

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

**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](mailto: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
Adam Swope, FCAS, MAAA, Assistant Vice President & Actuary – P&C Actuarial, State Farm

**II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.**

Question No.	Commentator Response
N/A	

**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)
Current 2.3	Suggest continuing to use "credibility" definition.	Credibility is used in the proposed 3.2.7 section, so it would be better to continue to have a definition for it. If you rely on the dictionary definition, you can get some unintended consequences.
2.8, 3.4 and 3.5	Remove entire sections.	The committee has created a term, definition and two standards that are too vague and broad to be useful. While new laws and regulations may emerge around the topic of unintended bias, there are many other laws that exist that govern the use of risk classifications that are to be followed, and it seems unnecessary to include this one specifically. The standard is clear in Section 1.2 that to the extent the standard conflicts with laws that the actuary is to comply with the laws. I acknowledge there is a lot of interest in this particular emerging area, but that doesn't make it more important than other laws and regulations that must be adhered to. Including it in the standard while not including other restrictions places a greater importance on this particular legal issue, which is not appropriate.

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Current 3.2.1	<p>Suggest continuing to use current section: The actuary should select risk characteristics that are related to expected outcomes. A relationship between a risk characteristic and an expected outcome, such as cost, is demonstrated if it can be shown that the variation in actual or reasonably anticipated experience correlates to the risk characteristic.</p> <p>Rates within a risk classification system would be considered equitable if differences in rates reflect material differences in expected cost for risk characteristics. In the context of rates, the word <i>fair</i> is often used in place of the word <i>equitable</i>.</p>	<p>The committee has removed language that represent well-established standards for actuaries regarding risk characteristics and expected outcomes. No justification for these changes has been provided, nor has this critical removal of a standard been acknowledged in the 'Notable changes' preface. There are many benefits to risk-based pricing, including incentives for risk mitigation and avoidance, that are not being given enough weight with the removal of 3.2.1.</p>
3.2.3	<p>Remove draft language: 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.</p>	<p>This language is unnecessary in a standard of practice. The term 'societal' is not defined and can be interpreted many ways. This is also duplicative of the expectation in 1.2 that an actuary should comply with applicable law.</p>

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

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

**V. Signature:**

Commentator Signature	Date
	April 30, 2024