BY E-MAIL

August 31, 2016

Actuarial Standards Board

Re: Pricing of Life Insurance and Annuity Products Exposure Draft

Dear Actuarial Standards Board,

New York Life appreciates the opportunity to offer the following comments on the Pricing of Life Insurance and Annuity Products Exposure Draft. The specific requested responses are provided below, followed by comments organized by section.

1. Does the draft ASOP provide appropriate guidance to the actuary when providing actuarial services related to the pricing of life insurance and annuity products?

   - The comments below offer suggested changes to the guidance in the exposed ASOP.

2. 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?

   - We believe the scope is appropriate. We also agree that in the case of any conflict with regard to pricing, existing ASOPs should govern.

3. Does the draft ASOP address the range of products and pricing methodologies used in the industry?

   - Given the stated scope of the ASOP, we believe it addresses the range of products and pricing methodologies used in the industry.

4. Are the disclosures required in section 4 appropriate?

   - The disclosures are appropriate, with the addition of a suggested change in the comments below.

Section 2. Definitions

In the examples of charges given in section 2.3, we consider crediting spreads to be a common charge to include in the list.

Section 3. Analysis of Issues and Recommended Practices

In the list of characteristics given in section 3.1, we would like clarification of the meaning of "c. how the product will be sold". Does this refer to the distribution channel(s) for the product (captive agents, independent agents, direct marketing, etc.)?

Section 3.2 opens with "The actuary should select one or more appropriate profitability metrics", and then section 3.2.1 begins with "The actuary should consider using more than one profitability metric". We believe these can be interpreted as contradictory, as the first sentence implies that an actuary could reasonably select one metric, and the second sentence then implies that the actuary should select more than one. If the pricing actuary is able to rely on a single profitability metric, then the second sentence should read "The actuary <u>may</u> consider using more than one profitability metric".

We believe an additional consideration should be added to section 3.2.2: "the profitability metrics that are important to the principal".

Section 3.3 "Developing the Model Framework" should address flexibility of the model framework to take into account future innovation and changes. These could include future product developments or a change in regulation that create a need for new profitability metrics or analyses. This could be achieved by adding "The model framework should exhibit flexibility to address future product or regulatory changes and future innovation."

Section 3.3.j asks that the actuary consider "the degree to which the model framework is sufficiently transparent to support validation". We believe that the model framework should also be validated, not that it is only transparent enough to support validation.

We propose that an additional consideration to be added to section 3.3:

> "Reserve Methodology – the degree to which the model uses reserving methodologies, which may include those consistent with the accounting bases expected to be used in practice as well as additional voluntary reserves that may be set up in accordance with the company's reserving practices."

The addition of this consideration may require a definition of reserves in section 2.

Section 3.4.2.a should allow for the pricing actuary to rely on a separate experience studies actuary to determine the relevance and credibility of the experience underlying the assumptions used. As written, it seems to imply that the pricing actuary and the experience studies actuary are the same person.

We believe section 3.4.2.b could be enhanced by adding the following examples after the initial sentence:

> "Such reasons could include emerging trends in experience as well as emerging trends in technology that could result in policyholders exhibiting more economically efficient behavior over time."

Section 3.4.3 should also address expense assumptions that reflect sales expectations, any anticipated economies of scale, and any other anticipated management changes that would impact the expense assumptions for that product.

Section 3.4.4 implies that the actuary must use stochastic analysis when determining capital market assumptions. Stochastic analysis may not be necessary in every pricing exercise. Similarly, the requirement of comparing the cost of "a benefit that can be replicated using liquid capital market instruments… to the price of a comparable investment guarantee" seems overly prescriptive. This section could be reworded as:

> "If the actuary performs stochastic analysis, he or she should take into account the design of the product when determining whether to use market consistent assumptions or real

world assumptions. When analyzing a benefit that can be replicated using liquid capital market instruments, the actuary should consider comparing the cost of the benefit using market consistent assumptions to the price of a comparable investment guarantee observed in capital markets."

Section 4. Communications and Disclosures

Section 4.2 contains two subsections that are labeled "c". The second subsection "c" requires the actuary to disclose information regarding "the manner in which the actuary has evaluated the cost of risk". We believe that the actuary should also disclose the amount of risk involved and if the analysis has revealed any significant risks to the company.

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We are grateful for your time and attention to our comments. Please let us know if you would like to discuss this letter with us.

Sincerely,

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