

Title of Exposure Draft: Proposed Revision of ASOP No. 39 – Treatment of Catastrophe or Extreme Event Losses in Future Cost Estimates for Property/Casualty Risk Transfer and Risk Retention (Second Exposure Draft)

Comment Deadline: July 1, 2026

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
Susan Kent, MAAA, FCAS Vice President, Casualty, American Academy of Actuaries, on behalf of the Casualty Practice Council

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)
2.1	Catastrophes include property and casualty events such as hurricanes, earthquakes, wildfires, cyber attacks, mass torts , and pandemics.	In the example list, include mass torts.
3.2	Thresholds for “catastrophe” and “Extreme event” may differ depending on the context and may be dictated or imposed <u>based on definitions provided</u> by an outside entity.	Dictated or imposed by seems a bit strong.
3.2	The actuary should use terms and meanings that define relevant thresholds and are appropriate for the actuary’s assignment.	Eliminated unnecessary verbiage.
3.3 a	use criteria tailored to and consistently applied to the coverage and type of event, <u>peril</u> , risk classifications, and historical periods; and	When attributing losses to a catastrophe, peril is also an important consideration.

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3.5.1	Sources of historical insurance data include self-insureds , insurance companies, reinsurers, self-insureds, advisory organizations, ...	Changed order to recognize that insurance companies are the largest source of historical insurance data.
3.5.1	... and governmental entities such as a -state funds.	Changed “a state fund” to state funds to match use of plurals in the rest of the sentence.
3.5.1.1	taking into account changes in coverages and provisions, applicable law, building codes, geographic representation, concentration <u>of risk</u> , and other relevant factors. .	Adds clarity.
3.5.1.3 a	exposure to loss (including coverage differences, the underlying portfolio of insured risks and the associated <u>total insured</u> values, insured limits, and deductibles); .	Adds clarity.
3.5.1.3 d	wealth effects	Parallel construction.
3.5.1.3 e	economic distortions occurring when past data were collected, such as supply chain constraints, <u>social inflation, and demand surges</u> ; .	Adding additional examples.
3.5.1.4	The actuary should use professional judgment to select historical insurance data that <u>best</u> represent	Adds clarity.
3.5.3	Use of Catastrophe Model Output—If, after considering the items contained in section 3.5.1 and 3.5.2, the actuary believes that the available historical data do not sufficiently represent the exposure to catastrophe losses, T he actuary <u>should</u> may consider using appropriate catastrophe model output to develop future cost estimates for catastrophes.	An actuary may choose to incorporate catastrophe models regardless of the sufficiency of historical data. The prior language suggests that catastrophe models should only be considered after historical data is considered insufficient.
3.5.4	For example, the actuary may use historical experience that has been capped to reduce volatility from extreme losses to derive the basic - <u>attritional or non-catastrophe</u> portion of the future cost estimates	Basic typically refers to base liability losses.
3.6	When selecting a catastrophe model, the actuary should refer to ASOP No. 38 Catastrophe Modeling ,	This ASOP has already been referred to earlier and thus the name can be omitted.
3.6.a.	the relevance of whether the model’s output is relevant ...	Parallel construction of list.
3.6.b.	...if a peril or type of event is rapidly changing...	Don’t need to specify the pace of change
3.7.a.	when industry data may exclude relevant losses not covered by insurance in the historical periods is on a different basis than the future cost estimates (e.g. excludes loss adjustment expenses) ;	This wording broadens the situations covered.
4.1 d	project any projected impact of post-event economic forces considered (see section 3.9);	Parallel construction of list.
4.1 e	assumptions and methods used to estimate any cost <u>losses or loss adjustment expenses</u> not reflected in catastrophe models being used (see section 3.10); and	Changing to match the “losses” in the ASOP title.

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
Susan Kent, MAA, FCAS Vice President, Casualty, American Academy of Actuaries, on behalf of the Casualty Practice Council	7/1/2026