

## Appendix 2

### Comments on the Exposure Draft and Responses

The second exposure draft of proposed ASOP *Enterprise Risk Management* was issued October 1, 2024, with a comment deadline of November 1, 2024. Three 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.

<b>GENERAL</b>	
Comment	One commentator suggested that the ASOP include more discussion of measurement methodology in which inherent and residual risks are considered distinctly.
Response	The reviewers believe further detail on this topic is unnecessary and made no change.
<b>SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE</b>	
<b>Section 1.1, Purpose</b>	
Comment	One commentator suggested changing “developing, maintaining, or reviewing ...” to “developing, applying, maintaining or reviewing,” in sections 1.1 and 1.2.
Response	The reviewers note that the standard does not apply to actuaries when performing actuarial services that are not for the purposes of developing, maintaining, or reviewing all or part of an ERM framework and made no change.
<b>Section 1.2, Scope</b>	
Comment	One commentator suggested clarifying whether the ASOP applies to non-insurance situations.
Response	The reviewers believe that further clarification is not necessary and made no change.
<b>SECTION 2. DEFINITIONS</b>	
<b>Section 2.1, Available Capital</b>	
Comment	One commentator suggested changing the definition of Available Capital.
Response	The reviewers acknowledge that ERM terminology varies among practitioners, but do not agree with the proposed definition, and therefore made no change.
<b>Section 2.17, Scenario Analysis</b>	
Comment	One commentator suggested removing the parenthetical references in the definition of Scenario Analysis.

Response	The reviewers agree and made the change.
<b>SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES</b>	
<b>Section 3.8.3, Testing Target Levels for Capital or Liquidity (now Testing Capital or Liquidity Management Processes)</b>	
Comment	One commentator suggested broadening the guidance because stress testing and scenario analysis are used for many other purposes.
Response	The reviewers agree that stress testing and scenario analysis can be used for many other purposes but did not broaden the guidance in this section. The reviewers clarified the guidance to refer to processes for managing capital and liquidity.
<b>Section 3.11, Reliance on Another Party</b>	
Comment	One commentator suggested adding guidance for when the actuary is setting assumptions.
Response	The reviewers note that other ASOPs, including ASOP No. 56, <i>Modeling</i> , provide guidance when the actuary is setting assumptions and made no changes.