiality.
Response	The reviewers did not include a definition of risk metric but added “material” in section 3.4.
Comment	One commentator suggested clarifying that it is “the amount” that is constrained, rather than the risk itself.
Response	The reviewers simplified the language in section 3.4(c).
Comment	One commentator suggested modifying the language explaining triggers.
Response	The reviewers simplified the language in section 3.4(d).
Section 3.4.1(a) (now Section 3.4)	
Comment	One commentator suggested that risk metrics were needed for risks in the risk inventory rather than the risk appetite.
Response	The reviewers agree and simplified the language in section 3.4(b).

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Comment	One commentator suggested clarifying that risk appetite items with material risk need risk metrics.
Response	The reviewers agree and clarified the language.
Section 3.4.1(b) and (c) (now Section 3.4)	
Comment	One commentator suggested combining the two risk appetite limit requirements and expanding them to include liquidity and earnings profile along with capital.
Response	The reviewers simplified the language in sections 3.4(b) and (c) but did not expand the wording for liquidity and earnings profile and deleted the reference to capital.
Section 3.4.1(c) (now Section 3.4)	
Comment	One commentator suggested changing “available capital” to “required capital.”
Response	The reviewers simplified the language in section 3.4(c) and deleted the reference to capital.
Section 3.4.1(d) (now Section 3.4)	
Comment	One commentator suggested deleting “respective” as it was confusing.
Response	The reviewers agree and made the change.
Comment	One commentator said the language about authority levels was confusing.
Response	The reviewers agree and deleted the language on authority levels.
Section 3.4.1 and 3.4.2, Quantitative Components of Risk Appetite Framework (now Section 3.4)	
Comment	One commentator suggested softening “should recommend” to “should consider” in the last sentence.
Response	The reviewers disagree and made no change in response to this comment.
Section 3.4.2, Quantitative Components of Risk Appetite Framework (now Section 3.4)	
Comment	One commentator disagreed with the example and suggested applying one of the quantitative requirements to the qualitative section.
Response	The reviewers revised section 3.4 in response to other comments, removed all the examples, and combined the qualitative and quantitative sections.
Comment	One commentator suggested expanding the list of examples of qualitative risks.
Response	The reviewers revised section 3.4 in response to other comments, removed all the examples, and combined the qualitative and quantitative sections.
Section 3.4.2(a) (now Section 3.4)	
Comment	One commentator suggested rewording the example.
Response	The reviewers revised section 3.4 in response to other comments, removed all the examples, and combined the qualitative and quantitative sections.
Section 3.5, Risk Mitigation	
Comment	One commentator suggested eliminating the term “mitigation program.”
Response	The reviewers agree and modified the language.
Comment	One commentator suggested acknowledging that mitigating one risk may increase another risk or create one that did not exist prior to the mitigation.
Response	The reviewers agree and modified the language in (b).

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Comment	One commentator said that there are ways to test the proposed risk mitigation activities other than scenario analysis and that the language was too prescriptive.
Response	The reviewers agree and modified the language.
Comment	One commentator said the language on modeling could be interpreted as requiring a quantitative approach.
Response	The reviewers agree and modified the language.
Comment	One commentator suggested changing the wording to reflect the fact that scenario analysis cannot provide certainty.
Response	The reviewers agree and modified the language.
Section 3.6, Risk Metrics	
Comment	One commentator suggested section 3.6 should refer to section 3.4(e).
Response	The reviewers believe a reference is unnecessary and made no change.
Section 3.6(b) (now Section 3.6[a])	
Comment	One commentator suggested defining “risk driver.”
Response	The reviewers modified the language in this section and changed “risk drivers” to “risk factors” in section 3.8.2(c).
Section 3.6(c) (now Section 3.6[b])	
Comment	Two commentators suggested modifying the language, as it is not always practical or feasible to measure the level of risk exposure before and after risk mitigation.
Response	The reviewers agree and modified the language.
Section 3.6(e) (now Section 3.6[d])	
Comment	One commentator suggested adding “where possible.”
Response	The reviewers disagree and made no change in response to this comment.
Section 3.6, Risk Metrics, and 3.6.1, Developing or Modifying Risk Metrics	
Comment	One commentator suggested combining sections 3.6 and 3.6.1.
Response	The reviewers disagree and believe there is justification for two separate lists. Section 3.6 lists goals related to risk metrics in the context and nature of the business and alignment with risk appetite. The list in section 3.6.1 is conditional on the actuary being asked to develop and modify risk metrics and is more concerned with the practical mechanics of metrics.
Section 3.6.1, Developing or Modifying Risk Metrics	
Comment	One commentator suggested adding “coincident.”
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding a new item, “effectiveness of the risk metric.”
Response	The reviewers believe the draft provides objectives in section 3.6 and effectiveness would be judged against each of these criteria. The reviewers believe a general comment about effectiveness is unnecessary and made no change in response to this comment.
Comment	One commentator suggested section 3.6.1 become section 3.7.
Response	The reviewers disagree and made no change.

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Section 3.6.1(a)	
Comment	One commentator suggested replacing “the frequency and severity of the risk” with “the likelihood and severity of the risk.”
Response	The reviewers disagree and made no change.
Section 3.6.1(b)	
Comment	One commentator suggested adding “or a combination.”
Response	The reviewers disagree and made no change.
Section 3.6.1(d)	
Comment	One commentator suggested changing “confidence level” to “statistical confidence level.”
Response	The reviewers disagree and made no change.
Section 3.6.1(f)	
Comment	One commentator suggested adding “current and” before “future trends.”
Response	The reviewers agree and made the change.
Section 3.6.1(g)	
Comment	One commentator said that the last sentence of (g) applies to all of section 3.6.1.
Response	The reviewers deleted the sentence and simplified the language.
Comment	One commentator said it was unclear whether “they” referred to regulatory constraints or risk metrics.
Response	The reviewers agree and simplified the language.
Section 3.7, Internal Capital Assessment	
Section 3.7(c)	
Comment	One commentator suggested adding “where appropriate.”
Response	The reviewers agree and made the change.
Section 3.7(d)	
Comment	One commentator suggested deleting “available capital” and adding “transferable to other parts of the organization” and “limitations.”
Response	The reviewers disagree with deleting “available capital,” but made other changes in response to this comment.
Section 3.7(e)	
Comment	One commentator suggested deleting “the quality of available assets” and adding “or terms” after “conditionality.”
Response	The reviewers disagree with the proposed changes but simplified the language to focus on the “quality of available assets.”
Comment	One commentator asked for the meaning of “quality” to be clarified.
Response	The reviewers believe the quality of assets is well understood by practitioners and therefore made no change.

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Comment	One commentator suggested the ASOP discuss concentration of risks.
Response	The reviewers believe that concentration of risk would be reflected in calculations of diversification credit, covered in section 3.7(c).
Section 3.8.3, Testing Target Levels for Capital or Liquidity	
Comment	One commentator suggested adding “or document rationale for deviating from prescribed stress(es).”
Response	The reviewers disagree as stresses prescribed by rating agencies and regulators need to be followed. Therefore, the reviewers made no change.
Comment	One commentator suggested deleting the section because it does not seem applicable within the scope of the ASOP, which is performing actuarial services with respect to developing, maintaining, or reviewing an ERM framework.
Response	The reviewers disagree. Testing capital and liquidity to ensure they remain within target levels and above minimum levels required by rating agencies and regulators is one of the key ERM activities.
Section 3.9, Own Risk and Solvency Assessment (ORSA)	
Comment	One commentator suggested changing “general risk management” to “enterprise risk management.”
Response	The reviewers expanded the wording to include the basic components of the organization’s risk and business objectives, and deleted the reference to “general risk management.”
Comment	One commentator suggested adding language related to the misrepresentation of the risk management framework.
Response	The reviewers modified the language in this section but do not believe it is necessary to provide guidance to the signatory on misrepresentation.
Comment	One commentator suggested the requirements for a signatory to an ORSA report were inappropriate.
Response	The reviewers disagree and made no change in response to this comment.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Required Disclosures in an Actuarial Report	
Comment	One commentator suggested moving the first sentence to later in the section.
Response	The reviewers deleted the sentence.
Section 4.1(a)	
Comment	One commentator suggested adding “if applicable.”
Response	The reviewers note that “if applicable” is included in the stem and made no change.
Comment	One commentator suggested deleting “of defense.”
Response	The reviewers agree and made the change.
Section 4.1(f) and (g)	
Comment	One commentator suggested deleting 4.1(f) and (g) because they are out of scope.
Response	The reviewers disagree, believe the items are in scope, and made no change.

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Section 4.1(h)	
Comment	One commentator suggested deleting “as applicable.”
Response	The reviewers agree and made the change.
APPENDIX, BACKGROUND AND CURRENT PRACTICES (now Appendix 1)	
Comment	One commentator suggested adding a sentence explaining the risk control cycle.
Response	The reviewers agree and made the change.
Comment	One commentator suggested using “occur” rather than “taken” when referring to risks.
Response	The reviewers agree and made the change.