

Comment #11 – 8/28/16 – 11:16 a.m.

Hello,

I had two brief comments on the Pricing of Life Insurance and Annuity Products Exposure Draft.

1. The scope of products covered is too broad to be included in one ASOP. At the very least, there should be an ASOP for Life Insurance Pricing, and an ASOP for Annuity Pricing. Even that may be too narrow, given the variety of product designs, investment strategies, policyholder behaviors, profit and loss patterns, and challenges of quantifying expected profits and risks. Ideally there should probably be an ASOP for UL, an ASOP for traditional products, an ASOP for immediate annuities, an ASOP for fixed deferred annuities and an ASOP for variable annuities.

2. I disagree with recommending that that IRR should always be considered as a pricing metric (3.2.1, second sentence of first paragraph), because IRR is no better than any of the other profit measures mentioned. Like the others, it has its own shortcomings and is not appropriate for every product type. Also, IRR is not a number that can always be calculated. Instead, it would be better to include IRR as one of the many profit measures the actuary may wish to select, similar to other profit measures mentioned.

I appreciate your work on the ASOP and your consideration of my comments.

Best regards,

Robert Dennison