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This document contains my comments regarding the March 2016 exposure draft of the proposed Actuarial Standard of Practice for Pricing of Life Insurance and Annuity Products. The opinions herein do not necessarily reflect the opinion of my employer.

Overall, the draft ASOP is well organized and very broad yet thorough.

Given the range of roles actuaries may have in the pricing of life insurance and annuity products, is the scope of the draft ASOP appropriate?

> The scope of this ASOP appears to exclude the pricing of group contracts, other than those with individual certificates. The considerations presented in this ASOP seem to be relevant and necessary in the pricing of all group life and annuities, regardless of how the contract forms are constructed. Whether policies, contracts, certificates, riders, endorsements, and/or amendments are used appears to be irrelevant in a pricing exercise. To expand the scope, I suggest that the statement that "The standard applies to life insurance and annuity products written on individual policy forms and group master contracts with individual certificates" be rewritten simply as "The standard applies to the pricing of group and individual life insurance and annuities."
>
> The scope of this ASOP is limited to only products "that will be sold in the future." I think the scope is too narrow. I think the scope should also include products that are being sold now. Oftentimes a product that is being currently sold needs to be re-priced given new regulation, emerging experience data, and/or changes in the economic environment. Furthermore, I think the scope should also include the pricing of adjustments to inforce contracts. Many of today's products contain non-guaranteed elements that can be changed post-issue (e.g., credited rates, COIs, annuitization factors, and GLWB charges). The considerations presented in this ASOP are relevant and necessary in these pricing exercises.

Section 3.2 – Selecting Profitability Metrics

> I don't think internal rate of return should be singled out in 3.2.1. Internal rate of return may not always be an appropriate measure. In fact, there are situations where the internal rate of return cannot be calculated or is meaningless.
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> Due to accounting rules or product design, some products have losses in the future. Therefore, for item (d) in 3.2.1, I suggest adding the words "and remains positive" to the end of the phrase (but before the semicolon).
>
> I suggest that the Task Force consider adding return on assets, a very commonly used profitability metric for annuities, to the list in 3.2.1.

I suggest the addition of three bullet points to 3.2.2:

- the accounting basis and time horizon;
- the strengths and weaknesses of each profitability metric; and
- the appropriate discount rate or rates for determining present values.

Section 3.4.3 – Assumption Setting

For item (a) which addresses investment assumptions, I suggest adding the words “that consider the expected timing of asset and liability cash flows” to the end of the phrase (but before the semicolon).