



**ACTUARIAL STANDARDS BOARD**

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**Actuarial Standard  
of Practice  
No. 2**

**Revised Edition**

**Nonguaranteed Elements  
for Life Insurance and Annuity Products**

**Developed by the  
Task Force to Revise ASOP No. 2 of the  
Life Committee of the  
Actuarial Standards Board**

**Adopted by the  
Actuarial Standards Board  
September 2021**

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**Doc. No. 204**

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September 2021

**TO:** Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Nonguaranteed Elements for Life Insurance and Annuity Products

**FROM:** Actuarial Standards Board (ASB)

**SUBJ:** Revision of Actuarial Standard of Practice (ASOP) No. 2

This document contains the revision of ASOP No. 2, now titled *Nonguaranteed Elements for Life Insurance and Annuity Products*.

### History of the Standard

In 1986, the Interim Actuarial Standards Board adopted the original version of ASOP No. 2, which was titled *The Redetermination (or Initial Determination) of Non-Guaranteed Charges and/or Benefits for Life Insurance and Annuity Contracts*. In 1990, the ASB adopted a reformatted version of ASOP No. 2. (Prior to 2013, ASOP No. 2 was numbered ASOP No. 1.)

In 1995, the ASB adopted ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*, which was created in conjunction with the National Association of Insurance Commissioners' (NAIC) *Life Insurance Illustrations Model Regulation (the Model)*. Not all illustrated life insurance and annuity policies are subject to the *Model*. The 2004 revision of ASOP No. 2 imposed new obligations on the actuary for policy illustrations not subject to the *Model*.

Since ASOP No. 2 was last updated in 2004, there has been increased attention to the practices insurers use to determine and manage NGEs within individual life insurance and annuity products. The ASOP is being updated to reflect current practices and provide additional guidance on the determination of NGEs. In developing this revision, the task force reviewed and incorporated concepts from documents that supported the development of the original version of this ASOP in 1986.

### First Exposure Draft

The first exposure draft was issued in March 2019 with a comment deadline of July 15, 2019. Sixteen comment letters were received and considered in making changes that were reflected in the second exposure draft.

### Second Exposure Draft

The second exposure draft was issued in July 2020 with a comment deadline of November 13, 2020. Seven comment letters were received and considered in making changes that are reflected in the final standard.

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For a summary of issues contained in these comment letters, please see appendix 2.

### Notable Changes from the Second Exposure Draft

Notable changes made to the second exposure draft are summarized below. Additional changes were made to improve readability, clarity, or consistency.

1. Section 1.2 was clarified to specify that actuarial services with respect to in-force policies performed after the effective date of this standard are in scope.
2. In section 2.5, the definition of NGE framework was clarified.
3. In section 2.6, the definition of NGE scales was clarified to include NGE scales that may vary by one or more parameters or may not vary by any parameter, and additional examples were provided.
4. Section 3.1 was updated to eliminate duplication with the definition of NGE framework in section 2.5.
5. In section 3.3.1, language was clarified to recognize that policy classes could be defined at various levels and to include methodology reflecting policy duration, and an example was added.
6. In section 3.4, changes were made to clarify the guidance in instances when following the determination policy would be inconsistent with section 3.2 and to clarify the language to improve alignment with section 3.2.
7. The language in section 3.4.1(g) was clarified to reference the determination policy rather than section 3.4.2.4.
8. In section 3.4.2.4, changes were made to improve consistency with section 3.4.2.3 and to clarify reliance on prior analysis.
9. In section 3.4.2.5, language was added to address circumstances where the insurer allocates past losses or gains.
10. In section 3.5, the language was changed to be consistent with the language in the existing ASOP.
11. In section 4.1, disclosure 4.1(q) was added to reflect changes in section 3.4.2.5.

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### Notable Changes to the Existing ASOP

A cumulative summary of the notable changes from the existing ASOP are summarized below. Notable changes do not include additional changes made to improve readability, clarity, or consistency.

1. In section 1.2, the scope was clarified to exclude actuarial services with respect to the determination of any reinsurance contract elements that are not guaranteed.
2. In section 2, the definitions were expanded and clarified.
3. In sections 2.5 and 3.1, the concept of an insurer's NGE framework was defined and introduced.
4. In section 3.2, guidance was expanded for advising on the actuarial aspects of the determination policy, including advice that is consistent with the following:
  - a. NGE scales are determined with the expectation that they will be revised only if anticipated experience factors have changed since issue or, alternatively, since the previous revision; and
  - b. NGE scales are determined based on reasonable expectations of future experience and are not determined with the objective of recouping past losses or distributing past gains.
5. In section 3.3, guidance for establishing or making changes to policy classes was expanded.
6. In section 3.4, guidance for determining NGE scales was expanded to align with sections 3.2 and 3.3 and to include guidance on additional considerations that were not part of the previous determination of NGE scales.
7. In section 3.5, guidance for recommending NGE scales used in illustrations not subject to ASOP No. 24 was updated.
8. In section 3.6, guidance for providing opinions and disclosures to meet regulatory requirements was added.
9. In sections 3.7, 3.8, and 3.9, guidance for relying on data, projections, and supporting analysis supplied by others, relying on assumptions or methods selected by another party, and reliance on another actuary was added.
10. In section 3.10, documentation requirements were added.
11. In section 4, disclosure requirements were added, mostly to address expanded guidance throughout section 3.

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The ASB thanks everyone who took the time to contribute comments and suggestions on the exposure drafts.

The ASB voted in September 2021 to adopt this standard.

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*The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.*



ACTUARIAL STANDARD OF PRACTICE NO. 2

NONGUARANTEED ELEMENTS  
FOR LIFE INSURANCE AND ANNUITY PRODUCTS

STANDARD OF PRACTICE

Section 1. Purpose, Scope, Cross References, and Effective Date

- 1.1 Purpose—This actuarial standard of practice (ASOP or standard) provides guidance to actuaries when performing actuarial services with respect to the determination of **nonguaranteed elements** (NGEs) for life insurance and annuity products, including riders attached to such products.
- 1.2 Scope—This standard applies to actuaries when performing actuarial services with respect to the determination and, if applicable, illustration of **NGEs** for life insurance and annuity **policies** written on individual **policy** forms where **NGEs** may vary at the discretion of the insurer, except as provided below. Actuarial services performed on or after the effective date of this standard also include determinations and illustrations for **policies** in force on the effective date of this standard.

Throughout this standard, the term “determination” includes both the initial determination at **policy** issue and subsequent determinations for in-force **policies**.

The standard also applies to actuaries when performing similar actuarial services for group master contracts with individual certificates where **NGEs** are determined in a similar manner to products written on individual life and annuity **policy** forms. Examples of products within the scope of this standard include universal life, indeterminate premium life, and deferred annuity products. Such products may be fixed, variable, or indexed.

Actuarial services for group products with **NGEs** that are not determined in a similar manner to those written on individual life and annuity **policy** forms are not in scope. Two examples are traditional group term life insurance and certain retirement funding products (for example, synthetic guaranteed interest contracts). To the extent that actuarial services for a product do not clearly fall into the scope, the actuary should use professional judgment to determine whether the services are in scope.

This standard does not apply to actuaries when performing actuarial services with respect to policyholder dividends, which are covered by ASOP No. 15, *Dividends for Individual Participating Life Insurance, Annuities, and Disability Insurance*. To the extent that a product involves both **NGEs** and policyholder dividends, this standard applies to actuaries when performing actuarial services with respect to **NGEs**, and ASOP No. 15 applies to actuaries when performing actuarial services with respect to policyholder dividends.

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This standard does not apply to actuaries when performing actuarial services with respect to the determination of any reinsurance contract elements that are not guaranteed in a reinsurance contract.

This standard does not apply to actuaries when performing actuarial services with respect to illustrations of **NGEs** subject to ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*.

If the actuary departs from the guidance set forth in this standard in order to comply with law (statutes, regulations, and other legally binding authority), or for any other reason the actuary deems appropriate, the actuary should refer to section 4. If a conflict exists between this standard and applicable law, the actuary should comply with applicable law.

- 1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should consider the guidance in this standard to the extent it is applicable and appropriate.
- 1.4 Effective Date—This standard is effective for actuarial services performed on or after June 1, 2022.

### Section 2. Definitions

The terms below are defined for use in this actuarial standard of practice and appear in bold throughout the ASOP.

- 2.1 Anticipated Experience Factor—An assumption of future experience used in the determination of **NGEs**. Examples of **anticipated experience factors** include rates of investment income, mortality, morbidity, **policy** persistency, and expense.
- 2.2 Determination Policy—The insurer’s principles or objectives for determining **NGEs**. For example, the **determination policy** could include the insurer’s governing principles and requirements, profitability objectives, capital objectives, guidelines for drafting **policy** provisions related to **NGEs**, principles for addressing illustration requirements, and requirements for and frequency of reviews of **NGEs** on in-force products.
- 2.3 Guaranteed Element—A premium, value, charge, or benefit that limits an **NGE**. **Guaranteed elements** are specified in the **policy**. Examples of **guaranteed elements** include maximum premium charges, maximum expense charges, minimum credited interest rates, maximum cost of insurance charges, maximum gross premiums, minimum index parameters, maximum mortality and expense (M&E) risk charges, and maximum **policy** loan interest rates.

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- 2.4 Nonguaranteed Element (NGE)—Any premium, charge, or benefit within an insurance **policy** that 1) affects **policy** costs or values, 2) is not guaranteed in the **policy**, and 3) can be changed at the discretion of the insurer. An **NGE** may provide a more favorable value to the policyholder than a **guaranteed element**. For the purpose of this ASOP, an **NGE** reflects expectations of future experience as opposed to, for example, a dividend, which reflects participation in past experience. Examples of premiums, charges, or benefits that can be changed at the discretion of the insurer may include credited interest, cost of insurance (COI) charges, bonuses, indeterminate premiums, index parameters used to determine credited interest, and expense charges.
- 2.5 NGE Framework—The **determination policy**, methodology for establishing **policy classes**, and any additional practices, methods, and criteria used by the insurer to determine **NGE scales** that might not be part of the **determination policy** or methodology for establishing **policy classes**.
- 2.6 NGE Scale—For each **NGE**, a series of one or more rates or values as determined by the insurer at a point in time. The elements of an **NGE scale** may vary by one or more parameters or may not vary by any parameter. Examples include the following:
- a. COI rates that could vary based on issue age, underwriting class, and duration;
  - b. an expense load that could vary by duration and be applicable over a limited number of **policy** years; and
  - c. an interest rate that does not vary by any parameter.
- 2.7 Policy—An individual life insurance **policy**, an individual annuity contract, or a group certificate that has **NGEs** that operate in substantially the same manner as **NGEs** in an individual life insurance **policy** or an individual annuity contract. A **policy** includes any attached rider or endorsement.
- 2.8 Policy Class—**Policies** that are grouped together for the purposes of determining an **NGE**.
- 2.9 Profitability Metric—A measurement used to assess a product’s projected level of financial results.

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

- 3.1 NGE Framework—The actuary should understand the insurer’s **NGE framework** in relation to the actuarial services requested. The actuary should understand how the **NGE framework** has been applied in the past in relation to the actuarial services requested, if available. The actuary should take into account the elements of the **NGE framework** that are relevant to the actuarial services requested. Examples of elements of the **NGE framework** include the following:

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- a. the methodology for evaluating experience and developing **anticipated experience factors**;
- b. the source or sources of data used in developing **anticipated experience factors**;
- c. the frequency of review of **anticipated experience factors** and **policy classes**;
- d. the methodologies for allocating expenses and investment income;
- e. the models or methods used;
- f. the marketing objectives, such as distribution channels, target markets, and competitive objectives;
- g. the objectives used in setting **profitability metrics**;
- h. the methodology for determining reserves and capital objectives; and
- i. the insurer's governance process, including the decision and approval process.

If the **NGE framework** is absent, or in the actuary's professional judgment, is incomplete or needs to be updated to reflect the current environment, the actuary should recommend that the **NGE framework** be created, completed, or updated.

- 3.2 Providing Advice on the Actuarial Aspects of the Determination Policy—The actuary may provide advice on 1) developing or modifying the **determination policy**, or 2) applying the **determination policy**.

When providing advice on the actuarial aspects of the **determination policy**, the actuary should provide advice consistent with the following:

- a. **NGE scales** are determined with the expectation that they will be revised only if **anticipated experience factors** have changed since issue, or alternatively, since the previous revision.
- b. **NGE scales** are determined based on reasonable expectations of future experience and are not determined with the objective of recouping past losses or distributing past gains.

- 3.2.1 Providing Advice on Developing or Modifying the Determination Policy—When advising an insurer on developing or modifying its **determination policy**, the actuary should take into account the following, if applicable:

- a. the **policy** provisions and applicable law;

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- b. how **anticipated experience factors** reflect expectations of future experience;
- c. how the variability and credibility of each **anticipated experience factor** may impact the determination of the **NGE scales**;
- d. the insurer's reserve, profitability, capital, surplus, and marketing objectives;
- e. reinsurance and taxes; and
- f. periodic review of **NGEs** in in-force **policies**, such as the maximum time period between successive insurer reviews of **NGEs**.

The actuary may take into account other items relevant to the **determination policy**.

The actuary should document the sources of the **determination policy** used in developing the advice and how (a)–(f) above and any additional relevant items were taken into account. For example, portions of the **determination policy** may be found in the insurer's governance processes, corporate policies, or operating practices.

3.2.2 Providing Advice on Applying the Determination Policy—When advising on applying the **determination policy** for determining initial **NGE scales**, evaluating whether to revise existing **NGE scales**, or revising existing **NGE scales**, the actuary should take into account the following, if applicable:

- a. the need to make additional assumptions about how the **determination policy** applies to the assignment;
- b. **guaranteed elements**, policyholder options including the likelihood of antiselection, and other relevant provisions of the **policy**;
- c. impacts on or from reserve, profitability, capital, surplus, and marketing objectives, or changes in such objectives;
- d. impact on or from reinsurance and taxation;
- e. applicable law (including, for example, for variable products, any constraints or other requirements imposed by applicable securities law); and
- f. resources available.

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If, in the actuary's professional judgment, the actuary believes that the **determination policy** may be inconsistent with the guidance in sections 3.2 and 3.2.1, the actuary should recommend that the **determination policy** be revised.

3.3 Establishment of or Changes to Policy Classes—When preparing for an assignment, the actuary should review the existing **policy classes** for the product or similar products within the insurer's **NGE framework**.

3.3.1 For Future Sales of a New or Existing Product—If the **policy classes** for future sales have not been defined in the **NGE framework**, or if they have been defined, but in the actuary's professional judgment are incomplete, do not reflect changing circumstances (for example, new underwriting practices, or new profit or marketing objectives), or are inconsistent with the items below, the actuary should recommend the establishment of or changes to the **policy classes** that are

- a. consistent with the guidance in ASOP No. 12, *Risk Classification*;
- b. appropriate for each **NGE** (a particular **policy** may be assigned to one or more **policy classes** at issue based on **anticipated experience factors** and **NGEs**, for example, one **policy class** for credited interest and a different **policy class** for COI charges);
- c. appropriately reflective of differences within **anticipated experience factors** (for example, smoker versus nonsmoker mortality);
- d. refined appropriately to mitigate antiselection; and
- e. not expected to be redefined after issue.

**Policy classes** may be defined by grouping **policies** at various levels, for example, at a product level, across multiple products, or within a product or products.

The actuary may recommend **policy classes** that use different grouping methodologies based on **policy** duration. For example, a **policy class** may be defined in terms of a select and ultimate mortality method, or a **policy class** may be defined in terms of an investment year interest crediting method that uses a new money method in the early durations and a portfolio method in the later durations.

When recommending **policy classes** for future sales, the actuary should take into account the **policy** provisions, the structure of **guaranteed elements** and **NGEs**, the date on which the recommended **policy classes** would take effect (for example, **policies** issued before or after a particular date could be in different **policy classes**), and the underwriting characteristics and marketing objectives for the product. The actuary may also take into account any additional relevant factors.

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3.3.2 For In-Force Policies—The actuary should recommend that in-force **policies** remain assigned to their **policy classes**, unless there is new information that is material to the **anticipated experience factors** and supports reassigning the **policies** to different **policy classes**. For example, a change in one state’s premium tax that affects some **policies** within a **policy class** differently than it affects others could justify reassigning such **policies** to a different **policy class**.

In addition, the actuary may recommend combining or redefining **policy classes** if, in the actuary’s professional judgment, such combinations or redefinitions would be appropriate. For example, if the experience for a **policy class** is not credible, the **policy class** could be combined with other **policy classes** for the purposes of determining **anticipated experience factors**.

When recommending a change in the assignment of **policies** to **policy classes**, or combining or redefining **policy classes**, the actuary should follow the guidance in section 3.3.1.

3.4 Determination Process for NGE Scales—When determining **NGE scales** for future sales of a new or existing product and for in-force **policies** in accordance with the **NGE framework**, the actuary should take into account the **determination policy** and the following:

- a. the appropriateness of the models, methods, and **profitability metrics**;
- b. how the **anticipated experience factors** relate to **NGE scales**;
- c. the consistency of **NGE scales** with **policy** provisions;
- d. any limits on **NGE scales** due to regulatory constraints;
- e. any limits on **NGE scales** due to **guaranteed elements**; and
- f. the impact on or from reserve, profitability, capital, surplus, and marketing objectives.

The actuary may take into account practical constraints and any other relevant circumstances.

The actuary may use approximation methods, such as smoothing and interpolation, when determining **NGE scales**.

If, in the actuary’s professional judgment, the actuary believes that following the **determination policy** when determining **NGE scales** would be inconsistent with the guidance in section 3.2, the actuary should consider discussing these inconsistencies with the insurer. The actuary should document any unresolved inconsistencies and should consider providing advice consistent with section 3.2.2.

- 3.4.1 Determination Process for Future Sales of a New or Existing Product—When determining **NGE scales** for future sales of a new or existing product, the actuary should take into account the following:
- a. how **anticipated experience factors** were developed and whether they reflect the product’s features, intended markets, distribution methods, underwriting procedures, and **policy classes** (see section 3.3.1);
  - b. how **NGE scales** are structured to cover costs under the product design, as well as the potential impact on profitability if policyholder behavior varies from expectations;
  - c. that **NGE scales** are determined with the expectation that they will not be revised unless the **anticipated experience factors** change;
  - d. whether the **NGE scales** are consistent with the language of the **policy**;
  - e. projected profitability;
  - f. constraints on the ability to revise **NGE scales** to reflect future changes in **anticipated experience factors** (for example, **guaranteed elements**, contractual limitations, development and implementation cost, systems constraints); and
  - g. how elements of the **determination policy** affect the ability to revise **NGE scales** after issue.

The actuary may use prior analysis in the determination of the **NGE scales**, if appropriate. For example, changes in credited interest may be based on a previously established interest rate spread.

The actuary should document the **NGE** determination process and results, including how items (a)–(g) and any prior analysis were taken into account.

The actuary should consider conducting sensitivity analyses to evaluate the impact of future deviations from the anticipated experience. The actuary should consider recommending how often such **anticipated experience factors** be reviewed.

- 3.4.2 Determination Process for In-Force Policies—The determination process for in-force **policies** consists of reviewing prior determinations, analyzing emerging experience relative to **anticipated experience factors**, considering whether to recommend a revision in the **NGE scales**, and, if a revision is to be made, determining the revised **NGE scales**.



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- 3.4.2.1 Reviewing Prior Determinations—The actuary should review prior determinations, including the original determination in effect at the time of **policy** issue. This may include information such as previous **anticipated experience factors, profitability metrics**, pattern of profits, **NGE scales**, and other assumptions.

If the information related to prior determinations is not available or incomplete, the actuary should reconstruct prior determinations to the extent practicable and necessary for the determination process, and document the methods and assumptions used. If reconstructing the prior determinations is not practicable due to incomplete information or other limitations, the actuary should select and document a reasonable approach to gain an understanding of the prior determination.

- 3.4.2.2 Analyzing Experience—When analyzing how experience is emerging relative to **anticipated experience factors**, the actuary should take into account the following, if applicable:

- a. the time elapsed since the last analysis of experience;
- b. the credibility of experience;
- c. the size of the relevant group of **policies** or **policy classes**, such as number of **policies**, premium volume, insurance amount, or account value;
- d. the materiality of any change in the experience relative to the existing **anticipated experience factors**;
- e. whether existing **anticipated experience factors**, including any projected trends, are supported by actual experience; and
- f. whether profitability was particularly sensitive to changes in any **anticipated experience factors**, as disclosed in previous actuarial reports.

The actuary should recommend that the **anticipated experience factors** be updated, if warranted by the results of the analysis.

The actuary should document how (a)–(f) above and any additional relevant items were taken into account.

- 3.4.2.3 Considering Whether to Recommend a Revision to NGE Scales—When considering whether to recommend a revision to **NGE scales**, the actuary should take into account the following, if applicable:

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- a. time elapsed since **NGE scales** were last reviewed;
- b. the **anticipated experience factors** that are used for revising **NGE scales** under the terms of the **policy** and applicable law;
- c. deviations in emerging experience from what was assumed in the prior determination of **NGE scales**;
- d. how any recommended revision could affect reserves, capital, reinsurance, and taxation;
- e. the appropriateness of the **profitability metrics** and objectives. For example, an internal rate of return metric may have been used at **policy** issue, but a different metric may be appropriate when applied to in-force **policies**;
- f. the change in the prospective profitability due to the change in **anticipated experience factors** and any additional factors for which a change may be reflected in the determination of **NGEs** under section 3.2(b), the terms of the **policy**, and applicable law;
- g. the complexity of the analysis needed. For example, when changing credited interest rates, the actuary may limit the analysis to changes in investment income, while other changes, such as COIs, may require more complex analysis and modeling, which could reflect multiple **anticipated experience factors** and require consideration of other **NGEs**;
- h. whether other analyses, such as sensitivity analysis, are needed;
- i. costs, practical implementation difficulties, and materiality of making revisions to the **NGE scale**; and
- j. potential impacts on the policyholder (for example, policyholder behavior or policyholder equity) or the insurer of revising or not revising **NGE scales** to reflect changes in **anticipated experience factors**.

The actuary should document the results of the analysis, including how (a)-(j) above and any additional relevant items were taken into account, whether the actuary recommends a revision or not.

- 3.4.2.4 Determining the Revised NGE Scales—When determining revised **NGE scales**, the actuary should take into account the provisions of section 3.4.1(a)-(g) and should

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- a. identify the **anticipated experience factors** to be used when revising **NGE scales**, taking into account the terms of the **policy** and applicable law;
- b. base the revision of the **NGE scales** on changes in the **anticipated experience factors** identified in (a) above; and
- c. determine new **NGE scales** using a method that is consistent with sections 3.2(a) and 3.2(b). For example, it might be appropriate to use a method to determine the revised **NGE scales** such that the prospective profitability from the time of revision, taking into account the prospective pattern of profits by duration, is not materially greater than that using the original **NGE scales** and original **anticipated experience factors**, holding all other assumptions constant between the projections.

The actuary may use approximation and smoothing methods that are reasonable in relation to the costs and benefits provided.

The actuary should perform an appropriate level of analysis based on the **anticipated experience factors** and the type of revision being considered. The actuary may use relevant prior analysis in making the determination. For example, as discussed in section 3.4.2.3(g), changing COIs may require more complex analysis and modeling than routine changes in credited interest rates, which may rely on prior interest rate spread analysis. The actuary should ensure that the method and results of any analysis used to support the determination of the revised **NGE scales**, including how the provisions of section 3.4.1(a)-(g) and any additional relevant items as noted above were taken into account, are documented or addressed in prior documentation.

- 3.4.2.5 Additional Considerations—When recommending or determining a revision to **NGE scales**, the actuary may consider using additional **anticipated experience factors** that were not part of the previous determination of **NGE scales**, such as a new tax-related expense.

If circumstances arise under which the insurer allocates past losses or gains by making adjustments to the **NGE scales**, for example, due to regulatory requirements, the actuary should document the circumstances and should consider recommending a methodology to separately account for such adjustments when considering future determinations of the **NGE scales**.

- 3.5 NGEs Used in Illustrations Not Subject to ASOP No. 24—The actuary should recommend **NGE scales** to be used in illustrations not subject to ASOP No. 24 that have been determined consistently with section 3.4. The actuary should also follow applicable

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regulations, guidelines, and standards for illustrations, such as those that are based upon the following:

- a. *Annuity Disclosure Model Regulation* (Model 245); and
- b. *Variable Life Insurance Model Regulation* (Model 270) and NAIC Actuarial Guideline 15.

The actuary should consider conducting tests of illustrated **NGE scales** to ascertain whether those illustrated **NGE scales** could be supported by **anticipated experience factors** and other reasonable assumptions.

- 3.6 Providing Opinions and Disclosures to Meet Regulatory Requirements—When providing opinions and disclosures to meet regulatory requirements relating to **NGEs** (for example, a response to an NAIC annual statement interrogatory) or actuarial services in support of such opinions and disclosures, the actuary should be knowledgeable about the requirements and information necessary to support the opinion or disclosure. Such information may include some or all of the following for the relevant products:
  - a. the insurer’s **NGE framework**;
  - b. the requirements of applicable law;
  - c. the determination process, including how experience and financial results are emerging; and
  - d. previous regulatory filings.
- 3.7 Reliance on Others for Data, Projections, and Supporting Analysis—The actuary may rely on data, projections, and supporting analysis supplied by others. When practicable, the actuary should review the data, projections, and supporting analysis for reasonableness and consistency. For further guidance, the actuary should refer to ASOP No. 23, ASOP No. 41, *Actuarial Communications*, and ASOP No. 56, *Modeling*. The actuary should disclose the extent of any such reliance.
- 3.8 Reliance on Assumptions or Methods Selected by Another Party—When relying on assumptions or methods selected by another party, the actuary should refer to ASOP No. 41 for guidance. The actuary should disclose the extent of any such reliance.
- 3.9 Reliance on Another Actuary—The actuary may rely on another actuary who has performed actuarial services related to the determination of **NGEs**. However, the relying actuary should be reasonably satisfied that the other actuary is qualified to perform the actuarial service, the actuarial service was performed in accordance with applicable ASOPs, and the actuarial service performed is appropriate for the objective of the assignment. The actuary should disclose the extent of any such reliance.

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- 3.10 Documentation—In addition to the documentation requirements throughout the rest of section 3, the actuary should consider preparing and retaining documentation to support compliance with the remaining requirements of section 3 and the disclosure requirements of section 4. When preparing documentation, the actuary should prepare it in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary’s work. The degree of documentation should be based on the professional judgment of the actuary and may vary with the complexity and purpose of the actuarial services. In addition, the actuary should refer to ASOP No. 41 for guidance related to the retention of file material other than that which is to be disclosed under section 4.

### Section 4. Communications and Disclosures

- 4.1 Required Disclosures in an Actuarial Report— When issuing an actuarial report to which this standard applies, the actuary should refer to ASOP Nos. 12, 23, 41, and 56. In addition, the actuary should disclose the following (if applicable):
- a. any recommendations that were made with respect to developing, completing, or updating the **NGE framework** (see section 3.1);
  - b. advice the actuary provided on developing or modifying the **determination policy** (see sections 3.2 and 3.2.1);
  - c. advice the actuary provided on how to apply the **determination policy**, including any advice that was inconsistent with the **determination policy** in order to follow the guidance in sections 3.2 or that was inconsistent with the guidance in sections 3.2 in order to comply with the **determination policy**, and the rationale for such inconsistencies (see section 3.2);
  - d. recommendations made by the actuary to establish or change **policy classes** for future sales of a new or existing product (see sections 3.3.1 and 3.4.1[a]);
  - e. recommendations made by the actuary for reassignment of in-force **policies** to different **policy classes** (see section 3.3.2);
  - f. any inconsistency with the **determination policy** and the guidance in section 3.2 when determining **NGE scales** (see section 3.4);
  - g. a description of the **anticipated experience factors** used in the determination of **NGEs** and any changes to such factors since any prior determination (see sections 3.4.1 and 3.4.2);
  - h. a description of any material constraints on the ability to revise **NGE scales** (see sections 3.4.1[f] and [g] and 3.4.2.4);
  - i. results, observations, or recommendations from the determination process for **NGE scales** for future sales of a new or existing product, including results and

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- observations from any profitability analysis or sensitivity analysis (see section 3.4.1);
- j. observations from the analysis that indicate that the profitability is particularly sensitive to changes in certain **anticipated experience factors** (see sections 3.4.1 and 3.4.2.3[h]);
  - k. any use of prior analysis (see section 3.4.1 and 3.4.2.4);
  - l. any reconstructed prior determinations or reasonable approaches used when reconstructing the prior determinations was not possible (see section 3.4.2.1);
  - m. any recommendation that **anticipated experience factors** be updated and how these updated factors were taken into account when recommending changes to **NGE scales** (see section 3.4.2.2);
  - n. observations or recommendations to revise or not revise in-force **NGE scales**, including results from any profitability or sensitivity analysis (see section 3.4.2.3);
  - o. results, observations, or recommendations from the determination process used to support any revisions to **NGE scales** for in-force **policies**, including results and observations from any analysis (see section 3.4.2.4);
  - p. the circumstances and rationale for using any additional **anticipated experience factors** that were not part of the previous determination of **NGE scales** (see section 3.4.2.5);
  - q. the circumstances under which the insurer allocates past losses or gains by making adjustments to the **NGE scales** and any recommendations for a methodology to separately account for such adjustments when considering future determinations of the **NGE scales** (see section 3.4.2.5); and
  - r. results from any tests of illustrated **NGE scales** not subject to ASOP No. 24 to ascertain whether those illustrated **NGE scales** could be supported by **anticipated experience factors** and other reasonable assumptions (see section 3.5).
  - s. extent of any reliance on the data, projections, and supporting analysis of others (see section 3.7);
  - t. extent of any reliance on assumptions or methods selected by another party (see section 3.8); and
  - u. extent of any reliance on another actuary (see section 3.9).

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4.2 Additional Disclosures in an Actuarial Report—The actuary also should include disclosures in accordance with ASOP No. 41 in an actuarial report for the following circumstances:

- a. if any material assumption or method was prescribed by applicable law;
- b. if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary;  
and
- c. if in the actuary's professional judgment, the actuary has deviated materially from the guidance of this ASOP.

## **Appendix 1**

### **Background and Current Practices**

*Note:* This appendix is provided for informational purposes and is not part of the standard of practice.

#### **Background**

In the mid-1970s, activity increased with respect to individual life and annuity products with nonguaranteed elements (NGEs) as opposed to dividends under traditional participating policies.

Because of the increased activity on these products, they came to represent significant market share and financial significance, and it was deemed necessary to develop an actuarial standard of practice in this area. Thus, the Interim Actuarial Standards Board adopted the original version of this ASOP as ASOP No. 1 in October 1986. (Prior to 2013, ASOP No. 2 was known as ASOP No. 1.) The Actuarial Standards Board adopted a reformatted version of ASOP No. 1 in 1990.

In 1986, the policies in question were still evolving, and there was little standardization in areas such as benefit design, pricing structure, marketing practices, and investment philosophies. It was therefore impossible for the standard to offer guidance on these issues. Rather, the standard reflected that the actuary's essential obligations were (1) to assure the completion of all activities required to advise the client professionally, and (2) to prepare an actuarial communication for the client presenting this advice.

By the early 2000s, the volume of these products sold had continued to grow, and considerable product innovation had taken place. ASOP No. 1 was revised to reflect this new environment. It was also revised to be consistent, where appropriate, with ASOP No. 15, *Dividend Determination for Participating Individual Life Insurance Policies and Annuity Contracts*, and ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation*. The resulting revision of ASOP No. 1 was adopted in March 2004.

In May 2011, ASOP No. 1 was updated for deviation language, and in March 2013, it was renumbered ASOP No. 2.

In recent years, further developments affecting products with NGEs have taken place, such as the following:

- continued increase in the sales of products with NGEs;
- continued product evolution, including index features, persistency bonuses, living benefit riders, secondary guarantees, and new ancillary benefits;
- advances in actuarial techniques for modeling, stochastic testing, and sensitivity analysis;
- changes in life insurance company taxation, reserve valuation, and capital objectives;



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- enhancement of insurer governance procedures with respect to the determination of NGEs;
- increased public awareness of changes to NGEs for in-force policies; and
- increased regulation of NGEs, such as the promulgation of New York Regulation 210 in March 2018.

In response to such developments, actuarial practices have evolved, and ASOP No. 2 has been updated to reflect these changes.

### Current Practices

The actuary may provide professional services in three principal areas with respect to NGEs. The actuary is normally involved in the determination of NGE scales in accordance with insurer determination policy. The actuary may also be involved in advising the insurer on setting the determination policy or the establishment of or changes to policy classes. When determining NGEs, the actuary considers corporate governance practices, policy administration, regulation, marketing objectives, and consumer expectations, among other factors.

The actuary may be called upon to determine NGE scales for future sales of a new or existing product and for in-force policies. Although the steps needed to complete these two broad categories of assignments have many common elements, there are significant differences with respect to the principles, methodologies, and criteria that are commonly followed.

**Appendix 2**

**Comments on the Second Exposure Draft and Responses**

The second exposure draft of this ASOP, *Nonguaranteed Elements for Life Insurance and Annuity Products*, was issued in July 2020 with a comment deadline of November 13, 2020. Seven comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The ASOP No. 2 Task Force carefully considered all comments received, reviewed the exposure draft, and proposed changes. The ASB Life Committee and the ASB reviewed the proposed changes and made modifications where appropriate.

Summarized below are the significant issues and questions contained in the comment letters and the responses. Minor wording or punctuation changes that were suggested but not significant are not reflected in this appendix, although they may have been adopted.

The term “reviewers” in appendix 2 includes the ASOP No. 2 Task Force, the ASB Life Committee, and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in the second exposure draft.

<b>GENERAL COMMENTS</b>	
Comment	One commentator suggested defining “take into account” because it is unclear how it differs from “consider” or “reflect.”
Response	<p>The reviewers do not believe “take into account” or “reflect” require definitions that differ from the ordinary English definitions. Note that the term “should consider” is discussed in ASOP No. 1, <i>Introductory Standard of Practice</i>. ASOP No. 1 states,</p> <p style="padding-left: 40px;">The terms “must” and “should” are generally followed by a verb or phrase denoting action(s), such as “disclose,” “document,” “consider,” or “take into account.” For example, the phrase “should consider” is often used to suggest potential courses of action. If, after consideration, in the actuary’s professional judgment an action is not appropriate, the action is not required and failure to take this action is not a deviation from the guidance in the standard.</p> <p>Therefore, the reviewers made no change in response to this comment.</p>
Comment	One commentator requested that the ASOP be reviewed for applicability to annuities.
Response	The reviewers note that section 1.2 describes which annuities are in scope and added examples applicable to both life and annuities throughout the ASOP.
Comment	One commentator suggested differentiating between routine NGE changes and more complex NGE changes.
Response	The reviewers clarified the language in section 3.4.2.4 in response to this comment.
Comment	One commentator requested more guidance on the initial determination.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.

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Comment	One commentator said that it is unclear whether the actuary can improve an NGE or reverse an increase without the full analysis described in the ASOP.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator was concerned that the ASOP poses limitations on alternative rate-setting processes, such as following an established plan (such as tracking an index or market rates).
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator said that the ASOP was written for a consultant and not a company actuary.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
<b>SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE</b>	
<b>Section 1.2, Scope</b>	
Comment	One commentator suggested adding language to clarify that the ASOP is not retroactively applicable to prior determinations before the effective date of the ASOP.
Response	The reviewers clarified the language.
Comment	One commentator suggested moving the sentence “Throughout this standard, the term determination includes both initial determination and subsequent redeterminations” to section 1.1.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested adding “to the extent possible” when referring to future determinations of in-force products after the effective date to provide sufficient flexibility.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator noted that ASOP No. 15, <i>Dividends for Individual Participating Life Insurance, Annuities, and Disability Insurance</i> , does not appear to define “dividend” and suggested adding a definition to ASOP No. 2.
Response	The reviewers disagree with the suggestion and made no change in response to this comment. The reviewers note that section 2.4 states “For the purpose of this ASOP, an NGE reflects expectations of future experience as opposed to, for example, a dividend, which reflects participation in past experience.”
<b>Section 1.4, Effective Date</b>	
Comment	One commentator suggested an effective date six months after approval by the ASB.
Response	The reviewers note the effective date is June 1, 2022.
<b>SECTION 2. DEFINITIONS</b>	
<b>Section 2.1, Anticipated Experience Factor</b>	
Comment	One commentator suggested adding “may include but are not limited to” before the list of examples.
Response	The reviewers note that examples are illustrative, not exhaustive, and made no change.
Comment	One commentator suggested clarifying whether “rates of” applies to investment income only or the entire list.
Response	The reviewers believe the language is appropriate and made no change.

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Comment	One commentator suggested modifying the example to reference policyholder elections.
Response	The reviewers disagree and made no change.
<b>Section 2.3, Guaranteed Element</b>	
Comment	One commentator suggested adding “typically” before “specified in the policy” and in the example sentence.
Response	The reviewers believe the language is appropriate and made no change.
<b>Section 2.4, Nonguaranteed Element</b>	
Comment	One commentator suggested rewording the second sentence for clarity.
Response	The reviewers agree and clarified the language accordingly.
Comment	One commentator suggested changing “can be changed at the discretion of the insurer” to “may be changed...”
Response	The reviewers disagree and made no change.
<b>Section 2.6, NGE Scale</b>	
Comment	One commentator suggested either deleting NGE scale as a defined term or referencing anticipated experience factors in the definition.
Response	The reviewers disagree with the suggestion but clarified the language and added examples.
<b>Section 2.9, Profitability Metric</b>	
Comment	One commentator suggested revising the language to replace “a product’s expected level of financial results” with “projected profitability.”
Response	The reviewers changed “expected” to “projected” based on this comment.
<b>SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES</b>	
<b>Section 3.1, NGE Framework</b>	
Comment	Two commentators suggested the difference between the determination policy and the NGE framework is unclear and suggested incorporating the concept of the NGE framework into the determination policy.
Response	The reviewers disagree with the suggestion to incorporate the concept of the NGE framework into the determination policy but clarified the language in sections 2.5 and 3.1.
Comment	One commentator suggested deleting the examples and moving them to the definition of NGE framework, because it is unclear whether the list is intended to be a documentation requirement.
Response	The reviewers disagree with moving the examples and refer the commentator to sections 3.10 and 4.1(a) with respect to documentation and disclosure.
<b>Section 3.1(e) (now section 3.1[d])</b>	
Comment	One commentator suggested deleting 3.1(e), methodology for allocating income and costs.
Response	The reviewers clarified the language.
<b>Section 3.1(g) (now section 3.1[f])</b>	
Comment	One commentator suggested deleting “distribution strategy” from section 3.1(g).
Response	The reviewers changed “distribution strategy” to “distribution channels” (now 3.1[f]).

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<b>Section 3.2, Providing Advice on the Actuarial Aspects of the Determination Policy</b>	
Comment	One commentator suggested combining sections 3.2 and 3.4.
Response	The reviewers believe the guidance is appropriate and made no change.
<b>Section 3.2(a)</b>	
Comment	Several commentators suggested deleting or modifying sections 3.2(a), 3.4.1(c), and 3.4.2.4 because the language is too prescriptive and best left to regulation.
Response	The reviewers believe the guidance is appropriate and made no change in response to these comments.
<b>Section 3.2(b)</b>	
Comment	Several commentators expressed concern about the phrase “recouping past losses or distributing past gains” being too prescriptive or ambiguous and suggested either deleting that language or inserting “if required by statute or regulation” as a condition.
Response	The reviewers disagree but added clarifying language to section 3.4.2.5 to address this comment.
Comment	One commentator suggested adding back the guidance from the first exposure draft regarding prospective pattern of profits by duration in sections 3.2(b), 3.4.1(g), and 3.4.2.4(c).
Response	The reviewers believe the guidance is appropriate and therefore made no change.
<b>Section 3.2.1, Providing Advice on Developing or Modifying the Determination Policy</b>	
Comment	One commentator suggested replacing the list (a)-(f) with a reference to section 3.1.
Response	The reviewers clarified the language in section 3.1 and the definition of NGE framework in section 2.5, but made no change to this section in response to this comment.
<b>Section 3.2.2, Providing Advice on Applying the Determination Policy</b>	
Comment	One commentator suggested combining this section with section 3.2.1.
Response	The reviewers disagree and made no change.
<b>Section 3.2.2(b)</b>	
Comment	One commentator suggested coordinating the reference to options with language in ASOP No. 7, <i>Analysis of Life, Health, or Property/Casualty Insurer Cash Flows</i> , on materiality, likelihood of antiselection, and impact on profitability metrics (“cash flows”).
Response	The reviewers added clarifying language to section 3.2.2(b).
<b>Section 3.2.2(d)</b>	
Comment	One commentator stated that the reference to reinsurance may be misconstrued as a requirement for post-reinsurance pricing.
Response	The reviewers disagree and made no change.
<b>Section 3.3, Establishment of or Changes to Policy Classes</b>	
Comment	One commentator suggested providing more guidance on the term “review.”
Response	The reviewers believe the guidance is appropriate and therefore made no change.
Comment	One commentator suggested adding consideration of contractual provisions before establishing or changing policy classes.
Response	The reviewers believe the guidance is appropriate and note that section 3.3.1 states that “the actuary should take into account the policy provisions.”

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<b>Section 3.3.1, For Future Sales of a New or Existing Product</b>	
<b>Section 3.3.1(b)</b>	
Comment	One commentator disagreed that policies can be assigned to more than one policy class.
Response	The reviewers believe the guidance is appropriate and made no change.
<b>Section 3.3.1(e)</b>	
Comment	One commentator suggested deleting the item that says that the actuary should not expect to redefine policy classes after issue.
Response	The reviewers added clarifying language and examples to section 3.3.1.
Comment	One commentator suggested adding “unless changes in anticipated experiences support changes to policy classes.”
Response	The reviewers made no change in this section but added clarifying language to address redefinition of policy classes after issue in section 3.3.2.
<b>Section 3.3.2, For In-Force Policies</b>	
Comment	One commentator stated that this section should recognize that some policies cannot be reassigned if the actuary is limited by contract language.
Response	The reviewers believe this is covered in the requirement to follow the guidance in section 3.3.1 and made no change in response to this comment.
Comment	One commentator suggested identifying and using a different example.
Response	The reviewers believe the example is appropriate and made no change.
<b>Section 3.4, Determination Process for NGE Scales</b>	
Comment	One commentator suggested adding “the actuary should consider discussing these differences with management” in the last paragraph of section 3.4.
Response	The reviewers added clarifying language to section 3.4.
Comment	One commentator questioned using the word “relationship” in (b) and (f).
Response	The reviewers clarified the language in sections 3.4(b) and (f) in response to this comment.
Comment	One commentator suggested combining sections 3.2 and 3.4.
Response	The reviewers disagree with combining sections 3.2 and 3.4 but clarified the language in section 3.4 to reference section 3.2 in its entirety.
Comment	One commentator suggested that sections 3.4(f), 3.2.2(c), and 3.2.1(e) are inconsistent.
Response	The reviewers clarified the language in these sections to improve consistency.
<b>Section 3.4.1, Determination Process for Future Sales of a New or Existing Product</b>	
Comment	Two commentators suggested adding “if applicable” after “following.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator questioned whether the section works for rates based on the market or based on an index.
Response	The reviewers added clarifying language to the definition of Nonguaranteed Element (NGE) in section 2.4 in response to this comment.

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Comment	One commentator suggested that there is a bias in this section toward negative NGE changes and toward changes that are made infrequently, such as COI.
Response	The reviewers disagree that the language is biased toward negative NGE changes. The reviewers added an example of a change that could be made more frequently.
<b>Section 3.4.1(d)</b>	
Comment	One commentator suggested (d) was redundant with (f) and suggested deleting (d).
Response	The reviewers disagree and made no change.
<b>Section 3.4.1(g)</b>	
Comment	One commentator found the reference to section 3.4.2.4, which then refers to section 3.2, circular and confusing and suggested deleting (g).
Response	The reviewers deleted the reference to section 3.4.2.4 and clarified the language in response to this comment.
<b>Section 3.4.2, Determination Process for In-Force Policies</b>	
Comment	One commentator said that it is unclear whether the anticipated experience factors being referenced are those that were identified in the past, those that are currently experienced, or those that are expected in the future.
Response	The reviewers believe the language of this section, as well as the definition of anticipated experience factor in section 2.1, is clear and made no change.
<b>Section 3.4.2.1, Reviewing Prior Determinations</b>	
Comment	One commentator suggested adding “may” in the second sentence of the first paragraph.
Response	The reviewers agree and made the change.
<b>Section 3.4.2.2, Analyzing Experience</b>	
Comment	One commentator said that this section could be interpreted as saying that favorable past experience must be reflected in future anticipated experience factors and asked for clarification.
Response	The reviewers disagree and made no change.
Comment	One commentator noted that experience can come from a variety of sources.
Response	The reviewers added item (b) to the list of examples in section 3.1 in response to this comment.
Comment	One commentator said this section should not be limited to the determination of in-force policies.
Response	The reviewers note section 3.4.1(a) addresses consideration of how experience factors were developed for future sales of a new or existing product and therefore made no change in response to this comment.
<b>Section 3.4.2.3, Considering Whether to Recommend a Revision to NGE Scales</b>	
<b>Section 3.4.2.3(e)</b>	
Comment	One commentator suggested replacing “at issue” and “in force” with “determination” and “redetermination,” respectively.
Response	The reviewers disagreed with the suggestion but clarified the use of the term “determination” in section 1.2 in response to this comment.

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<b>Section 3.4.2.3(j)</b>	
Comment	One commentator suggested replacing “policyholder” with “policyholder behavior.”
Response	The reviewers clarified the language.
<b>Section 3.4.2.4, Determining the Revised NGE Scales</b>	
Comment	One commentator questioned whether the reference to section 3.2 in this section conflicts with the reference to section 3.2 in the last paragraph of section 3.4.
Response	The reviewers clarified the language in the last paragraph of section 3.4.
Comment	One commentator suggested replacing “appropriate level of analysis” with language more similar to 3.4.2.3(g).
Response	The reviewers believe the guidance is appropriate and made no change.
Comment	One commentator suggested combining sections 3.4.2.4 and 3.4.2.3.
Response	The reviewers believe the guidance is appropriate and made no change.
<b>Section 3.4.2.4(a)</b>	
Comment	Two commentators suggested deleting section 3.4.2.4(a) because “the reference to ‘under the terms of the policy and applicable law’ makes this a legal question, not an actuarial one.”
Response	The reviewers clarified the language.
<b>Section 3.4.2.4(c)</b>	
Comment	Two commentators suggested deleting the “prospective pattern of profits by duration” from the example because it was too prescriptive.
Response	The reviewers clarified the language.
Comment	One commentator suggested deleting the entire example because this method may not be required by regulation.
Response	The reviewers kept the example but clarified the language.
<b>Section 3.4.2.5, Additional Considerations</b>	
Comment	One commentator suggested adding an example.
Response	The reviewers added an example.
<b>Section 3.5, NGEs Used in Illustrations Not Subject to ASOP No. 24</b>	
Comment	One commentator suggested deleting this section, the related disclosure in section 4.1(q), and language related to ASOP No. 24, <i>Compliance with the NAIC Life Insurance Illustrations Model Regulation</i> , in section 1.2.
Response	The reviewers disagree but clarified language related to illustrations not subject to ASOP No. 24.
<b>Section 3.6, Providing Regulatory Opinions and Disclosures (now Providing Opinions and Disclosures to Meet Regulatory Requirements)</b>	
Comment	One commentator suggested clarifying the meaning of “regulatory opinion.”
Response	The reviewers clarified the language.



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<b>SECTION 4. COMMUNICATIONS AND DISCLOSURES</b>	
<b>4.1, Required Disclosures in an Actuarial Report</b>	
<b>4.1 (p)</b>	
Comment	One commentator suggested combining sections 4.1(p) and (g) because new anticipated experience factors don't need special documentation.
Response	The reviewers disagree and made no change.