

Title of Exposure Draft: ASOP 12 Risk Classification

Comment Deadline: May 1, 2024

Instructions: Please review the exposure draft, and give the ASB the benefit or 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:

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
David Heppen, FCAS, MAAA / Risk & Regulatory Consulting, LLC (on behalf of Risk & Regulatory Consulting, LLC)
Lauren Cavanaugh, FCAS, MAAA / Risk & Regulatory Consulting, LLC (on behalf of Risk & Regulatory Consulting, LLC)
Scott Merkord, FCAS, MAAA / Risk & Regulatory Consulting, LLC (on behalf of Risk & Regulatory Consulting, LLC)

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	We recommend the removal of this paragraph: "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."	We believe this paragraph is covered in 3.2.8. Regulatory considerations could be added to 3.2.8.
3.2.7	We recommend that the ASOP clarify whether the actuary should take into account cost, time, and effort within this section.	It is not clear whether cost, time, and effort should be considered.
3.2.8	We recommend the removal of the word "adverse"; "The actuary should take into account known or emerging external influences that have the potential for material adverse impacts on the effectiveness of the risk classification framework or on the viability of the financial or personal security system . Such	Consideration of external influences is important whether the actuary determines the impact to be adverse or beneficial.

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	external influences include applicable law and business, government, and industry practices.”	For example, if vehicle safety improves for specific classes, then the actuary should consider updating the risk classification framework.
3.2.8	We recommend the addition of the word “regulatory”; “... viability of the financial or personal security system . Such external influences include applicable law and business, government, regulatory , and industry practices.”	We proposed removing the reference to regulatory considerations in Section 3.2.3 and replacing in this section.
3.3	We recommend a sentence that the actuary utilize ongoing monitoring. “The actuary should take into account whether the risk classification framework will remain appropriate for its intended purpose and use, and consider implementing periodic ongoing monitoring. ”	Ongoing monitoring is a recommended practice for evaluating whether the risk classification framework will remain appropriate for its intended purpose.

IV. General Recommendations (If Any):

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

V. Signature:

Commentator Signature	Date
David Heppen, FCAS, MAAA	May 1, 2024
Lauren Cavanaugh, FCAS, MAAA	May 1, 2024
Scott Merkord, FCAS, MAAA	May 1, 2024