

**Title of Exposure Draft: Proposed Revision of Actuarial Standard of Practice (ASOP) No. 12**

**Comment Deadline: [Month, Day, Year]**

**I. Identification:**

Name of Commentator / Company
Norman Niemi

**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 SCOPE	Clarify the scope. The proposal states “The guidance in this ASOP does not apply to actuaries when performing actuarial services with respect to individual pension benefit calculations or nondiscrimination testing.”	The proposed draft has a new definition of “Unintended bias” and discusses considering the potential for it. Not clear what may fit the category of “nondiscrimination testing”. Also the general current regulatory pricing criterion is that rates should not be unfairly discriminatory. Does “nondiscrimination testing” just relate to analysis and tests for discrimination related to protected classes as mandated by law and regulation?
2.8 UNINTENDED BIAS	Remove the new terminology “Unintended Bias”.	The main terminology in rate regulation and insurance ratemaking includes avoiding unfair discrimination. Whatever the intention of a new term may be, it creates room for confusion and also the potential for misuse/misapplication in the wider context of insurance even beyond just narrowly actuarial risk classification work. Also all current laws and regulations regarding discrimination already apply to all areas of insurance, including actuarial work.
3.2.3 RELATIONSHIP OF RISK CHARACTERISTICS AND THE RISK MEASURES	Remove “societal” from “Whether it is appropriate to use a risk characteristic may depend on societal, regulatory, and industry practices or may depend on the scope and context of the actuary’s work.”	“Societal Practices” is not an objective criterion. How would an actuary determine what is or what is not a societal practice? For instance, would political considerations in various jurisdictions need to find their way into the actuary’s work to address such differences among jurisdictions?
4.1 REQUIRED DISCLOSURES IN AN ACTUARIAL REPORT	Remove “the effectiveness of the risk classification framework on the viability of the financial or personal security system”.	It is not clear what is meant by “viability” or how the actuary should determine the classification framework effectiveness on “viability”.

**IV. General Recommendations (If Any):**

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Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
ASOP should use clear and well defined terminology, and also provide clear and objective guidance to actuaries. There should be clear and objective guidance with risk based pricing in mind – actuarial rates should reflect risk. Some examples of issues in the proposed draft are shared above in Section III. Thank you.	

**V. Signature:**

Commentator Signature	Date
Narima Niami, FCAS, MAAA, Affiliate IFoA	April 30, 2024