

Comment #4 – 2/22/24

This email presents my comments on the proposed revision of ASOP No. 12, Risk Classification, with a comment deadline of May 1, 2024.

I emphasize that these are my personal comments and do not necessarily reflect the views of my employer or of any actuarial body of which I am a member. I am an Enrolled Actuary, a Fellow of the Institute of Actuaries, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries.

- 1 Paragraph 2.8 defines Unintended Bias. I urge changing the name to Unconscious Bias.
- 2 Elsewhere, where the draft discusses Unintended Bias, I urge discussing all relevant forms of bias. An actuary could perform a series of “What if?” calculations in which different levels and forms of bias were applied to determine the impact of bias on the outcome.
- 3 ASOPs 27 and 35 require an actuary to disclose the information and analysis used to support an actuary’s determination that an assumption is reasonable for the purpose of the measurement. Paragraph 4.1 a. of the draft requires the actuary to disclose the intended purpose and intended use of the risk classification framework. The actuary might not know the intended purpose or use or might be aware that neither can be revealed without disclosing confidential information. I urge revision of this requirement to harmonize with ASOPs 27 and 35 by (a) if the actuary chose the risk classification framework requiring the actuary to disclose the information and analysis that led the actuary to choose the risk classification framework, and (b) if the actuary was told by another party to use the risk classification framework, the information and analysis that led the actuary to determine if the risk classification framework was reasonable having regard to the disclosable information available to the actuary as to the purpose of the measurement.
- 4 In paragraph 4.1 b., change “which” to “that.” Grammatically, the structure of this wording is identical to paragraph 4.1 f. “external influences that.”
- 5 Under paragraph 4.1 c, a mortality assumption could be a selected risk measure. The totality of section 4.1 would require the actuary to disclose perceptions of assumptions (risk measures) required by law. ASOPs 27 and 35 exempt the actuary from similar disclosure of risk measures prescribed by law. While section 1.2 provides that in a conflict between ASOP 12 and a practice area ASOP (e.g., ASOP 27 and ASOP 35) the practice area ASOP would govern, it would be better to eliminate the potential conflict than to leave it with the precedence rule for when a conflict occurs. Either (a) make an explicit exemption from the requirements of section 4.1 for all aspects of risk classification frameworks required by law, or (b) as part of the revision to ASOP 27, remove from its sections 4.1.2 and 4.2 the exemption from providing information and analysis of assumptions prescribed by law.

Best Wishes
Jan Harrington