

**Profit Margins and Contingency Provisions in Property/Casualty Risk Transfer and risk Margins, #30**

**Comments due by November 1, 2024**

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
Denis Guenthner, FCAS, CERA, MAAA / Retired

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

Question No.	Commentator Response
1 Definitions	No. the contingency provision definition is not clear (see comment for question 2)
2 Difference	No. The committee needs to define “actual expected losses”. Expected losses are an estimate of future losses. Standard actuarial practice is that over time, actual losses as they occur are compared to expected losses. “Actual expected losses” is a term I have never heard in my 42 years as a practicing actuary.
3 Disclosure	Yes

**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 Contingency provision definition	The concept for a “contingency provision” should be eliminated	The definition uses the term “actual expected losses” (see comments for section 3.2)
3.2 Contingency provision estimation	The concept for a “contingency provision” should be eliminated	The example given doesn’t make sense. The modeled expected losses should appropriately capture the tail of the loss distribution. By definition, all parts of the indicated rate should be an unbiased estimate of all the appropriate factors (loss, expense, etc.) Our continued use of “contingency provision” essentially says that we are incapable of coming up with unbiased estimates of all components. Contingency provision is an archaic term that should be made obsolete.

**IV. General Recommendations (If Any):**

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

**V. Signature:**

Commentator Signature	Date
Denis Guenther, FCAS, CERA, MAAA / Retired	10/7/2024