

Title of Exposure Draft: ASOP-No.-40-exposure-draft_May-2023

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: Alice Fontaine, FSA, MAAA, Maambo Mujala, FSA, MAAA Charles K. Chacosky, FSA, MAAA On behalf of the AAA Life Practice Council

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

Question No.	Commentator Response
1	[examples where the ASOP would conflict with current practice, should be included here, if any]

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)
last sentence of 3.2	<i>As set forth in Section 3.7, the appointed actuary may rely on the supporting work of another actuary, however</i> the appointed actuary must form an overall opinion without claiming reliance on the opinions of other actuaries.	The is a concern that Section 3.2 and Section 3.7 could be read as conflicting each other.
3.3 2 nd paragraph	Add "from the prior analysis without appropriate justification" or something similar to the end of the 2 nd paragraph,	The current wording in this paragraph does not seem to provide guidance, as it starts with "in general", and then is very vague. Disclosure 4.1.e would seem to apply to this situation, so perhaps that the reference to justification in 3.3 is not needed?
3.3 3 rd paragraph		Are the 2 reasons for changing x-factor classes the only permissible ones? (divergence of experience, desired to increase credibility)? Or is this section only meant to relate to changes due to mortality studies? I've seen situations where the classes have

Comment Deadline: September 15, 2023

		been changed due to subsequent reinsurance of a block/changes in admin systems for applying the x-factors, etc.
3.4	Add “, where applicable” at the end of first sentence in section “When determining anticipated mortality for X factor classes, the actuary should review company experience, <i>where applicable.</i> ”	As mentioned in Section 3.4.2, an actuary may not always have relevant company experience to form an assumption.
4.1.b	Add section 3.5 to “the plans of insurance to which the report applies, the X factor classes chosen, and the composition and risk characteristics of the policies that led to the determination of the X factor classes, including how reinsurance was taken into account (see section 3.3 and 3.5)”	Adding applicable sections to disclosures
4.1.i	Suggest removing “credibility” from 4.1.f and changing these items to say: “analyses performed to evaluate the credibility of relevant, historical company experience when establishing anticipated mortality for each X factor class, <u>including a description of the approach used to combine relevant company experience with other relevant experience</u> or approach used when experience is insufficient to form an assumption.”	This item seems to overlap with items 4.1.f, g and h. In addition to the suggested wording, if this item is meant to only address the credibility analysis, perhaps 4.1.f should remove the word “credibility”, so that there is no overlap. Also, it appears to only request documentation of the approach when there is no assumption. Generally, I prefer the prior structure for the disclosures in 4.1.2.c1-3 of the existing ASOP – it starts with identifying all the data/experience; then the analyses/approaches; then adjustments.
4.1.i	Add section 3.4.1 to “analyses performed to evaluate the credibility of relevant, historical company experience when establishing anticipated mortality for each X factor class, including a description of related experience or approach used when experience is insufficient to form an assumption (see section 3.4.1 and 3.4.2);”	Adding applicable sections to disclosures
4.1.k 4.1.o	Start with “the quantitative test results to determine if the X-factors satisfy the Model requirements and ”	The disclosure of the required tests of the Model appears to have been dropped from the prior ASOP. These tests results directly support statements in the Opinion , so should be required items in the report.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
3.3	The wording used was confusing, particularly in the first paragraph. It is unclear what taking into account means in the sentence: When creating X factor classes, the actuary should take into account plans of insurance, the applicable policy or rider count, amount of insurance in force, basic reserves , and risk characteristics of the underlying policies.

V. Signature:

Title of Exposure Draft: ASOP-No.-40-exposure-draft_May-2023

Comment Deadline: September 15, 2023

Commentator Signature	Date