

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of the proposed revision of ASOP No. 40, *Compliance with the NAIC Valuation of Life Insurance Policies Model Regulation with Respect to X Factors*, was issued in June 2023 with a comment deadline of September 15. Four 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. 40 Task Force and the Life Committee of the Actuarial Standards Board (ASB) carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the Life Committee.

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 were not significant are not reflected in the appendix, although they may have been adopted.

The term “reviewers” in appendix 2 includes the ASOP No. 40 Task Force, the ASB Life Committee, and the ASB. The section numbers and titles used in appendix 2 refer to those in the exposure draft, which are then cross referenced with those in the final standard.

TRANSMITTAL MEMORANDUM	
Question 1: Are there any areas where this ASOP would conflict with current practice? If so, please provide examples.	
Comment	No comments were received.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.2, Appointed Actuary	
Comment	One commentator noted that the actuarial report does not have to be completed by the appointed actuary.
Response	The reviewers agree and modified the language.
Comment	One commentator suggested clarifying the reliance language.
Response	The reviewers clarified the language.
Section 3.3, Creation of X Factor Classes	
Comment	Several commentators suggested clarifying language related to changing X factor classes.
Response	The reviewers agree and clarified the language.

Comment	One commentator suggested clarifying that the X factor classes are not required to vary by the listed risk characteristics.
Response	The reviewers clarified the language.
Comment	One commentator suggested expanding the reasons listed for changing X factor classes.
Response	The reviewers disagree and made no change.
Section 3.4, Anticipated Mortality	
Comment	One commentator suggested adding “where applicable” to the end of the first sentence.
Response	The reviewers clarified the language.
Section 3.5, Selection of X Factors	
Comment	One commentator suggested adding “If a particular plan or group of plans is strictly using X factors greater than or equal to 100%, these may but are not required to be opined upon.”
Response	The reviewers note the Model says, “If X is less than 100% for any policy... the appointed actuary shall annually opine for all policies subject to this regulation as to whether the mortality rates resulting from the application of X meet the requirements of Subsection B(3)” and made no change.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Comment	One commentator suggested adding section 3.5 to the reference in 4.1(b).
Response	The reviewers note that section 4.1(p) covers the disclosure for section 3.5 and made no change.
Comment	One commentator suggested clarifying section 4.1(i) and adding a reference to section 3.4.1.
Response	The reviewers clarified the language, now in section 4.1(j), and added the reference.
Comment	One commentator suggested restoring a disclosure that had been omitted in the prior draft.
Response	The reviewers restored the disclosure, now section 4.1(b).