

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
Glen Simpson, Actuarial Manager – Life/Health/IPS Product, FSA, MAAA / State Farm

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 and 3.4	Remove	The definition of unintended bias is broad and arbitrary, which would make it difficult to apply in practice. I would not consider this a settled subject at this time and would struggle to understand how to apply this proposed change in my work.
Current 3.2.1 New 3.2.3	Generally maintain current wording: 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. 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 fair is often used in place of the word equitable.	Proposed wording in the ASoP leaves out “expected outcomes” and “statistical or other mathematical analysis”. The resulting wording is broad and ungrounded from key actuarial considerations.
3.5	Remove	This is unnecessary as it is already covered by law, as stated in the proposed wording.

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IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>In many cases, generally maintain the current wording in ASoP 12. As needed, other venues could be utilized to address topics related to the proposed changes (e.g. practice note, actuarial publications, webinars supporting the recently added bias topics requirement). This would allow room to develop conversation, provide a balanced presentation of data used to reach conclusions, and account for broader perspectives. It could also be an opportunity to revisit the current wording of ASoP 12 and how that may be applied in light of these topics.</p>	<p>Significant changes are being proposed to ASoP 12. In the announcement of the exposure draft of the proposed changes to ASoP 12, the following broad motivation was provided: “In light of the evolution in practice since 2005, the ASB believes it is appropriate to revise the standard in order to reflect current generally accepted actuarial practice.” I am appreciative of the time spent working to understand new issues, and to develop wording and understanding around them; however it appears that many updates exceed the scope of addressing current generally accepted actuarial practice – Even regulators are not yet settled on topics seeking to be addressed through these changes. As called out in the description of current practices for these proposed changes, risk classification frameworks have been modified over time. This shows actuaries’ ability to pivot in productive ways – to work within established guidelines, not overly-prescriptive, to make products available in a competitive way that benefits individuals and society at large.</p> <p>For the reasons provided above, I do not see the need for changes to many of the long-standing definitions and principles captured in the current version of ASoP 12. It is important that we challenge ourselves to have high professional standards, but I would not consider the topics being addressed here as appropriate material for ASoPs and feel they can be adequately addressed through other means.</p>

V. Signature:

Commentator Signature	Date
Glen Simpson, FSA, MAAA	5/1/2024