Title of Exposure Draft: ASOP No. 20, *Analysis of Property/Casualty Cash Flows, Including Discounting*

Comment Deadline: Aug. 1, 2025

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: 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:

Name of Commentator / Company
Ralph S. Blanchard III, FCAS, MAAA / retired

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

Question No.	Commentator Response

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)
3.3.6	Delete the 2nd sentence of this section. Replace with "*Where the projected cash flows include flows from future investments, those flows should be consistent with the future investment strategy of the entity to the extent known by the actuary*."	The exposure draft wording that says that "*The projected earnings rate of the investments should be consistent with the valuation of the investments (for example, book or market)*" would be incorrect practice. It would be correct if what was being projected was accounting earnings, but not for projected cash flows. For example, consider a particular bond issuance that was bought at a discount by one firm, and the same bond issuance bought at a different date at a premium by another firm. Assuming the bond was investment grade and the accounting was U.S. statutory, the first firm would have an accounting earnings rate greater than the coupon rate, while the second firm would have an accounting earnings rate less than the coupon rate, but the projected future cash flow from that bond would be the same for both firms. The current valuation of the bond is not what determines the investment's cash flows – it is the terms of the investment with regard to type, quality and maturity that matters.

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		Similarly, the market value may not represent the expected future cash flows from an investment if the current market value reflected a lack of liquidity, as that illiquidity penalty reflected in the current market value would not impact the future cash flows from an orderly runoff of the investment. With regard to the second part of the second sentence of this section, i.e., that referencing the future investment strategy, that is not relevant if only currently held investments are to be included in the cash flow projections being performed. This inclusion of only currently held investments is not a null set with regard to actuarial cash flow projections. Valuations of the current balance sheet for a potential acquisition may decide to only consider currently held investments, and not future investments. For many property/casualty products, it is also possible to support needed liability cash flows with currently available investments, without a need to reinvest future cash flows into new investments. Typically, only long duration products with cash flows over several decades require a reinvestment strategy to support the liability cash flows. Hence the suggested edit.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
Ralph S. Blanchard III, FCAS, MAAA	July 28, 2025