

Title of Exposure Draft: ASOP24 exposure Draft

Comment Deadline: September 15, 2023

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
Aaron Ziegler , FSA, MAAA, CERA - Chief Actuary and Appointed Actuary / Illinois Mutual Please note: My response below represents solely my own opinion. No part of my response should be deemed to represent the opinions of Illinois Mutual nor the opinions of the other actuaries at Illinois Mutual.

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)
3.2.3 And 3.2.9	3.2.3 - "When setting mortality ... experience factors, the actuary should adjust the recent actuarial experience." 3.2.9 (a) – "When the actuary determines that changes in recent actual experience are significant and ongoing, the actuary should update the experience factors." AND 3.2.9 (b)– "If the actuary determines that a significant deterioration in an experience factor has occurred and is likely to have continued between the date of the experience study and the effective date of the illustrated scale, the actuary should reflect such deterioration in the experience factors."	I agree in premise with this phrasing, but I believe there needs to be some clarification made here. In particular, the current exposure draft for ASOP 40 (dated 5/2023) states the following: "The actuary may adjust for deaths on policies [for] ... a temporary event such as war or a pandemic, which affects the actual mortality but not the expected future mortality." So, this brings me to the proposed clarification. For inforce illustration testing, the actuary should reflect actual experience factors for even a temporary event. However, the future experience and/or the assumptions for new business illustration testing might need to be based upon actuarial judgement and not recent experience. I suspect the ASB will argue that the wording (for what I've called) 3.2.9(a) is fine because of the

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	<p>I would add the following commentary to 3.2.9 out of consistency with the exposed ASOP 40 (dated 5/2023):</p> <p>“If a temporary event such as war or a pandemic impacts experience factors, these should be reflected in the historical experience factors for inforce testing. If, in the actuary’s professional judgement, these events are temporary, the actuary may consider adjusting future experience factors excluding the temporary event in support of the illustrated scale.”</p>	<p>phrase “ongoing”. Contrasting this with 3.2.9(b) where it requires modification if there is “significant deterioration” there seems to be some conflict in light of COVID19 where there was “significant deterioration” from mortality.</p> <p>Thinking about recent experiences in 2020-2022 with COVID and post-COVID pandemic related mortality, it seems that some actuarial judgment should be allowed for future expectation of experience classes for temporary events only. Note that I’ve focused on mortality here, but it could be others: lapse, morbidity ...etc.</p> <p>Moreover, as I reflect upon what the industry was doing during the COVID19 pandemic, I do not recall many announcements of immediate dividend scale changes that year – in spite of higher mortality.</p> <p>If ASOP 40 permits adjustment for temporary events and this is sufficient for regulatory valuation purposes, I would argue that allowing adjustments for temporary events would be reasonable on an illustration as well.</p>

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
	<p>I personally wish to thank the ASB for the hard work in updating this ASOP.</p>

V. Signature:

Commentator Signature	Date
<p>Aaron Ziegler, FSA, MAAA, CERA</p>	<p>7/27/2023</p>