

Appendix 2

Comments on the Exposure Draft and Responses

The first exposure draft of this ASOP, *Risk Evaluation in Enterprise Risk Management*, was issued in April 2012 with a comment deadline of June 30, 2012. Twenty-five comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The ERM Task Force carefully considered all comments received and the ASB reviewed (and modified, where appropriate) the proposed changes.

Summarized below are the significant issues and questions contained in the comment letters and the responses.

The term “reviewers” in appendix 2 includes members of the ERM Task Force and the ASB. Also, unless otherwise noted, the section numbers and titles used in this appendix refer to those in the first exposure draft.

GENERAL COMMENTS	
Comment	Several commentators suggested that the use of the term “confidence level,” which appeared in many places throughout the standard should be replaced with the more generic term “risk metric” because confidence level was only appropriate when the risk evaluation method was a stochastic model.
Response	The reviewers agree. In particular, the reviewers believe that the term “confidence level” was inappropriate for stress tests and in some other situations. The reviewers replaced the terms as suggested and added language regarding confidence intervals within the discussion of stochastic models in section 3.3.3(b).
Comment	Several letters were received from organizations. Some were supportive and shared their perspective on standards of practice for emerging practice areas, and others thought it was too early for these discussions and to put an ASOP in place. One noted that since “ERM is not an actuarial process” there is no need for an ASOP.
Response	The reviewers thank these organizations for sharing their perspectives and refer readers to the background section for information regarding why this ASOP was prepared at this point in time. In particular, it is important to note that ASOPs apply to individual actuaries practicing in the area covered by the ASOP and do not require the role to be one that is only performed by actuaries (other examples include ASOP No. 23, <i>Data Quality</i> , and ASOP No. 21, <i>Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas</i>).

Comment	Several commentators were concerned that the ASOP definitions were not consistent with those used by other professional organizations.
Response	The reviewers spent a considerable amount of time researching and discussing the definitions used by professional organizations, but found little consistency between the definitions. For the purpose of this ASOP, the reviewers accepted definitions that would provide clarity to the users of the ASOP and not for any other purpose. Therefore, no further changes were made for this purpose.
Comment	One commentator questioned the need for more than one ASOP covering ERM.
Response	The reviewers have determined that Risk Evaluation in ERM and Risk Treatment in ERM are necessary ASOPs to develop at this time, but anticipate that as ERM practice evolves, the ASB and the ERM Task Force will continue to review the ERM standards to determine if more should be promulgated or if the existing ERM ASOPs should be expanded. Therefore, no changes were made.
Comment	One commentator suggested that in many places throughout the standard wording should be added to emphasize the possibility that interdependencies of risks may change.
Response	The reviewers believe that this suggestion is focused on a technical detail that is not required in an ASOP, and therefore no change was made.
Comment	Several commentators stated that the ASOP should provide more guidance and noted specific areas where they thought guidance should be provided. In many instances, the commentators suggested adding technical details and more specificity, including examples. In addition, one commentator stated that the ASOP did not provide meaningful standards of practice, only a list of considerations.
Response	The reviewers believe the ASOP provides appropriate guidance in light of the current state of ERM. Therefore, no change was made. Other information might be appropriate for a practice note or textbook. It is the understanding of the reviewers that the American Academy of Actuaries' ERM Committee is in the process of preparing a practice note on ERM.
Comment	Some commentators suggested that the standard sometimes used the word "significant" and other times the word "material" when it seemed that the same concept was intended.
Response	The reviewers looked at each instance of the use of either word and made changes to improve clarity.
Comment	One commentator wanted to know how this standard ties to other initiatives such as ORSA and Solvency II.
Response	The standard does not directly tie to these initiatives. Since ERM is evolving, the reviewers are aware that there will be new initiatives in many different areas. The reviewers believe that it is better to provide general guidance now in this ASOP to actuaries dealing with risk evaluation issues rather than wait for these initiatives to be finalized. At some point in the future, there may be a need for a new standard that directly addresses actuarial risk evaluation work specifically for some particular accounting or regulatory need.

Comment	Several commentators suggested minor wording changes.
Response	The reviewers looked at each suggestion and made changes where they agree that the clarity of the standard was improved.
Comment	One commentator disagree with the ASOP assertion that “no group has specific professional standards for enterprise risk management work performed by individuals,” specifically referencing ISO 31004.
Response	The reviewers note that this ASOP provides guidance for an actuary performing ERM work, not guidelines for the implementation of ERM as appears to be the objective of ISO 31004. Therefore, no change was made.
SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.1, Purpose	
Comment	One commentator suggested the ASOP should include “interpreting” risk evaluation systems in its purpose and scope.
Response	The reviewers note that “interpretation” is inherent in performing professional services with respect to risk evaluation and therefore did not expand the examples provided.
Section 1.2, Scope	
Comment	One commentator was concerned that the limitation of this standard to risk evaluations performed within an ERM program would produce situations where similar work within and outside of ERM programs are subject to different requirements.
Response	The reviewers note that this standard provides guidance strictly for actuaries performing risk evaluations for the purpose of ERM, and for no other purpose. Other standards provide actuaries with guidance for certain risk evaluations performed for purposes other than ERM. No inappropriate differences in guidance were suggested or known to the reviewers. Therefore, no changes were made.
Comment	Several commentators suggested that modifications to the description of the ERM control cycle were needed.
Response	The reviewers note the ERM control cycle is used as context for this ASOP. It is not meant to be limiting, and incorporates all types of quantitative and qualitative models. Therefore, no change was made.

SECTION 2. DEFINITIONS	
Comment	Several commentators suggested modifications to the definitions. Some of these suggestions were in conflict with each other. Some commentators felt that the definitions should conform to one or multiple sources that, in some cases, are in conflict themselves.
Response	The reviewers spent a considerable amount of time researching and discussing the definitions, and ultimately believe that the purpose of the definitions is to provide clarity to the users of the ASOP. It is not the intention of the ASOP to provide guidance on definitions for usage other than within the context of the standard itself. Therefore, the reviewers made a limited number of edits to the definitions for the purpose of improving clarity.
Comment	Several commentators suggested that the ASOP include additional definitions, such as for “risk transfer,” “reverse stress test,” “ORSA,” and “sensitivity test.”
Response	The reviewers considered the addition of each of these definitions and did not add definitions for these terms for several reasons. “Risk transfer” was used only once in the draft ASOP, within a definition that has since been removed. “Reverse stress test” is also not a term used in the standard. The reviewers believe that an organization’s own risk and solvency assessment (ORSA) is inherent in the risk management control cycle and, as such, is not explicitly referenced within the standard itself. Instead, the regulatory requirement is mentioned in the background. Finally, while “sensitivity testing” is mentioned within the standard, its use relates to gaining comfort with a model itself and therefore the reviewers believe its meaning is widely understood.
Section 2.1, Counterparty Risk	
Comment	Several commentators observed that the term “counterparty risk” was not used within the draft ASOP and recommended deletion.
Response	The reviewers agree and removed the definition.
Section 2.2, Economic Capital	
Comment	Several commentators suggested replacing the language “at a selected confidence level” with “for a selected risk metric,” and one commentator suggested removing the reference to “selected confidence level.”
Response	The reviewers agree and replaced the phrase “over a specified period of time at a selected confidence level” with “for a specified period of time and risk metric.”
Comment	One commentator suggested replacing the word “needed” with “indicated,” while another commentator suggested replacing “needed” with “available.”
Response	The reviewers agree with editing the definition, but instead replaced the term “the amount of capital needed” with “the amount of capital an organization requires” as a more appropriate edit for how the term is used within this ASOP.

Comment	One commentator suggested including reference to an “economic basis of calculation.”
Response	The reviewers believe the revised definition is appropriate for the use of the term in this ASOP and made no further changes.
Section 2.3, Emerging Risk	
Comment	One commentator suggested that emerging risks are not “new”; rather, they only appear to be new as we gain knowledge of them.
Response	The reviewers believe that certain emerging risks might be new—such as those related to developments in technology—and made no change.
Comment	One commentator suggested that the definition was too limiting, and another suggested additional language to expand the definition.
Response	The reviewers believe the definition is appropriate for the use of the term in this ASOP and made no change.
Section 2.5, Enterprise Risk Management Control Cycle	
Comment	One commentator suggested changing the order of the definition so that risk mitigation preceded risk taking, and inserting “risk avoidance.” Another commentator suggested including the phrase “not necessarily in that order.” A third commentator suggested that the term “control cycle” implies a sequence, and recommended that it be replaced by “process.”
Response	The reviewers edited the definition, replacing “taken” with “accepted or avoided.” While the reviewers agree that, in practice, an ERM process within an organization may be conducted in a different order with multiple levels of iteration, they believe that the revised definition is appropriate for both broadly describing the phases of ERM and for the manner in which the term is used within this ASOP.
Comment	One commentator suggested adding the phrase “risks are monitored and reported as they are taken and as long as they remain an exposure to the organization,” which is a sentence used in the Background.
Response	The reviewers believe the revised definition is appropriate for the use of the term in this ASOP and made no further changes.

Section 2.7, Risk	
Comment	Several commentators thought that the definition of “risk” should also include reference to the opportunity for gain. One commentator also suggested that the definition of risk should be directly tied to the achievement of an objective.
Response	The reviewers spent a considerable amount of time researching and discussing the definition of “risk” both before the release of the exposure draft and since receiving comments. The reviewers decided that the definition of risk should remain focused on “the potential for future losses” since 1) an evaluation of “risk versus reward” implies one-sidedness, and 2) a significant amount of risk evaluation work focuses on tail events. Additionally, the reviewers consider the term “expectations” to be consistent with “objectives.” Therefore, the reviewers believe the current definition is appropriate and made no changes.
Section 2.8, Risk Appetite and Section 2.14, Risk Tolerance	
Comment	One commentator suggested that the word “aggregate” is not necessary in the definition of risk appetite since risk appetite might be further defined by type of risk. Two other commentators questioned the relationship between “risk appetite” and “risk tolerance.”
Response	The reviewers spent a considerable amount of time researching and discussing the definitions of both “risk appetite” and “risk tolerance,” and understand that widely varying definitions for these terms are currently being used by organizations. For the purpose of this ASOP, the reviewers believe that the word “aggregate” is appropriate since risk appetite typically focuses on an organization as a whole, even when that focus relates to an “aggregate” view of a single type of risk. In addition, the reviewers felt the fundamental distinction between “risk appetite” and “risk tolerance” is that an organization’s risk appetite reflects a choice, while their risk tolerance relates to what the organization is able to take, or “capacity.” Therefore, the reviewers believe the current definitions are appropriate and made no changes.
Section 2.12, Risk Mitigation	
Comment	Two commentators suggested replacing “severity” with “impact,” and another suggested adding the phrase “and aids in understanding the frequency and/or severity of the risk assumed.”
Response	The reviewers believe that for purpose of this ASOP, the use of “severity” is appropriate, and that further expansion of the definition might not add additional clarity. Therefore, the reviewers made no change.
Section 2.13, Risk Profile	
Comment	One commentator suggested that the definition reference “scale” and “combination of risks” to ensure that users understand how risk profiles change in response to risks taken.
Response	The reviewers believe that the current definition captures this view, and therefore made no changes to the definition.

Section 2.15, Scenario Test	
Comment	Several commentators suggested that a scenario test may include measuring the impact of a single event, and one commentator suggested that a scenario test may include testing events that occur sequentially as well as simultaneously.
Response	The reviewers agree, and replaced the phrase “several simultaneously occurring” with “one or several simultaneously or sequentially occurring” possible events.
Section 2.16, Stress Test	
Comment	Two commentators suggested changes to the definition of stress test, broadening the definition to include tests of scenarios. One commentator questioned whether there is a difference between the two definitions.
Response	The reviewers believe that the current definition of stress test captures the distinction between scenario tests and stress tests in a manner that is consistent with how the terms are used within this ASOP, namely that scenario tests focus on testing the impact of possible events, while stress tests focus on the incremental impact of varying underlying assumptions or factors. Therefore, the reviewers did not modify the definition of a stress test.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Comment	Two commentators suggested that “etc.” be removed.
Response	The reviewers agree and removed references to this abbreviation.
Comment	One commentator suggested that “risk management actuaries need to either (1) consider the risk, or (2) document that they have chosen not to consider the risk.”
Response	The reviewers agree with this comment, and believe that considerations are appropriately captured in section 3 and disclosures are captured in section 4.1.6.
Comment	One commentator recommended using “may rely on others who have considered” and “if appropriate” consistently throughout the standard.
Response	The reviewers carefully considered the use of these phrases throughout the standard and believe their current use is appropriate.
Section 3.1, Risk Evaluation	
Comment	Two commentators suggested that there needed to be more clarity around what an actuary “should consider” and “may include.”
Response	The reviewers reviewed and reworded the list of considerations to increase clarity.

Comment	One commentator suggested changing the heading of section 3.1 from “Risk Evaluation” to “Environmental Scan,” based on the premise that including a general scan of the inner and outer environment of the entity undergoing the risk evaluation is a first step that precedes evaluating the risks associated with the entity.
Response	The list of items in section 3 is intended to serve as general considerations for all risk evaluation work performed in connection with ERM, and does not imply an order of action. Therefore, no changes were made.
Comment	One commentator suggested that “risk evaluation” should be defined.
Response	The reviewers believe that the definition of risk evaluation is widely understood.
Comment	One commentator believed that the criteria in this section and section 3.2, Considerations Related to Risk Evaluation Models, are more geared to the reviewing risk evaluation systems than the other stated purposes of the standard.
Response	The reviewers believe that the criteria identified in these sections are important considerations for all professional services with respect to risk evaluation systems and therefore made no change.
Comment	One commentator stated that section 3.3.1(b) mentions consistency in the measurement of risks, while 3.3.1(c) only mentions that some risks may be best modeled stochastically while others may be best modeled via stress tests. There should be some guidance as to how consistency concerns can be addressed via apparently inconsistent modeling approaches across risks.
Response	The reviewers believe the current wording is appropriate and made no change.
Comment	One commentator recommended deleting “risk context,” and adding “risk profile” and “risk environment” in section 3.1(a).
Response	The reviewers agree and made the change.
Comment	One commentator suggested changing section 3.1(a)(1) as follows: “...the financial strength <u>and flexibility</u> of the organization.” Financial strength relates to what’s on the balance sheet at a particular time, but flexibility includes the ability to raise additional capital.
Response	The reviewers agree and made the change.
Comment	A commentator suggested clarifying who determines financial strength in section 3.1(a)(1).
Response	The reviewers do not believe such clarification was needed and made no change.
Comment	One commentator remarked that section 3.1(a)(3) states that the actuary may rely on management’s opinion of the risk environment, which is redundant with section 3.1, which states the actuary may rely on others for all of section 3.1. It could be interpreted that the actuary may only rely on others for 3.1(a)(3) because the wording is only repeated in that section.
Response	The reviewers reworded section 3.1(a)(3) to increase clarity.

Comment	One commentator suggested that “risk environment” be defined.
Response	The reviewers included definitions in this standard for those terms it felt needed clarification. In this case, the reviewers considered this recommendation but decided that the term was self-explanatory, and made no change.
Comment	One of the commentators suggested that determining stakeholder interests is impossible and suggested additional guidance if stakeholder interests conflict with risk appetite.
Response	The reviewers note that an actuary “may include” information about stakeholder interests if possible and as appropriate to the assignment. Therefore, no change was made.
Comment	One commentator suggested adding “regulators” as an additional stakeholder given their importance.
Response	The reviewers agree and made the change.
Comment	One commentator felt that sections 3.1(a)(5) and 3.1(b)(2) are redundant, stating “...aren’t all of the risk/reward expectations of all those listed in 3.1(a)(5)... included in the risk appetite of the organization?”
Response	The reviewers note that section 3.1(a)(5) includes both internal and external stakeholders, while 3.1(b)(2) covers the internal risk management system. There could be overlap in some circumstances, but for some organizations, the expectations of stakeholders and what is considered in risk appetite will be different. Therefore, no changes were made.
Comment	One commentator asked what “fungibility of capital” means.
Response	The reviewers believe that this is a common financial term and does not need a definition in the ASOP.
Comment	There were several comments on section 3.1(a)(9). One commentator asked why it is important for the actuary to know the extent to which the organization’s exposures (not risks) are different from its competitors’ in the context of risk evaluation. Another questioned how to assess competition’s risk exposure vs. the organization's without proprietary information from competitors.
Response	The reviewers believe that competitive differences in risk exposures may provide useful information regarding strategic risks that, in turn, support a robust risk evaluation. The reviewers agree that assessment of the competition’s exposures may be limited to publicly available information, and do not believe the guidance states otherwise. Therefore, no change was made. .
Comment	One commentator recommended including the “risk language” used by an organization as a consideration and definition.
Response	The reviewers believe this topic is inherent in section 3.1(a) and made no change.

Comment	One commentator suggested removing “a significant inconsistency exists” in section 3.1(c).
Response	The reviewers believe that the current wording expresses the intended meaning and made no change.
Comment	One commentator suggested that section 3.1(c) needed clarification and also suggested that “risk context” be defined.
Response	The reviewers reordered the section to increase clarity. In addition, the term “risk context” has been deleted from the standard.
Section 3.2, Considerations Related to Risk Evaluation Models	
Comment	One commentator stated that the inclusion of a section on evaluating risk modeling approaches seems premature.
Response	The reviewers believe that this section provides important guidance for actuaries working with risk evaluation models, and therefore no changes were made.
Comment	One commentator suggested that this section should require models to include the capability of evaluating mitigation steps and sensitivity testing of possible alternative mitigations.
Response	The reviewers believe that this recommendation would make this standard too prescriptive and, therefore, no change was made.
Comment	One commentator suggested the following wording change:
Response	<ul style="list-style-type: none"> Section 3.2(a)(5) - [Suggested wording underlined.] “the quality, accuracy, appropriateness, <u>timeliness</u>, and completeness of data underlying the models” <p>The reviewers agree with the suggestion and made the suggested change.</p>
Comment	One commentator suggested that model “verification” should be included in 3.2.(a)(6).
Response	The reviewers agree and edited the section.
Comment	Several commentators suggested the following wording changes:
Response	<ul style="list-style-type: none"> Section 3.2(a)(7) - add “and how those dependencies might change” Section 3.2(b)(1) - [Suggested new wording underlined] ”...whether the assumptions, <u>including any deviations from the expected</u>, are supportable, <u>appropriate and</u> appropriately documented, and allow for deviations from the expected...” <p>The reviewers believe the current draft wording is appropriate, and therefore made no change.</p>

Comment	One commentator asked if we intended to include parameter uncertainty in section 3.2(b)(1).
Response	The reviewers did intend to address parameter uncertainty and believe this was achieved in the current language. Therefore, no further change was made.
Comment	One commentator suggested that sections 3.2(b)(1) and 3.2(b)(3) were redundant.
Response	The reviewers believe that assumptions related to future management actions require specific consideration. Therefore, no change was made.
Section 3.3, Economic Capital	
Comment	One commentator suggested that the terminology “basis of measuring loss” in section 3.3.1(a) was not clear.
Response	The reviewers disagree since several examples were provided. Therefore, no further changes were made.
Comment	One commenter suggested that undiscounted reserves may serve as a source of capital.
Response	The reviewers agree with the comment, but view it as one of many sources of capital and do not believe that it needs special treatment in the standard.
Comment	One commentator noted that, in addition to the risks reflected by the economic capital model, there is a need for the actuary to consider the correlations between those risks.
Response	The reviewers agree with the comment and reworded section 3.3(1)(b) to refer more broadly to risk interdependencies.
Comment	One commentator suggested that the accounting framework needs to be consistent with the primary purpose of the economic capital model.
Response	The reviewers agree and note that this is covered in section 3.3.2. Therefore, no change was made.
Comment	One commentator suggested that stress testing should only apply to capital adequacy.
Response	The reviewers disagree and note that stress testing of growth rates, loss frequency or severity, and many other aspects of the organization’s business which are not related to capital adequacy is appropriate and valuable. Therefore, no changes were made.
Comment	One commentator suggested that use of standard measures should be considered reliance on others.
Response	The reviewers note that reliance on others is covered in section 3.8, and therefore made no change.

Comment	One commentator suggested that a key consideration for the economic model should include corporate business plans.
Response	The reviewers agree that corporate business plans are important considerations in risk evaluation, and note that this is implicit in section 3.1(a). Therefore, no change was made.
Comment	One commentator recommended removing the expectation in section 3.3.5 that the economic capital model results would be reasonably consistent with “relevant items of the underlying balance sheet and income statements of the organization.”
Response	The reviewers believe that the results of economic capital models should be reasonably consistent with relevant balance sheet or income statement items, and that validation tests should confirm that this occurs. Therefore, no changes were made.
Comment	One commentator suggested replacing the word “reproduces” with “consistent” or “reconciled.”
Response	The reviewers agree and have modified the language from “the model reasonably reproduces” to “the model results are reasonably consistent with.”
Comment	Several commentators suggested adding guidance on “reverse stress testing.”
Response	The reviewers took no action since they believe reverse stress testing falls under the broader category of stress testing.
Comment	One commentator suggested changing the title of this section to Stress Testing since scenario testing is a subset of stress testing.
Response	The reviewers disagree with the suggestion and therefore did not modify the title of the section.
Comment	One commentator suggested removing the following sentence: “These tests are now emerging as a key tool for solvency assessment by regulators.”
Response	The reviewers agree with the suggestion and removed the sentence.
Comment	Several reviewers questioned the use of the term “catastrophic,” indicating that it may imply limiting the analysis to certain types of events or to a single event when multiple events may also stress an organization.
Response	The reviewers agree and changed references from “catastrophic” in sections 3.4.1(b) to “extreme” and removed a reference in 3.4.1(c).
Comment	One commentator recommended specifically mentioning how regulators’ actions change during extreme events.
Response	The reviewers believe that the existing terminology in section 3.4.1(d) (“stakeholders and markets”) is sufficiently broad to be understood to include regulators, and therefore did not make any change.

Comment	One commentator felt that the actuary might not be able to consider how actions and markets will change under extreme events.
Response	The reviewers agree and modified the language in section 3.4.1(a).
Comment	Two commentators suggested deleting the sentence “In these situations, the actuary should document the assumptions and methodology used” in 3.4.1(g).
Response	The reviewers agree and have removed the sentence.
Comment	One commentator suggested combining the Economic Capital and Scenario/Stress Testing Methods sections.
Response	The reviewers disagree with this recommendation because of significant differences between the topics, and therefore made no change.
Section 3.4, Stress and Scenario Testing	
Comment	One commentator suggested that the introductory paragraph would become dated over time and recommended that the paragraph be revised so that it is neither educational nor a value judgment.
Response	The reviewers accepted this recommendation and modified the wording.
Comment	One commentator suggested that the language in section 3.4.2(a) should be changed to avoid raising potential issue of using the term “forecasts.”
Response	The reviewers agree and have modified the language from “performed with forecasts of” to “performed by modifying.”
Comment	Multiple commentators noted that the language in section 3.4.2(a) implies that only an actuary can do or supervise model combinations.
Response	The reviewers agree and have removed the phrase “manually under the supervision of an actuary.”
Comment	One commentator suggested using the term “interdependencies” instead of “contagion effects” since that term is used throughout the standard.
Response	The reviewers agree and have replaced the term “contagion effects” with “interdependencies.”
Comment	One commentator pointed out that regulators may change capital requirements during times of stress.
Response	The reviewers agree and modified the language in section 3.4.3(c) from “insurance risk based capital limits may be changed” to “regulatory capital limits may be changed.”

Comment	One commentator noted that the actuary should consider the potential for risk mitigations to fail.
Response	The reviewers agree and modified the language in section 3.4.3(d) to include the phrase “or fully effective.”
Section 3.5, Emerging Risks	
Comment	One commentator suggested adding recognition of the idea that a part of an emerging risk evaluation may include consideration of whether it might be beneficial to undertake mitigation of the risk.
Response	While they agree, the reviewers believe that risk mitigation is reflected in the forthcoming standard on risk treatment and therefore did not make any change in this section of the standard.
Comment	One commentator recommended that this section be expanded and even tied to the scenario section as scenarios are often used to ‘assess’ emerging risks, issues, and trends.
Response	The reviewers agree that scenarios are often used to assess emerging risks. However, the reviewers also feel that the stress testing section appropriately provides the necessary guidance and does not need to be repeated here. Therefore, no further changes were made.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Actuarial Communications	
Comment	One commentator suggested adding a requirement that time frame, basis of measuring loss, and confidence interval be disclosed.
Response	The reviewers agree and added a requirement that time frame, basis of measuring loss, and risk metric (which, based on other comments, has replaced the term confidence interval) be disclosed.
Comment	One commentator felt the requirement to disclose changes from prior risk evaluations was not possible in some situations and the wording should be softened.
Response	The reviewers believe that the disclosure of differences from prior risk evaluations is extremely important especially because of the various possible ways that risk can be calculated. Therefore the current language is felt to be appropriate and no change was made. The reviewers also note that this disclosure is required “as appropriate.”
Comment	Several commentators suggested that the requirement to disclose all risks not included and the reason for such was unrealistic.
Response	The reviewers agree and the statement in section 4.1.6 was modified to suggest the disclosure applies to known “material” risks not included.

Comment	One commentator felt that the phrase “as well as failure of those attempts to manage or mitigate risks” should be added to the end of the sentence in section 4.1.5.
Response	The reviewers believe that the current language encourages a reasonable level of disclosure and therefore did not make the change.
Comment	One commentator questioned why only ASOP Nos. 23, 38, <i>Using Models Outside the Actuary’s Area of Expertise (Property and Casualty)</i> , and 41, <i>Actuarial Communications</i> , are referenced.
Response	The reviewers believe these three ASOPs are often relevant. However, this does not mean that an actuary should not consider other ASOPs, if relevant.