

Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice No. 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:

Name of Commentator / Company
Wenda Wang

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)
3.2.3	Add "A relationship between a risk characteristic and the risk measure is demonstrated if it can be shown that the variation in actual or reasonably anticipated experience correlates to the risk characteristic." and "Rates within a risk classification system would be considered equitable if differences in rates reflect material differences in expected cost for risk characteristics" from the current ASOP 12 should be added back to the proposed draft"	The exclusion of these two sentences from the current ASOP 12 can be extremely burdensome to actuaries performing actuarial services as defined in section 1.2. Without these two sentences, it is unclear what actuaries can base their actuarial justifications on when designing, developing, selecting, modifying, reviewing, evaluating, or opining on a sound risk classification framework
3.2.3	Remove "The actuary should have a rational explanation that the relationship between a risk characteristic and a risk measure is not obscure, irrelevant, or arbitrary."	It is impossible to have a rational explanation for all risk characteristic and risk measure combinations and it should not be necessary given the suggested addition in the line above. In addition, rational explanation is entirely subjective that there is no set standard for what rational explanation is considered acceptable or appropriate.

IV. General Recommendations (If Any):

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Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
The intent of the second sentence of section 1.2 needs to be clearly identified.	It is unclear what “using any elements” means and how does this sentence provide any additional value to this standard in addition to the first sentence of section 1.2.
All the proposed additions around unintended bias seem unnecessary, and too vague that can cause potential misinterpretation or misuse.	While I understand the intent and we will always need to follow the law, I strongly believe that risk based pricing is the cornerstone of the profession of actuary, which is what needs to be emphasized and relied on for ASOPs like this one.

V. Signature:

Commentator Signature	Date
Wenda Wang	April 27 th , 2024