

Title of Exposure Draft: ASOP 12 Risk Classification

Comment Deadline: [May 1, 2024]

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:

Joseph Izzo FCAS, MAAA / on behalf of Verisk Analytics

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)
1.2	Remove "using any elements of a risk classification framework" from the scope.	It is too onerous to require an actuary to comply with this standard when simply using an existing classification plan.
2.8	Narrow or remove this definition.	The current definition simply describes unintended effects and doesn't capture the connotation of unintended bias.
3.2.9	Provide more clarity about, or examples of, what is expected of the actuary.	The current wording is so vague as to be obscure.
3.3	Remove "using" from the list of activities to which this section applies.	This is too onerous.
3.5	Update wording as follows: <i>"...prohibited impacts or outcomes on risk subjects in protected classes protected classes of risk subjects."</i>	The suggested wording is more precise. At least in personal lines, every consumer protection falls under "prohibited impacts or outcomes on risk subjects in protected classes," since all risk subjects are in protected classes (everyone has a race, a national origin, etc.). However, this section's scope is clearly supposed to be far narrower than that.
4.1.e	Revert this change to previous wording.	The revised requirement is much more complicated and burdensome than the existing requirement.
4.1.g	Clarify or remove this requirement.	This requirement is overly burdensome and in many cases unrealistic. For example, the viability of a

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		security system even with a very well-refined and high-performing risk classification framework will be dependent on the sufficiency of the overall rate level and on the use of suitable underwriting practices. Also, the current wording doesn't make sense semantically. One cannot speak of the effectiveness of x on the viability of y: x cannot be effective on y's viability. We believe "effect," rather than "effectiveness," was the intended word here.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
See next page.	April 12, 2024

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