

Comment #11 – 12/12/14 – 5:11 p.m.

To Whom It May Concern:

I work in an individual life insurance product management and pricing role. The purpose of this e-mail is to provide my thoughts on the proposed ASOP for Life Insurance and Annuity Pricing.

As stated in the request for comments, this ASOP would not include ‘developing the product’s design, marketing plan, investment strategy implementation, etc.’. Therefore, this ASOP would provide guidance on determining the amount to charge given the product design. Appropriate guidance already exists in the form of the ‘Code of Professional Conduct’ as well as existing ASOP’s:

Maximum Amount to Charge: The maximum amount that can be charged for a given product design is often dictated by state regulation. The ‘Code of Professional Conduct’ states that ‘Statutes, regulations, judicial decisions, and other statements having legally binding authority.’ Therefore, an ASOP that says to price life and annuity products while following regulations and statutes is not required. Adequate guidance in following regulations related to pricing exist in *ASOP 24: Compliance with the NAIC Life Insurance Illustrations Model Regulation*.

Amount of Non-Guaranteed Charges and Benefits: Guidance for determining the amount of non-guaranteed benefits to provide given a specified charge structure and the amount of non-guaranteed charges to collect given a benefit structure is adequately covered in other ASOP’s:

- *ASOP 2: Nonguaranteed Charges or Benefits for Life Insurance Policies and Annuity Contracts*
- *ASOP 15: Dividends for Individual Participating Life Insurance, Annuities, and Disability Insurance*

The charges for a life or annuity product are typically calculated based on a given profit target using an actuarial model. *ASOP 7: Analysis of Life, Health, or Property/Casualty Insurer Cash Flows* provides adequate guidance as it relates to appropriate model standards and communication of results and recommendations.

Segmentation of Risk Classes: Guidance for the segmentation of risk classes within a given product design and the determination of rates for each risk class is adequately covered in *ASOP 12. Risk Classification (for All Practice Areas)*

- ‘To the extent practical, the actuary should establish risk classes such that each has sufficient homogeneity with respect to expected outcomes to satisfy the purpose for which the risk classification system is intended.’
- ‘When establishing risk classes, the actuary should consider the reasonableness of the results that proceed from the intended use of the risk classes (for example, the consistency of the patterns of rates, values, or factors among risk classes).’

Use of Appropriate Data: In addition to the ASOP's mentioned above, ASOP's solely concerned with guidance on the use of appropriate data and methods in determining assumptions to be used for pricing already exist:

- *ASOP 23: Data Quality*
- *ASOP 25: Credibility Procedures*

Communication of Recommendations: In addition to the ASOP's mentioned above, ASOP's solely concerned with guidance on the documentation of and communication of results already exist:

- *ASOP 41: Actuarial Communications*

Please let me know if you have any additional questions,

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