

## **Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice No. 39**

**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](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
Ken Williams – CAS Professionalism Education Working Group Bob Miccolis – CAS Professionalism Education Working Group Rob Smith – CAS Professionalism Education Working Group Yuanshen Zhu – CAS Professionalism Education Working Group

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

Question No.	Commentator Response
1 (approaches)	No, the exposure draft adequately reflects the majority of approaches currently used by the actuarial community to estimate the impacts of catastrophe and extreme events.
2 (scenario analysis)	No, the guidance on scenario analysis is not clear and sufficient. Scenario analysis is treated similar as Catastrophe Models in the Exposure Draft. However, there is a key difference between the two that requires further elaboration about Scenario Analysis: there are no generally accepted Scenario Analysis methods, while there are generally accepted Catastrophe Modeling methods/vendors. The first sentence definition for Scenario Analysis is too broad. In aggregate, Catastrophe Model appeared a total of 28 times in the document, whereas Scenario Analysis appeared a total of 8 times in the document. Gaining a clearer understanding of how scenario analysis is applied—both within and independently of catastrophe models—would be helpful. Additional guidance on the appropriate use and development of scenario analysis would enhance clarity and consistency.
3 (reasonableness)	There is no need to include guidance on reasonableness, as this is already addressed in ASOP 1. Furthermore, ASOPs 38 and 56 also emphasize evaluating model outputs for reasonableness. As such, this section feels unnecessary and redundant.

### **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)
2.3	Compound and correlated events warrant more attention, as many recent catastrophes and extreme events have been driven by such complex interactions. Expanding the ASOP's guidance in this area would better reflect emerging risk patterns.	Many of the losses from recent catastrophes have resulted from compound events—for example, the damage from Hurricane Helene was exacerbated by record rainfall that occurred just prior to landfall. Addressing these types of interactions more

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		explicitly would enhance the ASOP’s relevance to current risk dynamics
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IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>The inclusion of ‘extreme events’ seems intended to broaden the ASOP’s scope to cover infrequent scenarios related to events other than natural catastrophes. However, this addition feels somewhat forced and doesn’t contribute meaningfully to the guidance.</p> <p>A separate ASOP focused specifically on managing casualty-related extreme events would likely provide an actuarial standard which can address casualty extreme events more appropriately. A reference to ASOP 53 regarding the treatment of infrequent events for future cost estimates should be included.</p>	<p>Although extreme events and natural catastrophe-related events share similarities, the distinct approaches to managing claims and losses, along with varying model maturity, lead to differences that may not be effectively addressable within a single ASOP.</p> <p>Extreme casualty-related events can be challenging to include in the same ASOP because of potentially long latency periods for claims, the complexities of litigation and claim settlements, and coverage dispute issues.</p>

V. Signature:

Commentator Signature	Date
<i>Charles Zhu</i>	5/31/25