

## Appendix 2

### Comments on the Second Exposure Draft and Task Force Responses

The second exposure draft of this actuarial standard of practice was issued in June 2000, with a comment deadline of October 15, 2000. (Copies of the exposure draft and second exposure draft are available from the ASB office.) Four comment letters were received. The Task Force on XXX Regulation of the Life Committee of the ASB carefully considered all comments received. Summarized below, printed in standard type, are the significant issues and questions contained in the comment letters. The task force's responses to these issues and questions appear in **boldface**.

#### Section 3. Analysis of Issues and Recommended Practices

Section 3.4, Creation of X Factor Classes—One commentator found the additional language in this section regarding reinsurance to be helpful, clear, and provided uniformity of application, while another commentator believed further clarification was necessary. **The task force added clarification with respect to reinsurance.**

Section 3.5.2, Deriving Anticipated Mortality—One commentator believed that a reference in this section to ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*, would be appropriate. **The task force disagreed, based on the fact that ASOP No. 25 is not specifically applicable to life insurance. ASOP No. 25 is mentioned in appendix 1.**

One commentator felt that clarification is needed with respect to experience refunds and other adjustments under reinsurance agreements. **The task force agreed and provided clarification at the end of section 3.5.2.**

Section 3.6, Periodic Assessment of Anticipated Mortality—One commentator made a general comment about the need to apply actuarial judgment when evaluating the anticipated mortality assumption. **Although this is a general statement, the task force changed the second sentence in the first paragraph to clarify that the appointed actuary is making a decision whether to continue using the existing anticipated mortality assumption.**

#### Appendix 1. Background and Current Practices

One commentator noted that cautionary language was part of the discussion of hypothesis testing but not used in the discussion of other possible approaches for analyzing anticipated mortality. This commentator also mentioned that the appointed actuary needs to use professional judgment regarding methods and data. **The task force agrees with these comments. The cautionary language was rewritten and moved from the hypothesis testing discussion to the last paragraph of this appendix. At the same time, the task force made some additional wording changes to provide more consistency and readability with respect to the terminology used in the appendix.**

