

Comment #29- 4/27/17 – 3:49 p.m.

Thank you for the opportunity to review the proposed ASOP on Setting Assumptions.

Below are our comments.

Sincerely,

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Michelle Peters, FSA, MAAA

Use of Information Date

This term is confusing and is not commonly found in other ASOPs used by health actuaries. It seems that the date you set your assumptions, is your “information date”. The actuary should be considering all data/conditions and anticipated changes known as of this date in setting assumptions. As such it seems odd to ask in Section 3.15 for the actuary to consider changes “by the information date”. Items known as of the information date should naturally be included and/or addressed in the setting of the assumptions. Is Section 3.15 asking the actuary to address material changes that have occurred after the date the assumptions were set? If so, then the wording needs to state that. However, if that is the intent, then are you now creating a new “information date”. It seems the date of the actuarial communication is the de facto information date and all information known up to that time should be included in the setting of assumptions.

Section 2.4

We ask that this section be expanded to specifically address a situation when a state or federal regulatory body directly or indirectly requires a change in assumptions in order to approve a rate filing. A regulator may require the use of a certain assumption (such as trend or population morbidity change) even when the actuary submitting the filing has chosen a different reasonable and supportable assumption. Since the regulator’s desired assumption is not based on law or regulation, but is simply an assumption, then the ASOP should address this situation. We suggest that the revised assumption that is set by the regulator be categorized and treated similar to assumptions that are required by law. We also suggest that these situations be required disclosures in Section 4.2. We do not believe this situation should fall silently into Section 3.5 due to its frequency and significance.

Section 3.1.3(a)

We suggest improved clarity and direction with the following sentence change:

Current: “The actuary should consider to what extent it is appropriate to use assumptions (and methods, where applicable as described in section 1.2) that have a known tendency to significantly underestimate or overestimate the result.”

Proposed: If an assumption (or methodology) has a known tendency to overestimate or underestimate the results, the actuary should consider to what extent it is appropriate to use such assumptions (and methods, where applicable as described in section 1.2).