

Title of Exposure Draft: ASOP No. 39 – Treatment of Catastrophe or Extreme Event Losses in Future Cost Estimates for Property/Casualty Risk Transfer and Risk Retention

Comment Deadline: June 1, 2025

Instructions: Please review the exposure draft, and give the ASB the benefit of 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 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:

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| Name of Commentator / Company |
| Norman Miami, American Property Casualty Insurance Association (APCIA) |

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

| Question No. | Commentator Response |
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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) |
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| 1.2 Scope | We support broadening the scope to appropriately reflect current practices within the industry. | |
| 2.4 Extreme Event | Consider: "A low-frequency event with high-severity or widespread potential effects that causes unusually large aggregate losses and that could distort materially influence or skew the historical experience." | Introducing a materiality threshold may improve the guidance provided. |
| 3.2 Identification of Potential Catastrophes or Extreme Events | Consider including characteristics indicative of catastrophe or extreme event losses, such as those contained in the current version of the ASOP, as examples to consider. | Improved guidance. |
| 3.3 Identification and Attribution of Historical Catastrophe or Extreme Event Losses | Consider rephrasing the guidance in subsections a. and b. to improve clarity. | |
| 3.4.1.2 Evaluating Credibility of Historical Insurance Data | Consider: "... that may produce the catastrophe or extreme event losses in the subject future period. " | Adding clarity. |
| 3.4.1.3 (d) Adjustment of Historical Insurance Data to Reflect Future Conditions | Consider adding additional explanation or a reference for the "wealth effect" consideration | Some reviewers were not familiar with this concept. |

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| 3.4.3 Use of Catastrophe Model Output | Reference to sections “3.3.1 and 3.3.2” should be corrected to “3.4.1 and 3.4.2”. | Typographical error. |
| 3.6 Additional Considerations for Casualty Coverages | <ul style="list-style-type: none"> Consider either combining the guidance provided in 3.6 and 3.7 into an “Additional Considerations” section that is not specific to Casualty, or clarify that 3.6 may also be relevant to non-Casualty coverages. Consider providing an example of “unanticipated risks” mentioned in 3.6.e. | <ul style="list-style-type: none"> Guidance provided in 3.6 may also be relevant for non-Casualty coverages/models. Language specifically mentioning casualty models as “early stage” models may become dated over time. The guidance is appropriate for all early-stage models, not just casualty models. |
| 3.12 Reliance on Another Party | Consider providing guidance to disclose the “extent of reliance” on another party, rather than “disclaiming responsibility.” | Disclosing the extent of reliance on experts is the guidance provided by the corresponding section of ASOP #38 (Cat modeling). That ASOP also states the actuary “should ... determine the appropriate level of reliance on experts” (3.1). |
| Section 4 | Add the Section 4 title “Communications and Disclosures”. | Typographical error. |
| 4.1.e Required Disclosures in an Actuarial Report | Consider broadening the guidance in subsection (e) to apply beyond casualty. | |
| Appendix – Historical Procedures section, last sentence of paragraph 4 | Consider: “Furthermore, a catastrophe-exposed insurer with inadequate rates or underestimated unpaid claims reserves appeared to be better had the potential to appear to be more adequately capitalized than a similar insurer with sufficient rates or reasonable carried reserves.” | |
| Appendix - Current Practices section (Currently omitted) | Consider updating and explicitly including a section on Current Practices, as found in the current version of the ASOP. | This could provide helpful information for actuaries in the future. |

IV. General Recommendations (If Any):

| Commentator Recommendation (Identify relevant sections when possible) | Commentator Rationale (Support for the recommendation) |
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V. Signature:

| Commentator Signature | Date |
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| Norman Niami, FCAS, MAAA, Affiliate IFoA | May 27, 2025 |