

Appendix 2

Comments on the Second Exposure Draft and Responses

The second exposure draft of the proposed revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*, was issued in July 2023 with a comment deadline of September 15, 2023. Six comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” refers to more than one person associated with a particular comment letter. The ASOP No. 24 Task Force and the Life Committee of the Actuarial Standards Board (ASB) carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the task force and committee.

Summarized below are the significant issues and questions contained in the comment letters and the responses. Minor wording or punctuation changes that were suggested but not significant are not reflected in the appendix, although they may have been adopted.

The term “reviewers” in appendix 2 includes the ASOP No. 24 Task Force, the ASB Life Committee, and the ASB. The section numbers and titles used in appendix 2 refer to those in the second exposure draft, which are then cross referenced with those in the third exposure draft.

| GENERAL COMMENTS | |
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| Comment | One commentator suggested replacing the words “compliance” and “comply” with “conformity” and “conform” throughout the ASOP. |
| Response | The reviewers modified the language and the title. |
| SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE | |
| Section 1.2, Scope | |
| Comment | One commentator suggested narrowing the scope of ASOPs that may conflict where this ASOP would govern to cross-practice ASOPs. |
| Response | The reviewers believe the guidance is appropriate and made no change. |
| SECTION 2. DEFINITIONS | |
| Section 2.2, Applicable Actuarial Guideline | |
| Comment | One commentator suggested adding “but are not limited to” to the definition. |
| Response | The reviewers believe the language is appropriate and made no change. |
| Section 2.4, Disciplined Current Scale | |
| Comment | One commentator suggested replacing “recent actual experience” with “actual recent historical experience” to be consistent with the language in the <i>Model</i> in this and other sections. |
| Response | The reviewers believe that “recent actual experience” in combination with the definition of “actual experience” is consistent with the <i>Model</i> and made no change. |

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| Section 2.9, Nonguaranteed Element | |
| Comment | One commentator suggested striking “and maximum rates of return” and replacing it with “an annual cap.” |
| Response | The reviewers modified the language in response to this comment. |
| SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES | |
| Section 3.2.1, Sources of Actual Experience | |
| Comment | One commentator suggested deleting “listed in order of preference.” |
| Response | The reviewers disagree and made no change. |
| Comment | One commentator stated that clearer guidance should be provided to actuaries regarding how to adjust for significant product design changes where experience may no longer be applicable. |
| Response | The reviewers modified the language in sections 3.2.1 and 3.6 (now 3.7) in response to this comment. |
| Comment | One commentator suggested stating that reinsurers or consultants are sources of experience from other companies in 3.2.1(c). |
| Response | The reviewers disagree with the suggestion but modified the language. |
| Section 3.2.2, Investment Return | |
| Comment | One commentator questioned how the guidance applied to portfolio rate products. |
| Response | The reviewers clarified the guidance. |
| Section 3.2.3, Mortality, Morbidity, and Policyholder Behavior (now section 3.2.4) | |
| Comment | One commentator suggested deleting “underwriting.” |
| Response | The reviewers disagree with the suggestion but modified the language. |
| Section 3.2.3, Mortality, Morbidity, and Policyholder Behavior (now section 3.2.4), and 3.2.9, Changes in Actual Experience (now section 3.2.10) | |
| Comment | One commentator suggested that temporary shocks, such as a pandemic, should be reflected in historical experience, but should be left to the actuary’s judgment of how it should be reflected in future experience factors. |
| Response | The reviewers added an example in section 3.6 (now 3.7). |
| Section 3.2.5, Other Expenses (now section 3.2.6) | |
| Comment | One commentator suggested adding “recent” in items (a) and (b). |
| Response | The reviewers agree and clarified the language in items (a) and (b). |
| New section 3.2.3, Hedge Costs | |
| Comment | One commentator suggested adding guidance for hedge cost assumptions. |
| Response | The reviewers agree and added guidance. |

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| New section 3.2.11, Consistency of Experience Factors | |
| Comment | One commentator suggested adding guidance for internally consistent assumptions. |
| Response | The reviewers agree and added guidance. |
| SECTION 4. COMMUNICATIONS AND DISCLOSURES | |
| Section 4.1, Required Disclosures in Actuarial Reports and Certifications (now section 4.2, Required Disclosures in Actuarial Reports) | |
| Comment | One commentator suggested adding a disclosure of changes that materially improve performance in the illustration test. |
| Response | The reviewers added a disclosure for material changes in methods or models in new section 4.2(d). |