Comment #8 – 12/9/14 – 9:20 a.m.

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1. Would an ASOP on life insurance and annuity pricing be beneficial to the profession?
   - Yes, an ASOP to help guide the pricing actuary could be beneficial to the profession.
   - In order to avoid conflict with existing ASOPs, this ASOP should reference other ASOPs where necessary.
   - The ASOP should be broad enough to allow for differences in creativity and actuarial judgment.

2. Are there areas where appropriate practice needs to be defined or current practice needs to be improved? If so, what are those areas?
   - Additional controls should be recommended for the pricing process.
   - These controls could include:
     ➢ Disclosures to executive with documented acknowledgement of the risks involved in the pricing of the product
     ➢ Disclosures of key risks and assumptions
     ➢ Checks / Balances within the assumption setting process.
   - For products with significant capital-market exposure risk, the ASOP could suggest items to consider including:
     ➢ Counterparty risk
     ➢ Market availability during adverse market conditions
     ➢ Prolonged adverse policyholder behavior

3. Does the proposed ASOP cover the appropriate subject areas? If not, what changes do you suggest?
   - The proposed list of topics/subject areas provided in the request for comments was good. However, the ASOP should additionally consider:
     ➢ Creating controls and sign-offs for the pricing process:
       ➢ Add signoffs for who sets the assumption
       ➢ Potential separation of who prices the product and who creates/sets the assumption
       ➢ Signoffs for who determines final product prices / design features
     ➢ Additional levels of stress testing, in particular, for new, cutting edge products where the assumption sensitivities may not be known.
     ➢ Calling attention to the distribution/sales method
     ➢ Giving consideration to the commissions/incentive compensation structure.
Discussing the allocation of expenses to products

Calling attention to the practice of projecting various assumptions including:
- Mortality
- Expenses
- Interest rates

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

- The Life Pricing ASOP should be designed similarly to the P&C pricing ASOP (currently exposed) and ASOP 18 – Long Term Care Insurance. These ASOPs provide guidance as well as pointing to other ASOPs.
- The Life Pricing ASOP should be designed to point to:
  - ASOP 2 - Nonguaranteed Charges of Benefits for Life Insurance Policies and Annuity Contracts
  - ASOP 7 – Analysis of Life, Health, or Property/Casualty Insurer Cash Flows
  - ASOP 12 – Risk Classification
  - ASOP 15 – Dividends for Individual Participating Life Insurance, Annuities and Disability Insurance
  - ASOP 23 – Data Quality
  - ASOP 24 – Compliance with the NAIC Life Insurance Illustrations Model Regulation
  - ASOP 25 – Credibility Procedures
  - ASOP 38 – Using models outside the Actuary’s Area of Expertise
  - ASOP 41 – Actuarial Communications
  - Currently exposed ASOP for Modeling