

Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice No. 20

Comment Deadline: August 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](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
Esther Becker, Ginda Fisher, and Charles Zhu on behalf of the Casualty Actuarial Society Professionalism Education Working Group

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)
2.2		Did the committee discuss whether the definition should state that the Cash Flow considers both the total estimate amount and the timing of Cash Flow of that estimate?
2.10		Current definition of “Risk Retention” is slightly different from that in ASOP 53. Is it necessary to change?
2.12	All cash flows related to underwriting operations, including but not limited to premiums, claims, claims expenses, and underwriting expenses.	Adding “but not limited to” could help ensure folks don’t limit their considerations to the four major components listed. For example, someone may choose to not contemplate Reinsurance Expenses under the current definition.
3.2	Methods and Models should be defined in the Definition Section	Undefined in this ASOP, whereas ASOP 53 defined these terms.
3.2	When selecting methods, models, and assumptions for a discounted cash flow analysis, the actuary should take into account the relative impact of various methods, models, and assumptions on the discounted cash flow analysis versus and the undiscounted cash flow analysis.	The ASOP addresses both Cash Flow and Discounting. It should consider interactivity between the discounted and undiscounted cash flow analysis.

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3.3.5	<p>If the cash flow analysis includes underwriting cash flows, the actuary should take into account coverage, accident or policy period, reinsurance terms, <del>expected recoverables</del>, and any other features that may have a material effect on the timing and amount of such underwriting cash flows.</p> <p><del>When selecting assumptions for the timing of underwriting cash flow, the actuary should consider using, as appropriate for the intended purpose, assumptions in estimating the timing of underwriting cash flows that are consistent with those assumptions used in developing premiums, underwriting expenses, and claim estimates when the assumptions are available.</del></p> <p><del>The actuary should take into account the timing and amount of expected recoverables (for example, deductibles, reinsurance, retrospective premium adjustments, ceding commissions, and salvage and subrogation) that may impact the underwriting cash flows to the extent appropriate.</del></p>	<p>Regarding the second paragraph, we should consider different wording, as there may be good reasons to use different assumptions for different purposes (e.g., reserving vs ratemaking vs cash flow analysis).</p> <p>The third paragraph may be redundant and could be included in the first paragraph.</p>
3.4.1	<p>When selecting discount rates, the actuary should use one or more of the following, <del>as appropriate for the intended purpose:</del></p>	<p>The second sentence as it stood previously may detract from the first sentence. Adding in the appropriate component may seem redundant, but we believe it adds to the importance of “appropriateness”.</p>
3.4.3	<p>The actuary should take into account whether there have been significant changes in conditions that impact cash flows, <del>particularly with regard to claim estimates</del>, that may not be sufficiently reflected in the experience data or in the assumptions used to estimate cash flows.</p>	<p>The ASOP, with the focus away from Claims Estimates, should not need to focus particularly on one aspect (i.e., claim estimates).</p>
3.5	<p>The actuary should consider including risk margins in a <del>discounted</del> cash flow analysis, <del>both discounted and undiscounted. The actuary may consider including risk margins in a cash flow analysis that is not discounted, depending on the intended use of the cash flow analysis.</del></p>	<p>Risk margins are relevant to both discounted and undiscounted cash flow analysis. By changing “may” to “should” for the undiscounted cash flow analysis portion, we can explicitly provide guidance that risk margins should be considered, but may be excluded. We feel that any risk associated with whether this conflicts with any regulations, laws or accounting standards is addressed in 3.5.3.</p>
3.5.3	<p>The actuary <del>should</del> must take into account whether applicable law and accounting standards impose constraints or requirements related to the use of risk margins.</p>	<p>Why wouldn’t it be a requirement to take into account of relevant applicable law and accounting standards?</p>

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Commented [EB1]: Charles - what about “The actuary should consider using, as appropriate for the intended purpose, the use of consistent assumptions in estimating the timing of underwriting cash flows and those used in developing premiums, underwriting expenses, and claim estimates.” I totally get your point but I think the wording you suggested might obfuscate the point you’re trying to make.

Commented [CZ2R1]: Updated with Ginda’s proposed language (slight change, replaced used for with used in).


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
	July 31, 2025