

Title of Exposure Draft: Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities

Comment Deadline: 11/30/2020

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:

Name of Commentator / Company
Task Force to Review ASOP No. 22 / Life Practice Council of the American Academy of Actuaries

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

Question No.	Commentator Response
n/a	

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	Delete or clarify added language regarding "or other assets " with respect to cash flow .	It is not clear what "other Assets" is referring to. How would receipt, disbursement, or transfer of <i>non-cash</i> Assets represent Cash Flow? For example, Assets may either increase or decrease Cash Flow but are not considered Cash Flow.
2.11	Material events that occur after the valuation date and before the date the statement of actuarial opinion is <u>signed</u> . filed .	We suggest using the date the opinion is signed rather than date filed for Subsequent Events. It may not be possible to include a subsequent event occurring on the due date, for example.
3.1	When performing an asset adequacy analysis , the actuary should choose a block of assets such that the statement value of those assets is no greater than the statement value of the reserves <u>(exclusive of any asset adequacy reserves)</u> and other liabilities being tested.	This suggestion would clarify that asset adequacy reserves that were set up previously could be released if no longer needed.
3.1.1	<u>In certain situations</u> , the actuary may consider using <u>other analysis methods</u> other than cash flow testing to evaluate <u>asset adequacy</u> the adequacy of the assets to support the reserves and other liabilities being tested, such as where <u>cash flows</u> are not	As written, the exposure draft may imply that all analysis methods are equally appropriate for Cash Flows that vary under different scenarios. The goal of the recommendation is to clarify that the methods given in the examples should only be considered

Title of Exposure Draft: Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities

Comment Deadline: 11/30/2020

	<u>sensitive to different scenarios or the liabilities are short term.</u>	when cash flow testing is not warranted, and not as alternatives in general.
3.1.2.2	Add <u>h. the overall impact of margins included in the analysis.</u>	The actuary should consider the impact of the overall margins as well as margins in individual assumptions.
3.2.6	When more than one actuary contributes to the asset adequacy analysis , the opining actuary should form an overall opinion without <u>only</u> claiming reliance on the opinions of other actuaries.	The opining actuary may need to rely on the opinions of other qualified actuaries, but should be doing sufficient additional analysis to get comfortable. As an example, in a large insurance company it would be important to know that the actuary for a business unit is willing to sign an opinion for that business unit. As written, it could be construed that opinions of other actuaries may not be permitted. This could be disclosed as additional or revised wording in the Opinion Section.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
Thomas Senior Berry, Jr., MAAA, FSA Theresa M. Dziedzic, MAAA, FSA Bruce A. Friedland, MAAA, FSA Randall A. Stevenson, MAAA, ASA	November 30, 2020