

Title of Exposure Draft: ASOP 40

Comment Deadline: September 15, 2023

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 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
Erik Anderson, FSA, MAAA / New York Life Insurance Company (comments sent on behalf of New York Life Insurance Company)

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)
3.3	<p>Suggest the following wording:</p> <p>“The actuary should create X factor classes that have similar risk characteristics, taking into account characteristics such as distribution channel, target market, gender, risk classification, the valuation mortality table used to determine reserves, policy size, use of reinsurance, and any other risk characteristics listed in the <i>Model</i>.”</p>	<p>We initially read this sentence to be prescriptive, as though the actuary is required to establish separate X factor classes by distribution channel, target market, etc. Upon further consideration, we do not believe this prescription was intended. Our proposed wording would soften this language to make it clear that actuarial judgment should be used to determine how to create appropriate X factor classes.</p>
3.3	<p>Suggest the following wording to allow for actuarial judgment:</p> <p>“In general, the actuary should not change the X factor class to which a policy is assigned unless there is reasonable actuarial justification to do so.”</p>	<p>One can envision situations where changing a policy's X factors class would be appropriate. Our suggested wording provides room for the actuary to exercise professional judgment in these situations.</p> <p>For example, suppose an actuary finds poor mortality experience for a particular segment of business (e.g., a certain product) and the actuary develops higher mortality expectations for it. In this</p>

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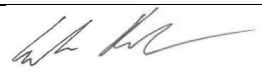
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		situation, it would be justified and appropriate to separate this business segment into its own X factor class. Another example: on a practical basis, as an older block of business (e.g., 1980 CSO business) runs off, it may make sense to combine X factor classes.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
	9/15/2023