

Title of Exposure Draft:

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
Mindy Oosten on behalf of USAA

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)
2.8	Change definition of Unintended Bias to: Unfair impacts or outcomes on specific risk subjects in protected classes resulting from the use of a risk classification framework that is not intentionally designed to result in such impacts or outcomes.	The fact that an outcome is unintentional does not indicate bias. Rather, the term bias is usually associated with impacts that are unfair more-so than unintentional. Furthermore, we believe the intent of the language here is geared toward protected classes rather than bias against any class. Leaving out 'protected classes' opens the interpretation to a wide range of specific risk classes that would require extensive testing to verify.
3.2.3	Remove this section, or consider keeping prior language from 3.2.1 and 3.2.2	The draft language stipulates that the actuary have a rational explanation that the relationship is not obscure, irrelevant or arbitrary. However ignoring an actuarially sound risk characteristic just because a rational explanation is not apparent would be in direct conflict with well established principles of cost-based pricing. In addition, if professional judgment can be applied in cases where clear evidence is lacking, then it defeats the purpose of requiring the rational explanation in the first place.
3.2.5	1 st line should read 'The Actuary should consider assessing the potential...'	1. It is unclear how to meet the requirement for assessment of potential for adverse

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		<p>selection. How much assessment is necessary and what form does it take?</p> <p>2. Requiring the consideration of assessment at least creates consistency (and perhaps is redundant with) the last line of the paragraph and is not as onerous as requiring an assessment.</p>
3.2.9	Remove the section on Effectiveness	This is vague. When should the evaluation be completed? Risk Classification frameworks are forward looking and the effectiveness is estimated but the true evaluation cannot take place until after the settlement of all contracts written under this framework.
3.4	<p>Remove this section, or change to:</p> <p>The actuary may consider the potential for unintended bias against protected classes as appropriate within the scope of the actuary's assignment.</p>	<p>Risk classification systems are intended to differentiate between risks and appropriately assign costs, while adhering to applicable laws and regulations. This section is unclear as to what the responsibility of the actuary is. How do you determine 'bias' vs 'differentiation'. How do you determine intentional vs unintentional? How much consideration should be given and how should it be done? Should every potential characteristic be considered? And does each resulting difference need to be labeled 'intentional' vs 'unintentional'? Limiting the scope to apply only to bias against protected classes makes this a more reasonable consideration.</p>
3.5.b	'if applicable' should be removed – seems redundant with 'under applicable law'	

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>This ASOP should perhaps incorporate the language previously contained in the Statement of Principles that rates are not excessive, inadequate or unfairly discriminatory.</p>	<p>Promulgating rates that are not excessive, inadequate or unfairly discriminatory has been a long standing tenet of insurance pricing and a standard which is still generally agreed on. The phrase helps keep alignment that cost-based differentiation is not only fair, but fundamental to the health of the insurance ecosystem. 'Legal discrimination' based on the costs of risk transfer promotes healthy risk sharing and reduces both moral and morale hazard. While much of the P&C industry still refers to this tenet, we believe having it officially recognized in an ASOP for actuaries practicing in the United States would help codify the long held standard which is in effect in many jurisdictions. Adding the language that rates are not excessive, inadequate or unfairly discriminatory and also defining bias against protected classes (either intentional or unintentional) allows for actuaries to appropriately consider cost-based differentiation that is fair and important to the</p>

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	health of the insurance market while also recognizing the rising social issues around protecting certain classes.

V. Signature:

Commentator Signature	Date
<i>Melinda Oort</i>	4/30/2024