

Comments wrt Life Insurance and Annuity Pricing ASOP
submitted by Kevin J Howard, FSA, MAAA

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

I believe that such an ASOP would be beneficial to the profession. I further believe it needs to be done carefully and ultimately supported by applicable Practice Notes to help support the actuary in following the ASOP.

The ASOP should take into consideration the unique nature of the pricing exercise which, unlike other actuarial exercises such as appraisals or valuations, encompass competitive and strategic considerations of the particular company in making the final decision to the retail price they will charge for the particular product.

In addition, I believe the ASOP should include appropriate consideration to language that would assist the actuary in expanding the analysis of a pricing actuary from a "best estimate" analysis of the given price, to one that associate a range of potential outcomes with appropriate provision for risk and uncertainty.

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

In addition to the comments I made in the last paragraph above, I believe that appropriate provisions needs to be made for the following areas:

- "new to the world" products or benefits - where there is no best practice previously created
- provision for volatility
- the pricing exercise encompassing the strategic decisions of management with respect to competitive position, method of distribution, etc

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

I believe the list is relatively exhaustive. However, as mentioned above, I am concerned that there will be too big a disconnect between the ASOP and "management adjustments".

I believe that the pricing exercise is inherently inter-connected with the management decisions of the company and that the actuary's role in working with management on design, marketing plans, competitive considerations, distribution method, investment strategy, etc. should be included in the ASOP.

/s/ Kevin J Howard, FSA, MAAA
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