Utah Insurance Department received the following comments on the second exposure draft of the proposed guideline from one of the insurers domiciled in the state.

**Section 4B**

The guideline requires more rigorous modeling of “significant risks associated with a complex asset [that] are not adequately captured with traditional modeling techniques associated with simple assets like corporate bonds.” Complex assets are not defined. It would be helpful to provide some examples of “significant risks” that would necessitate this more rigorous modeling and the source of those risks (in terms of asset structure/characteristics).

**Subsection 4B.i**

More specific examples would be helpful.

What is meant by reflecting “anticipated liquidity in a stressed market”? Is this referring to a potential loss/haircut if the asset needs to be sold quickly in a stressed market?

**Subsection 5A.(i)**

This type of sensitivity test will cause issues for any company that offers fixed annuities with crediting rates in excess of the coupon rate on a BBB corporate bond. For smaller companies and companies with lower ratings, the cost of liabilities (e.g., crediting rate plus annualized commission plus variable expenses) may exceed the coupon rate on a BBB corporate bond, which would certainly result in negative surplus values under this sensitivity.

**Section 5B**

Completing this attribution analysis for each individual asset will be extremely onerous, especially for smaller companies with less actuarial resources. Some form of aggregation by asset category should be acceptable.

**Subsection 5B.ii**

It would be helpful to provide some methods of quantifying illiquidity risk. If an asset is deemed to be illiquid, what is preferable way to model it? The model could assume longer time required to sell, or a haircut to value otherwise. Would that be acceptable?

It would be helpful to define volatility risk and provide examples of “other risks”. Is volatility referring to volatility of asset cash flows with respect to interest rates, or to some other economic factors? If the latter, an example would be useful.