

**Comment #15 – 12/15/14 – 6:01 p.m.**

I appreciate the opportunity to provide feedback on this topic. The following is Allstate's response to the questions from the ASB:

**1. Would an ASOP on life insurance and annuity pricing be beneficial to the profession?**

Additional guidance is typically valuable in maintaining the continued integrity and success of the profession. Aspects of the pricing process that could benefit most from codification in an ASOP would be the various considerations an actuary should review (e.g. is mortality improvement appropriate? which profit metrics could make sense in this context? etc). A pricing ASOP, if deemed necessary, could make it incumbent upon the actuary to consider the various assumptions and methods available before determining prices and expected future profitability. The choice of what methods to actually implement, however, should be left to the actuary's judgment, given the different goals, strategies, and perspectives found across companies.

**2. Are there areas where appropriate practice needs to be defined or current practice needs to be improved? If so, what are those areas?**

There are a wide range of pricing practices currently in use throughout the Industry. Often, there is not a "correct" textbook answer dictating what the most appropriate practice might be (e.g. fully allocated versus marginal pricing, stochastic versus deterministic approaches, Stat vs GAAP vs market consistent calculations, etc). Because ASOPs are binding on practicing actuaries, any pricing ASOP should take care not to exclude practices based on their perceived (lack of) popularity.

**3. Does the proposed ASOP cover the appropriate subject areas? If not, what changes do you suggest?**

If a pricing ASOP is deemed necessary, the outlined proposal does seem to encompass the relevant matters. But as mentioned above, given the variety and complexity of different methods, products, and features, any pricing ASOP should take care to avoid becoming unnecessarily prescriptive. To that end, some of the material included in the proposal may be better served by a Practice Note, rather than an ASOP. Examples could include what profit metrics to consider and how to calculate them, time horizon and discount rates to use, and other strategic and judgment-based items.

**4. How should the proposed ASOP interact with existing ASOPs that provide guidance regarding policyholder dividends and other nonguaranteed elements?**

It would seem that any pricing ASOP would need to at least reference ASOPs 2 and 15, and describe how and when each standard is to take precedence, to the extent there is overlap. The ASOP should also consider other relevant rules and regulations (e.g. SNFL) to avoid conflicting guidance.

Thank you for your consideration,

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