

Title of Exposure Draft: ASOP 12

Comment Deadline: [Month, Day, Year]

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
Darrell Knapp

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	Delete sentence beginning with "This standard also applies . . ."	Although I applaud the ASBs attempt to include "using" in many standards, I don't believe it is appropriate here. I am concerned this is setting actuaries up for non-compliance in that almost everything actuaries do is using a risk classification system (for example, when I group individuals by age for pricing health insurance, those groupings are risk classes under the definition; when I look at the ages on individuals for pension valuations, those are risk classes under the definition; when I group claims of various auto contracts to develop completion factors for estimating unpaid claim liabilities, those are risk classes under the definition) but actuaries won't think they are using a risk classification system and therefore won't apply the standard. The phrase "to the extent practical and consistent with the scope of the actuary's assignment" may give the actuary some cover but still leaves gaps. For example, if I am an appointed actuary, the scope of my assignment is to do my work in accordance with ASOPs and it is hard to argue some of the steps in section 3 would

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		not be practical. Requiring the actuary to apply the guidance when using also gives rise to frequency—do I have to do all the practical steps every time I use an established risk classification system?
2.2	No suggestion. Perhaps delete definition as use is close to common English definition.	I didn't have a good suggestion but the English definition of a financial or personal security systems seems to go for a definition that expanded beyond "mitigate the impact of unfavorable outcomes of contingent events". I have a hard time fitting pension plans into that definition.
2.2	Change "Medicare" to "social insurance programs"	Know it is just an example but the specificity of "Medicare" did not seem consistent with the other examples.
3.2.8	Change to "effectiveness of the risk classification framework or the framework's effect on the viability of . . ."	As currently written, it seems to say the actuary should take into account known or emerging influences that have the potential for material adverse impacts on the . . . viability of the financial or personal security system. This has little to do with risk classification and is way to big an ask for the actuary.
3.3	Delete "using"	While I like the idea of including using in this particular statement, I am still concerned about the problem with actuaries not thinking they are using a "risk classification framework" in the course of many of their assignments. I think in some ways this using is sufficiently covered by ASOP 56.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature: Darrell Knapp	Date March 27, 2024