

Title of Exposure Draft: Proposed Actuarial Standard of Practice

No. 24

Comment Deadline: July 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: <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
Life Practice Council

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

Question No.	Commentator Response
N/A	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)
2.2	Revised Section 2.2: Applicable Actuarial Guideline (Applicable AG)—An NAIC actuarial guideline that provides guidance on the application of the Model. Such actuarial guidelines <u>could</u> include, <u>but are not limited to</u> , NAIC Actuarial Guideline XLIX (AG 49) and Actuarial Guideline XLIX-A (AG 49-A).	Added "could" because there may be instances now and in the future, where AG 49 and 49-A are not applicable due to state law or other circumstances. There may also be situations where one of the AGs apply, but not both. The suggested language "but are not limited to" balances referencing AG 49 and AG 49-A while acknowledging that these AGs may change and/or other relevant guidelines may be added in the future.
3.2.3	Revised Section 3.2.3: 3.2.3 Hedge Costs—When setting experience factors for the cost of hedging policy features that are dependent on index returns , the actuary should take into account the characteristics of the underlying <u>asset</u> , <u>index</u> , or indices and the timeframe that is	The original language was focused on hedging cost related to index products. It should clearly state that, if the intent was to focus on Index products only. Otherwise, If there was a broader intention to address hedge costs for all products, the language should specify this and be revised to include hedging

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	used to determine index parameters under the insurer’s nonguaranteed element framework.	costs that may be used in other ways for other products (i.e., increased returns). Since “Hedge Costs” are different from “Hedge Budget” used in AG 49 and AG 49A, the term “Hedge Costs” should be defined in this ASOP.
2 & 3.3	<p>Replace Section 3.3:</p> <p>Hypothetical <u>Index</u> Accounts—When determining a hypothetical, supportable current annual cap for a hypothetical, supportable index account as described in an applicable AG, the actuary should confirm that the cap would be supportable in the current economic environment. When doing so, the actuary should use a timeframe to evaluate hedge costs that is consistent with the timeframe that is used to determine actual index parameters under the insurer’s nonguaranteed element framework.</p> <p>Add Definition to Section 2:</p> <p>Hypothetical Index Account - An account where some or all the amounts credited are Indexed Credits, and the account is being used as the Benchmark Index Account, as described in an applicable AG.</p>	<p>“Index” was added to section title “Hypothetical Index Accounts” for clarity.</p> <p>“Hypothetical <i>Index</i> Accounts” is not a defined term in this or the applicable AGs. A proposed definition was provided.</p>

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>Sections 2, 3.2.3 and 3.3</p> <p>Potential Options:</p> <p>(1) Add more clarity by adding definitions for Hedge Costs and Index Account to Section 2 and/or specific wording regarding the intended scope of section 3.2.3 and 3.3.</p> <p>Or,</p> <p>(2) Create a new section (for example, “Considerations for Index Product” that contains the guidance that only applies to Index Products.</p>	<p>This draft includes new terms (Hedge Cost and Hypothetical Accounts) that are not defined in the ASOP or applicable AGs. These additions appear to be in reference to Index Products; however, the intent and desired scope is unclear which may lead to confusion and unintended consequences.</p> <p>More clarity is needed. If the intentions are specific to index products, the ASOP should clearly state that through more specific language, including definitions, as well as potentially organizing these comments in a specific section dedicated to Index Products.</p>

V. Signature:

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Commentator Signature	Date
Jason Kehrberg	6/28/2024