ACTUARIAL STANDARDS BOARD

● SECOND EXPOSURE DRAFT ●

Proposed
Actuarial Standard
of Practice

Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans

Comment Deadline:
October 15, 2026

Developed by the
Reinsurance Pricing Task Force of the
Life Committee of the
Actuarial Standards Board

Approved for Exposure by the
Actuarial Standards Board
June 2026

TABLE OF CONTENTS

Transmittal Memorandum iv

Section 1. Purpose, Scope, Cross References, and Effective Date 1
1.1 Purpose 1
1.2 Scope 1
1.3 Cross References 2
1.4 Effective Date 2

Section 2. Definitions 2
2.1 Assuming Entity 2
2.2 Ceding Entity 2
2.3 Existing Reinsurance Transaction 2
2.4 Long-Duration Health Benefit Plan 2
2.5 Model Output 2
2.6 Nonguaranteed Reinsurance Element 3
2.7 Nonguaranteed Reinsurance Element Framework 3
2.8 Pricing 3
2.9 Profitability Analysis 3
2.10 Profitability Metric 3
2.11 Reinsurance Agreement 3
2.12 Reinsurance Transaction 3
2.13 Risk Capital 3
2.14 Sensitivity Analysis 3
2.15 Stochastic Analysis 3
2.16 Underlying Product 3

Section 3. Analysis of Issues and Recommended Practices 4
3.1 Pricing Considerations 4
3.1.1 Criteria of the Principal 4
3.1.2 Relevant Characteristics of the Reinsurance Transaction 4
3.1.3 Relevant Characteristics of the Ceding Entity and Underlying Products of the Reinsurance Transaction 5
3.1.4 Actual Experience from the Existing Reinsurance Transaction 6
3.2 Profitability Metrics 6
3.3 Pricing Assumptions 6
3.3.1 Assumption Setting 6
3.3.2 Assumption Margins 8
3.3.3 Consistency of Assumptions 8
3.3.4 Capital Market Assumptions 8
3.3.5 Documentation of Assumptions, Rationale, and Data Modifications 8
3.4 Models and Model Output 8
3.4.1 Model Development, Selection, and Evaluation 8
3.4.2 Model Output 10

3.5 Risk Evaluation 11
3.5.1 Sensitivity Analysis 11
3.5.2 Stochastic Analysis 11
3.5.3 Other Risk Evaluation Techniques 11
3.6 Renewal, Revision, or Termination of an Existing Reinsurance Transaction 11
3.7 Governance and Controls 12
3.8 Reliance on Another Party 12
3.9 Documentation 13

Section 4. Communications and Disclosures 13
4.1 Required Disclosures in an Actuarial Report 13
4.2 Additional Disclosures in an Actuarial Report 14
4.3 Confidential Information 14

APPENDIXES

Appendix 1—Background and Current Practices 15
Background 15
Current Practices 15

Appendix 2—Comments on the First Exposure Draft and Responses 17

June 2026

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans

FROM: Actuarial Standards Board (ASB)

SUBJECT: Proposed Actuarial Standard of Practice on Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans

This document contains the second exposure draft of a proposed ASOP, *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans*. Please review this second exposure draft and give the ASB the benefit of your comments and suggestions. Each comment letter received by the comment deadline will receive consideration by the drafting committee and the ASB.

The ASB appreciates comments and suggestions on all areas of this proposed standard. The ASB requests comments be provided using the Comments Template that can be found here and submitted electronically to **comments@actuary.org**. Include the phrase "Reinsurance Pricing ASOP COMMENTS" in the subject line of your message. Also, please indicate in the template whether your comments are being submitted on your own behalf or on behalf of a company or organization.

The ASB posts all signed comments received on its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted on the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

For more information on the exposure process, please see the ASB Procedures Manual.

Deadline for receipt of comments: **October 15, 2026**

History of the Standard

In February 2020, the task force revising ASOP No. 11, *Treatment of Reinsurance or Similar Risk Transfer Programs Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*, identified that only the financial reporting aspects of life insurance, annuity, and long-duration health benefit plan reinsurance are covered by ASOP No. 11 and that no other standard covers the pricing of reinsurance assumed for these products. ASOP No. 54, *Pricing of Life Insurance and Annuity Products*, specifically excludes the pricing of reinsurance assumed from its scope and does not cover any aspect of health benefit plans. The decision was made to

specifically exclude reinsurance because the requirements of pricing direct business are different from those of pricing reinsurance business. ASOP No. 54 does include reinsurance ceded as a risk mitigation technique.

Reinsurance is also specifically excluded from ASOP No. 2, *Nonguaranteed Elements for Life Insurance and Annuity Products*. In addition, ASOP No. 2 does not cover health benefit plans. Reinsurance was excluded because the requirements for managing nonguaranteed elements for a direct company are different than for an assuming company.

The ASB recognized that pricing of reinsurance assumed for life, annuities, and health benefit plans as well as management of nonguaranteed reinsurance elements are significant areas of practice that lacked guidance and therefore appointed a task force in April 2021 to develop a new ASOP on pricing reinsurance involving life insurance, annuities, and long-duration health benefit plans from an assuming company perspective.

First Exposure Draft

The first exposure draft was released in August 2024 with a comment deadline of November 1, 2024. Twelve comment letters were received and considered in making changes that are reflected in the second exposure draft.

Notable Changes from the First Exposure Draft

Notable changes from the first exposure draft included in this second exposure draft are summarized below. Notable changes do not include changes made to improve readability, clarity, or consistency.

1. In section 2, a definition of existing reinsurance transaction was added. Several other definitions were modified.

2. Section 3.2 was moved to section 3.1.4 and renamed Actual Experience from the Existing Reinsurance Transaction.

3. In section 3.3.1, guidance was added on actual experience.

4. Guidance on adjustments to pricing assumptions was modified and moved from section 3.4.5 to section 3.3.1.

5. Guidance on adjustments to the model was modified in sections 3.4.1 and 3.4.2.

6. In sections 3.6 and 3.7, guidance on the nonguaranteed reinsurance framework was added.

Request for Comments

The ASB appreciates comments and suggestions on all areas of this proposed standard submitted through the Comments Template. Rationale and recommended wording for any suggested changes would be helpful.

The ASB voted in June 2026 to approve this second exposure draft.

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The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

SECOND EXPOSURE DRAFT—June 2026

PROPOSED ACTUARIAL STANDARD OF PRACTICE

PRICING REINSURANCE OR SIMILAR RISK TRANSFER TRANSACTIONS INVOLVING LIFE INSURANCE, ANNUITIES, OR LONG-DURATION HEALTH BENEFIT PLANS

STANDARD OF PRACTICE

Section 1. Purpose, Scope, Cross References, and Effective Date

1.1 Purpose—This actuarial standard of practice (ASOP or standard) provides guidance to actuaries when performing actuarial services with respect to the **pricing** of **reinsurance transactions** or similar risk transfer transactions from the **assuming entity** perspective involving life insurance, annuities, or **long-duration health benefit plans**.

1.2 Scope—This standard applies to actuaries when performing actuarial services with respect to the **pricing** of **reinsurance transactions** or similar risk transfer transactions from the **assuming entity** perspective involving life insurance, annuities, or **long-duration health benefit plans**.

If the actuary is performing actuarial services that involve reviewing the **pricing** of such transactions from the **assuming entity** perspective, the actuary should follow the guidance in this ASOP to the extent practicable within the scope of the actuary's assignment.

This standard does not apply when the actuary's principal is the **assuming entity** and the actuary is **pricing** an **underlying product** on behalf of the **ceding entity**.

When performing actuarial services with respect to preparing actuarial appraisals, the actuary should also refer to ASOP No. 19, *Appraisals of Casualty, Health, and Life Insurance Businesses*.

This standard does not apply to actuaries performing actuarial services with respect to **pricing** reinsurance or similar risk transfer transactions for property/casualty coverages containing long-duration health benefits, which is covered by ASOP No. 53, *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention*. Examples of such coverages include workers compensation and automobile personal injury protection.

The standard does not include guidance on compliance with federal antitrust laws or the evaluation of other considerations (such as marketing, sales, and competition) that may affect the ultimate price of the **reinsurance transaction**.

If the actuary determines that the guidance in this standard conflicts with an ASOP that applies to all practice areas, this standard governs.

If a conflict exists between this standard and applicable law (statutes, regulations, and other legally binding authority), the actuary should comply with applicable law. If the actuary departs from the guidance set forth in this standard in order to comply with applicable law, or for any other reason the actuary deems appropriate, the actuary should refer to section 4.

1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should follow the guidance in this standard to the extent it is applicable and appropriate.

1.4 Effective Date—This standard is effective for actuarial services performed on or after four months after adoption by the Actuarial Standards Board.

Section 2. Definitions

The terms below are defined for use in this standard and appear in bold throughout the standard. The actuary should also refer to ASOP No. 1, *Introductory Actuarial Standard of Practice*, for definitions and discussions of common terms, which do not appear in bold in this standard.

2.1 Assuming Entity—An entity accepting risk from a **ceding entity** through a **reinsurance transaction**.

2.2 Ceding Entity—An entity transferring risk to an **assuming entity** through a **reinsurance transaction**.

2.3 Existing Reinsurance Transaction—A **reinsurance transaction** in which the **assuming entity** has priced and accepted risk or is already accepting risk through a **reinsurance agreement**.

2.4 Long-Duration Health Benefit Plan—An insurance policy or other financial arrangement that establishes health-related obligations for an extended period of time. Benefits may begin several years after plan inception or may extend for several years. Benefits may be on a reimbursement, indemnity, or service benefit basis. Examples of **long-duration health benefit plans** include long-term disability income, long-term care, and some critical illness and accidental death and dismemberment plans.

2.5 Model Output—Financial results generated from a model using a set of assumptions. **Model output** may be generated specifically for the **pricing** of the **reinsurance transaction** or another purpose such as an appraisal.

2.6 Nonguaranteed Reinsurance Element—An element of a **reinsurance transaction** that may be changed at the discretion of the **assuming entity**. Examples of **nonguaranteed reinsurance elements** may include yearly renewable term premiums, renewal rates or allowances, and **reinsurance transaction** termination.

2.7 Nonguaranteed Reinsurance Element Framework—The practices, methods, and criteria used by the **assuming entity** to determine **nonguaranteed reinsurance elements**.

2.8 Pricing—The process of determining initial or subsequent charges for, and benefits provided by, a potential **reinsurance transaction** or **existing reinsurance transaction**, including evaluating the profitability and underlying risks of the **reinsurance transaction**. Examples of potential charges and benefits include premiums, ceding commissions, allowances, death benefits, surrender benefits, indemnity benefits, income benefits, risk charges, and experience refunds.

2.9 Profitability Analysis—An evaluation of the expected or current financial results of a **reinsurance transaction** using a set of assumptions or actual experience, a specified model, and any specified **profitability metrics**.

2.10 Profitability Metric—A measurement used to assess the expected or current financial results of a **reinsurance transaction**. Examples of **profitability metrics** include internal rate of return, average return on equity, return on assets, profit margin, value of new business, embedded value, and break-even year.

2.11 Reinsurance Agreement—An agreement whereby one or more elements of risk contained in insurance contracts or self-insured benefit plans are transferred from a **ceding entity** to an **assuming entity** in return for some consideration.

2.12 Reinsurance Transaction—A transfer of one or more elements of risk through a **reinsurance agreement**. When the term "**reinsurance transaction**" is used in this standard, the term includes reference to similar risk transfer transactions, such as pension risk transfers, longevity swaps, financial reinsurance, retrocessions, and acquisitions of life, annuity, or long-duration health liabilities.

2.13 Risk Capital—The amount of capital a company chooses to hold to meet a business objective, given its risk profile.

2.14 Sensitivity Analysis—An analysis performed by changing an assumption or set of assumptions and comparing the results to those resulting from the baseline assumption(s).

2.15 Stochastic Analysis—An analysis performed using a model that estimates distributions of potential outcomes by allowing random variation in one or more inputs to the model.

2.16 Underlying Product—The source of the risk ceded in a **reinsurance transaction**. Examples of **underlying products** include life insurance, annuities, **long-duration health benefit plans**, pensions, and any associated riders.

Section 3. Analysis of Issues and Recommended Practices

3.1 Pricing Considerations—When **pricing** a **reinsurance transaction**, the actuary should take into account the criteria of the principal and the relevant characteristics of the **reinsurance transaction**, **ceding entity**, and **underlying products**. When applicable, the actuary should also take into account the actual experience from the **existing reinsurance transaction**.

3.1.1 Criteria of the Principal—Criteria of the principal may include the following:

a. choice of **profitability metrics**;

b. targets for **profitability metrics**, including any applicable considerations such as short-term versus long-term targets, situations where profits are expected to be followed by losses, and range of tolerance of profitability;

c. elements of the desired risk profile, such as the available capacity of the **assuming entity**, the potential variability in expected outcomes being considered, and level and cost of **risk capital**; or

d. how risk management and **nonguaranteed reinsurance element framework** policies and practices relate to the **pricing** of the **reinsurance transaction**.

3.1.2 Relevant Characteristics of the Reinsurance Transaction—Relevant characteristics of the **reinsurance transaction** may include the following:

a. the current profitability of the **existing reinsurance transaction**, if applicable;

b. the objective(s) of the **reinsurance transaction**;

c. the type(s) of **reinsurance transaction**, such as coinsurance, yearly renewable term (YRT), or stop loss;

d. the structure and parameters of the **reinsurance transaction**, including any current or anticipated **reinsurance agreement** provisions;

e. risks inherent in the **reinsurance transaction**, such as **ceding entity** optionality in the **reinsurance agreement** (for example, recapture or retention changes) or counterparty, financial, investment, regulatory, operational, and outsourcing risks (for example, those related to third-party administrators);

f. potential risk mitigation strategies, such as **nonguaranteed reinsurance elements**, retrocession, and hedging;

g. implications of the **nonguaranteed reinsurance element framework**, such as how and when the **nonguaranteed reinsurance elements** may be adjusted;

h. current or anticipated accounting and tax implications of the **reinsurance transaction**;

i. administration of the **reinsurance transaction**, such as any limitations in administrative or valuation systems; and

j. the effects of applicable law on the **reinsurance transaction**.

3.1.3 Relevant Characteristics of the Ceding Entity and Underlying Products of the Reinsurance Transaction—Relevant characteristics of the **ceding entity** and **underlying products** may include the following:

a. the financial strength of the **ceding entity**;

b. the past performance of the **underlying products** or related products, if applicable;

c. the implications of the design of the **underlying products**, such as optional riders, policyholder behavior, benefit features, or level of guarantees;

d. the target market for, sales volume of, and the competitive alternatives to the **underlying products**;

e. how the **underlying products** have been or will be sold, such as underwriting, distribution, and marketing;

f. how the **underlying products** have been or will be administered or managed, such as risk mitigation strategies or limitations in systems;

g. the experience, philosophy, and practices of the **ceding entity** regarding the processes that impact the economics of the **underlying products**, such as its approach to claims practices, business decisions, nonguaranteed elements, and risk mitigation;

h. the effects of applicable law on the **ceding entity** or the **underlying products**; and

i. the tax treatment of the **underlying products** as it applies to both the policyholder and the **ceding entity**.

3.1.4 Actual Experience from the Existing Reinsurance Transaction—When relevant actual experience from the **existing reinsurance transaction** is available, the actuary should take into account the following:

a. the credibility and quality of the experience data, as well as any lags in reporting;

b. any trends in the actual experience of the **existing reinsurance transaction** and whether the trends are significant and ongoing;

c. how much the actual experience from the **existing reinsurance transaction** has differed from anticipated experience or **pricing** assumptions; and

d. any changes to relevant characteristics listed in sections 3.1.2 and 3.1.3 that materially impact the anticipated experience or **pricing** assumptions of the **existing reinsurance transaction**.

3.2 Profitability Metrics—When reviewing or recommending the choice of **profitability metrics** for the **pricing** of a **reinsurance transaction**, the actuary should take into account the following:

a. the risks and characteristics of the **reinsurance transaction**;

b. the criteria of the principal;

c. the expected pattern of profits over time (for example, the pattern of gains and losses, however measured);

d. the anticipated duration of the **reinsurance transaction** including consideration of items such as rate guarantee period or recapture provisions;

e. any limitations of the **profitability metrics**; and

f. any other considerations that the actuary determines are relevant.

The actuary should consider using more than one **profitability metric** when **pricing** a **reinsurance transaction**.

When reviewing or recommending targets for **profitability metrics**, the actuary should take into account the risks and characteristics of the **reinsurance transaction** and the extent to which margins are incorporated within the targets for **profitability metrics**.

3.3 Pricing Assumptions—When **pricing** a **reinsurance transaction**, the actuary should use assumptions that are reasonable and that reflect anticipated experience.

3.3.1 Assumption Setting—When setting or reviewing **pricing** assumptions, the actuary should use relevant experience, including actual experience from an **existing**

reinsurance transaction, when available. When using such experience, the actuary should refer to ASOP No. 23, *Data Quality*, and ASOP No. 25, *Credibility Procedures*, for guidance.

The actuary should evaluate the **pricing** assumptions, as applicable, taking into account the extent to which

a. assumptions reflect relevant trends in the experience;

b. assumptions reflect anticipated trends that are not in the experience;

c. mortality or morbidity assumptions reflect the effects of risk selection, risk classification, and **underlying product** features such as conversion, guaranteed purchase options, and extension of benefits;

d. sales mix assumptions reflect the current or anticipated distribution of sales across modeling cells;

e. investment assumptions (for example, reinvestment, asset default, or investment expenses assumptions) and economic market assumptions, where appropriate, reflect real-world or market-consistent theory;

f. the effect of policyholder optionality is reflected in the assumptions, for example, timing of lapse or amount of partial withdrawal;

g. expense assumption methodology and allocation, including inflation or expense efficiencies, are reflected in the assumptions;

h. discount rates used for the selected **profitability metric(s)** are appropriate;

i. assumptions reflect the **assuming entity's** and **ceding entity's** capacity and intent with regard to in-force management, for example, the amount of business intended to be written, the **nonguaranteed reinsurance element framework**, or the **ceding entity's** framework for nonguaranteed elements and dividends;

j. assumptions interact and may require adjustment, for example, mortality may need to be adjusted when lapses are expected to increase; and

k. assumptions reflect other relevant characteristics of the **reinsurance transaction** and the **underlying products** as described in sections 3.1.2 and 3.1.3, respectively.

If the actuary determines that the **pricing** assumptions are not appropriate, the actuary should recommend adjustments to the **pricing** assumptions.

3.3.2 Assumption Margins—The actuary should consider including a margin in the assumptions. When determining whether and how to include assumption margins, the actuary should take into account the following:

a. the degree of uncertainty in the assumptions due to lack of relevant, credible entity or industry experience data to support the assumptions;

b. whether the degree of uncertainty may vary over different periods of time within the time horizon of the model; and

c. the extent to which the risks inherent in the **reinsurance transaction** may be reduced by risk mitigation strategies.

The actuary should take into account whether the level of margin is appropriate in aggregate, especially if applying margins to multiple assumptions or targets for **profitability metrics** (see section 3.2).

3.3.3 Consistency of Assumptions—The actuary should use assumptions that reflect any interdependencies with each other, are consistent with current and anticipated **assuming entity** practices, and, where appropriate, are consistent with similar assumptions used for other purposes within the **assuming entity**. When evaluating consistency of assumptions, the actuary should consider making adjustments for any special circumstances that may arise when the **assuming entity** is an affiliate or captive.

3.3.4 Capital Market Assumptions—When analyzing the cost of 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 to assess how well the results of the analysis align with the profitability goals and risk management policy of the principal.

3.3.5 Documentation of Assumptions, Rationale, and Data Modifications—The actuary should document the assumptions, the rationale for the assumptions including how the views of experts were considered or incorporated, and any modifications made to previous assumptions and data sources. If margins are included in assumptions, the actuary should document the approach used and, to the extent practicable, the margin component of each assumption.

3.4 Models and Model Output—The actuary should use one or more models or sets of **model output** to support the **pricing** of the **reinsurance transaction** in a manner that is consistent with the criteria of the principal and that appropriately represent the characteristics of the **reinsurance transaction**.

3.4.1 Model Development, Selection, and Evaluation—When developing, selecting, or evaluating a model to support the **pricing** of the **reinsurance transaction**, the

actuary should refer to ASOP No. 56, *Modeling*. In addition, the actuary should confirm that the model accommodates the characteristics of the **reinsurance transaction** and the selected **profitability metrics** and reasonably simulates the future financial impact of the **reinsurance transaction**. When doing so, the actuary should take into account the following, if applicable:

a. Time Horizon—The degree to which the model extends over a sufficient time period such that the risks of the **reinsurance transaction** are adequately captured;

b. Characteristics of the Reinsurance Transaction and the Underlying Products—The degree to which the model captures the characteristics of the **reinsurance transaction** and the **underlying products** as described in sections 3.1.2 and 3.1.3, respectively;

c. Dynamic Assumptions—The degree to which the model reflects how certain **pricing** assumptions, such as policyholder behavior assumptions, may vary based on other factors;

d. Granularity—The degree to which the model accommodates the necessary detail of model components, such as time intervals, modeling cell structure, and **pricing** assumptions that vary by modeling cell to appropriately represent the current or expected profitability and underlying risk of the **reinsurance transaction**;

e. Asset Returns—The degree to which the model accommodates asset returns consistent with how returns are currently or are expected to be recognized and allocated;

f. Economic Scenarios—The degree to which the model accommodates scenarios that represent an appropriate range of future economic conditions;

g. Accounting Bases and Actuarial Methods—The degree to which the model accommodates the accounting standards and practices (for example, statutory, GAAP, and tax) and the actuarial assumptions and methods used to calculate reserves and other actuarial balances that underlie the **profitability metrics** to be used in **pricing** the **reinsurance transaction**;

h. Risk Capital Framework—The degree to which the model accommodates the principal's current or expected **risk capital** framework (for example, statutory or rating agency);

i. Taxes—The degree to which the model accommodates the current or expected tax structure, given the **reinsurance transaction**, the tax position of the **assuming entity**, and the **assuming entity's** tax allocation practices;

j. Risk Evaluation—The degree to which the model accommodates an appropriate method to evaluate risks, as described in section 3.5;

k. Risk Mitigation—The degree to which the model accommodates current or expected risk mitigation strategies to support the **reinsurance transaction**;

l. Model Validation—The degree to which the model is sufficiently transparent to support validation; and

m. Other Items—Any other items the actuary determines are relevant to the model, for example, third-party counterparty risk beyond the **ceding entity** and **assuming entity**.

The actuary should document how applicable items in sections 3.4.1(a)–3.4.1(l) and any other items associated with 3.4.1(m) were taken into account.

In addition, the actuary should document techniques and analysis used to select or evaluate the model, including any adjustments or updates made to or recommended for the model.

3.4.2 Model Output—When using **model output** to support the **pricing** of a **reinsurance transaction**, the actuary should determine whether the **model output** reasonably reflects the characteristics of the **reinsurance transaction**. When doing so, the actuary should take into account the following, if applicable:

a. the **pricing** assumptions used to generate the **model output**;

b. the intended purpose of the model that produced the **model output**;

c. the principal's targets for **profitability metrics**;

d. the extent to which the **model output** reflects the risks and characteristics of the **reinsurance transaction** and **underlying products**; and

e. any other information available to assess the **model output**.

If the actuary determines that the **model output** does not reasonably support the **pricing** of the **reinsurance transaction**, the actuary should review or recommend reviewing model inputs, model assumptions, and modeling methodology and make or recommend adjustments to the model to reasonably support the **pricing** of the **reinsurance transaction**. Alternatively, the actuary may adjust or recommend adjusting the **model output** to appropriately support the **pricing** of the **reinsurance transaction**. The actuary should document any analysis or rationale for adjustments made to the model or **model output** to support the **pricing** of the **reinsurance transaction**.

3.5 Risk Evaluation—When performing a **profitability analysis**, the actuary should evaluate the risks in the **reinsurance transaction**.

3.5.1 Sensitivity Analysis—The actuary should consider using **sensitivity analysis** to evaluate the impact of variations in assumptions on the results of the **profitability analysis** and should consider performing more analysis for assumptions that have a significant impact on the financial results than for assumptions that have less impact.

3.5.2 Stochastic Analysis—The actuary may use **stochastic analysis** to evaluate the distribution of the results of the **profitability analysis**. When performing **stochastic analysis**, the actuary should

a. use an appropriate type, range, and number of scenarios;

b. model variations in key assumptions, such as interest rates or equity returns; and

c. evaluate the results of the **profitability analysis** both in aggregate and for a selection of individual scenarios.

3.5.3 Other Risk Evaluation Techniques—The actuary may use other risk evaluation techniques, as appropriate.

The actuary should take into account the expected effectiveness of anticipated risk mitigation strategies.

3.6 Renewal, Revision, or Termination of an Existing Reinsurance Transaction—When reviewing an **existing reinsurance transaction**, the actuary may recommend the **existing reinsurance transaction** be renewed, revised, or terminated for new business. The actuary may also recommend revisions be made to **nonguaranteed reinsurance elements**.

When making such recommendations, the actuary should use the results of a **profitability analysis** and, if within the scope of the assignment, take into account the **nonguaranteed reinsurance element framework**. The actuary should also take into account the following, if applicable:

a. whether the **profitability analysis** needs to be updated;

b. how the **existing reinsurance transaction** is performing;

c. competitive pressure or strategic objective;

d. whether changes to the **nonguaranteed reinsurance elements, nonguaranteed reinsurance element framework,** or the **existing reinsurance transaction** are needed and to what extent such changes meet the criteria of the principal;

e. limitations to making changes to the **nonguaranteed reinsurance elements**;

f. business or **reinsurance agreement** implications of making changes to the **nonguaranteed reinsurance elements**, such as triggering a recapture; and

g. other considerations the actuary determines to be relevant to the **existing reinsurance transaction** or portfolio of **existing reinsurance transactions** from the **ceding entity**.

The actuary should document the recommendations and supporting analysis for the recommendations.

3.7 Governance and Controls—The actuary should use, or, if appropriate, may rely on others to use, reasonable governance and controls over the actuarial services provided as part of **pricing** the **reinsurance transaction**. Governance and controls may include the following:

a. effective oversight of methods, assumptions, and approximations used in **pricing** the **reinsurance transaction**;

b. effective oversight of the **nonguaranteed reinsurance element framework** and its impact on **nonguaranteed reinsurance elements**;

c. review of assumptions and other aspects by another knowledgeable person who conducts the review in an objective manner;

d. confirmation that **pricing** parameters are correctly implemented, for example, in the **reinsurance agreement** or in the systems that administer and monitor the **reinsurance transaction**; and

e. conformity with applicable law (for example, S*tatement of Statutory Accounting Principle*s [*SSAP*] *No. 61—Life, Deposit-Type and Accident and Health Reinsurance*) and other agreements (for example, nondisclosure agreement or services agreement).

For guidance on governance and controls of **pricing** models, the actuary should refer to ASOP No. 56, *Modeling*.

3.8 Reliance on Another Party—When relying on another party and thereby disclaiming responsibility for

a. data and other information relevant to the use of data, the actuary should refer to ASOP No. 23.

b. a model, the actuary should refer to ASOP No. 56.

c. assumptions and methods prescribed by another party, the actuary should review the assumption or method for reasonableness and consistency with other assumptions and methods to the extent practicable and appropriate within the scope of the actuary's assignment.

d. any other item not addressed above (including assumptions and methods provided but not prescribed by another party), the actuary should review the item for reasonableness and consistency to the extent practicable and appropriate within the scope of the actuary's assignment. In addition, the actuary should be reasonably satisfied that the reliance is appropriate, taking into account the following, as applicable:

   1. when the other party is an actuary, whether the actuary knows that the other party is appropriately qualified and has followed applicable ASOPs;

   2. whether the actuary knows that the other party has expertise in the applicable field;

   3. whether the actuary knows the other party's stated purpose for the item and the extent to which it is consistent with the actuary's intended purpose; and

   4. whether the actuary knows of differences of opinion within the other party's field of expertise that are material to the actuary's use of the item.

3.9 Documentation—In addition to the documentation requirements throughout the rest of section 3, the actuary should consider preparing and retaining documentation to support compliance with the other requirements of section 3 and the disclosure requirements of section 4. When preparing documentation, the actuary should consider preparing documentation in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary's work. The amount, form, and detail of the documentation should be based on the professional judgment of the actuary and may vary with the complexity and purpose of the actuarial services. In addition, the actuary should refer to ASOP No. 41, *Actuarial Communications,* for guidance related to the retention of file material other than that which is to be disclosed under section 4.

Section 4. Communications and Disclosures

4.1 Required Disclosures in an Actuarial Report—When issuing an actuarial report, the actuary should refer to ASOP Nos. 11, *Treatment of Reinsurance or Similar Risk Transfer Programs Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports*; 23; 25; 41; and 56. In addition, the actuary should disclose the following in such actuarial reports, if applicable:

a. the criteria of the principal (see section 3.1.1);

b. relevant characteristics of the **reinsurance transaction** (see sections 3.1.2 and 3.1.3);

c. the **profitability metrics** and targets used and any limitations of the **profitability metrics** (see section 3.1.1 and 3.2);

d. **pricing** assumptions, including how they were developed, any margins included in the assumption, and the extent to which assumptions are consistent with other assumptions, and any recommended updates to assumptions (see section 3.3);

e. considerations used with respect to the model or **model output**, including any aspects of the model or **model output** that may not meet the criteria of the principal or any adjustments or updates made to or recommended for the model or **model output** related to the **reinsurance transaction** (see section 3.4);

f. the techniques used and the results of the risk evaluation, including the results of the **profitability analysis** and any **sensitivity analysis** or **stochastic analysis** (see section 3.5);

g. recommendations for renewal, revision, or termination of a **reinsurance transaction** and the implications of any recommended **nonguaranteed reinsurance element** changes (see section 3.6);

h. any governance and controls for **pricing** the **reinsurance transaction** used by the actuary, and any reliance on others for such governance and controls (see section 3.7); and

i. any reliance on information provided by another party (see section 3.8).

4.2 Additional Disclosures in an Actuarial Report—The actuary also should include disclosures in an actuarial report in accordance with ASOP No. 41 for the following circumstances:

a. if any material assumption or method was prescribed by applicable law;

b. if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary; or

c. if, in the actuary's professional judgment, the actuary has deviated materially from the guidance of this standard.

4.3 Confidential Information—Nothing in this standard is intended to require the actuary to disclose confidential information.

Appendix 1

Background and Current Practices

Note: This appendix is provided for informational purposes and is not part of the standard of practice.

Background

Reinsurance is a key risk mitigation technique for ceding companies. Reinsurance provides ceding companies with, for example, the ability to write more business, free up capital, mitigate claims volatility, or transfer risk. Reinsurance or risk transfer is a business-to-business transaction. As such, the pricing and management of pricings has been left to companies. Accounting rules for reinsurance, such as SSAP 61 and Appendix A-791, identify what reinsurance is, risk transfer rules, and the associated accounting.

Over the last 20 years, reinsurance of life and health risks has evolved through the use of financial markets, affiliated companies, offshore entities, and financial reinsurance (such as surplus relief or reserve financing). Although reinsurance has been a key risk mitigation technique, pricing of reinsurance from the assuming entity's perspective is not addressed in any other ASOP.

A diverse set of transactions and types of companies are involved in life and health reinsurance. The transactions may involve risks transferred 1) between unaffiliated or affiliated entities, 2) from entities such as pension plan sponsors or property/casualty entities, or 3) through risk financing systems (such as securitization products or sponsored reinsurance pools and programs). Transactions have become more complex, such as including yearly renewable term (YRT) in a coinsurance transaction or experience refunds in modified coinsurance. Additionally, the practices reinsurers use to price and manage nonguaranteed reinsurance elements have drawn increased attention.

In addition, risk transfer marketplaces have grown substantially, and many insurers have risk transfer lines of business, such as pension risk transfers, longevity swaps, or acquisitions. Because risk transfers have similar pricing considerations and practices as reinsurance, the definition of a reinsurance transaction in this ASOP includes similar risk transfers.

Current Practices

Pricing reinsurance or similar risk transfer transactions for life insurance, annuities, or long-duration health benefit plans typically requires developing an actuarial model using anticipated experience to measure the risks inherent in the reinsurance transaction and the expected or potential future profit. Setting the assumptions for anticipated experience is typically the responsibility of the actuary. The actuary also reviews actual experience to analyze the reinsurance transaction and may recommend changes to the reinsurance transaction if needed. Impacts to the ceding company flow through to the assuming company and ultimately affect the profitability of the reinsurance transaction. The actuary also assists

with model building and evaluating model output to evaluate the reinsurance transaction both at initial pricing and later repricing of the transaction, if applicable. For such pricing activities, the actuary is typically involved in documenting items such as pricing memos, assumption setting, or reinsurance agreements.

Examples of existing trends that are expected to affect the pricing of reinsurance of life insurance, annuities, and long-duration health benefit plans include the following:

- Increased complexity in reinsurance structures to address specific reinsurance needs;
- Principle-based approaches in statutory accounting requirements to provide more flexibility and responsibility for actuaries in establishing the assumptions and methods that are used in that context for life insurance and annuity products; and
- Changes to health care regulations that affect the ability of long-duration health benefit plans to adjust rates.

Appendix 2

Comments on the First Exposure Draft and Responses

The first exposure draft of *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans* was issued in August 2024 with a comment deadline of November 1, 2024. Twelve comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term "commentator" may refer to more than one person associated with a particular comment letter. The Reinsurance Pricing Task Force of the Actuarial Standards Board (ASB) carefully considered all comments received, and the ASB and ASB Life and Health Committees reviewed (and modified, where appropriate) the changes proposed by the task force.

Summarized below are the significant issues and questions contained in the comment letters and the responses. Suggestions for minor wording or punctuation changes are not reflected in the appendix, although they may have been adopted.

The term "reviewers" in appendix 2 includes the Reinsurance Pricing Task Force, the ASB Life Committee, and the ASB. The section numbers and titles used in appendix 2 refer to those in the exposure draft, which are then cross referenced with those in the new exposure draft.

GENERAL COMMENTS	
Comment	One commentator suggested outlining how the ASOP applies to brand-new transactions vs. restatements/amendments to existing ones.
Response	The reviewers note the definition of pricing includes initial and subsequent pricing.
Comment	One commentator said more than two companies could be involved in a transaction.
Response	The reviewers believe the language covers complex situations and made no change in response to this comment.
Comment	Two commentators expressed concern about the practicality and applicability of the ASOP as drafted.
Response	The reviewers clarified the language in section 3.1.
Comment	One commentator suggested restricting the scope to new business reinsurance pricing.
Response	The reviewers believe the ASOP is appropriate as drafted and made no change in response to this comment.
Comment	One commentator questioned what products and product lines were in scope.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator said the standard does not address novation.
Response	The reviewers note that the ASOP applies to actuaries when performing actuarial services with respect to the pricing of reinsurance transactions or similar risk transfer transactions from the assuming entity perspective and made no change in response to this comment. The ASOP does not address costs to the cedent.

Comment	One commentator said that by allowing the use of model output from an appraisal, cash flow testing, or other financial model for pricing reinsurance, the requirements of this standard could potentially be circumvented because the scope specifically excludes appraisals.
Response	The reviewers disagree with the comment but modified the language related to ASOP No. 19, *Appraisals of Casualty, Health, and Life Insurance Businesses*, in section 1.2.
Comment	One commentator said that the requirements of the standard should be clearer in requiring prospective profitability standards that reflect the current duration of the treaty.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested adding specific documentation requirements.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	Two commentators suggested adding more qualifying language throughout the ASOP regarding applicability, materiality, practicality, and actuarial judgment.
Response	The reviewers believe that some of the changes made in response to specific comments address these concerns, and note that ASOP No. 1, *Introductory Standard of Practice*, addresses materiality, practicality, and professional judgment.
Comment	One commentator suggested that many considerations in this draft are addressed in other ASOPs and that reinsurance pricing and risk transfer could be incorporated into those ASOPs.
Response	The reviewers note that reinsurance pricing from the assuming entity's perspective is not addressed in any other ASOP.
Comment	One commentator suggested adding a section for redetermination of in-force nonguaranteed reinsurance elements in section 3.
Response	The reviewers added language related to the nonguaranteed reinsurance framework in sections 3.6 and 3.7.
TRANSMITTAL MEMO QUESTIONS	
1. Does the ASOP scope appropriately cover reinsurance pricing involving life and annuity products? If not, please explain and suggest language.	
Comment	One commentator said yes.
2. Does the ASOP scope appropriately cover reinsurance pricing involving long-duration health benefit plans? If not, please explain and suggest language.	
Comment	Responses to this question were moved and addressed in specific sections below.
3. Does the ASOP provide appropriate guidance to cover the scope of reinsurance pricing activities? If not, please explain and suggest language.	
Comment	One commentator expressed concern that the draft was overly broad and potentially inadvertently restrictive.
Response	The reviewers believe that some of the changes made in response to more specific comments address some of the commentator's concerns.
Comment	One commentator said that the ASOP should recognize the difference between initial pricing of a new transaction and an addition/extension of an in-force transaction through an amendment.
Response	The reviewers believe the draft recognizes this difference.

4. Does the ASOP provide appropriate guidance related to nontraditional reinsurance or risk transfer activities, for example, captive or affiliate reinsurers and pension risk transfer? If not, please explain and suggest language.	
Comment	One commentator said yes.
Comment	One commentator suggested clarifying the types of risk transfer covered and not covered by the ASOP, for example, a transaction that qualifies as US Stat risk transfer but not US GAAP risk transfer.
Response	The reviewers believe the guidance is clear and made no change in response to this comment.
Comment	Other responses to this question were moved and addressed in specific sections below.
5. Does the ASOP provide appropriate guidance on pricing-related activities (such as administration and treaties) and pricing activities subsequent to initial pricing (such as monitoring and NGE management)? If not, please explain and suggest language.	
Comment	One commentator said there was not enough guidance for pricing activities subsequent to initial pricing.
Response	The reviewers disagree, believe the guidance is appropriate, and made no change in response to this comment.
Comment	Other responses to this question were moved and addressed in specific sections below.
6. Are there any reinsurance or similar risk transfer structures that do not fit or are not addressed by the guidance provided that should be? If so, please explain and suggest language.	
Comment	One commentator said no.
Comment	One commentator suggested the standard should consider discontinued/runout blocks versus going-concern blocks of business.
Response	The reviewers believe this is addressed in section 3.6 and made no change in response to this comment.
Comment	One commentator suggested the standard should specifically address modified coinsurance and funds withheld reinsurance structures.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	Other responses to this question were moved and addressed in specific sections below.
SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.1, Purpose	
Comment	Two commentators suggested adding more examples of product types and specifically excluding certain forms of reinsurance.
Response	The reviewers believe the language is appropriate and made no change.
Comment	One commentator suggested adding retrocessionaires.
Response	The reviewers believe retrocessionaires are included in the definitions in sections 2.1 and 2.2 and made no change.

Section 1.2, Scope	
Comment	One commentator questioned why there were exceptions to the applicability of the standard.
Response	The reviewers believe the exceptions are appropriate and made no change in response to this comment.
Comment	One commentator thought carving out pricing from the ceding entity's perspective was redundant.
Response	The reviewers deleted the paragraph. The reviewers believe the carveout is appropriate, as the ASOP covers pricing from the assuming entity perspective, and note, for example, ASOP No. 54, *Pricing of Life Insurance and Annuity Products*, covers such situations from the ceding entity's perspective.
Comment	One commentator suggested adding more examples of product types and specifically excluding certain forms of reinsurance.
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Comment	One commentator suggested mentioning that the ASOP applies to financial reinsurance.
Response	The reviewers agree and included financial reinsurance in the definition of reinsurance transaction.
Comment	One commentator suggested adding applicable, material, and professional judgment when the actuarial services involve reviewing.
Response	The reviewers believe the language is appropriate, note the language is consistent with other ASOPs, and made no change in response to this comment.
Comment	One commentator suggested adding a contractual provision in a reinsurance agreement to the paragraph on applicable law.
Response	The reviewers believe the language is appropriate, note the language is consistent with other ASOPs, and made no change. The reviewers also note the consideration of contractual provisions is covered in section 3.
Comment	One commentator suggested adding that the actuary must comply with the terms of the reinsurance agreement if it conflicts with the standard.
Response	The reviewers disagree with the need to add such language, note that section 3.1.2(d) refers to the reinsurance agreement as a consideration, and made no change in response to this comment.
SECTION 2. DEFINITIONS	
Sections 2.1, Assuming Entity, and 2.2, Ceding Entity	
Comment	One commentator noted that only assuming and ceding entities are described.
Response	The reviewers believe assuming entities and ceding entities are appropriate and made no change in response to this comment.
Section 2.3, Long-Duration Health Benefit Plan (now section 2.4)	
Comment	One commentator suggested reordering the examples.
Response	The reviewers believe reordering the examples is unnecessary and made no change in response to this comment.
Comment	One commentator said the definition was vague.
Response	The reviewers believe the definition is appropriate and made no change in response to this comment.

Section 2.4, Model Output (now section 2.5)	
Comment	One commentator suggested removing the reference to appraisals.
Response	The reviewers disagree, noting that appraisal output can be used in estimating reinsurance pricing, but modified the language.
Section 2.5, Nonguaranteed Reinsurance Element (now section 2.6)	
Comment	One commentator suggested including rights of the cedent.
Response	The reviewers believe the definition is appropriate but modified the language to address cedent optionality in section 3.1.2(e).
Comment	One commentator suggested making the definition more consistent with the definition in ASOP No. 11, *Treatment of Reinsurance or Similar Risk Transfer Programs Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports.*
Response	The reviewers believe the definition is appropriate and made no change in response to this comment.
Comment	One commentator suggested deleting "at the discretion of the entity" and adding language about the terms of the reinsurance agreement.
Response	The reviewers believe the definition is appropriate and made no change in response to this comment.
Comment	One commentator suggested adding "can" before "include" in the list of examples, because not all YRT premiums are nonguaranteed.
Response	The reviewers agree and added "may."
Section 2.7, Pricing (now section 2.8)	
Comment	One commentator noted that the definition does not include "risk charge."
Response	The reviewers added "risk charge."
Comment	One commentator suggested separate definitions for initial pricing and in-force repricing.
Response	The reviewers disagree and made no change.
Section 2.9, Profitability Metric (now section 2.10)	
Comment	One commentator suggested enhancing profit margin and removing embedded value from the list of examples.
Response	The reviewers did not expand on profit margin but separated embedded value and value of new business.
Comment	One commentator suggested adding "actual or proposed" before financial results and adding "loss ratio."
Response	The reviewers disagreed with changing the definition of profitability metric but modified the definition of profitability analysis.
Section 2.11, Reinsurance Transaction (now section 2.12)	
Comment	One commentator suggested clarifying that reinsurance transaction includes retrocessions.
Response	The reviewers added retrocessions to the list of examples.

Comment	One commentator said the meaning of "acquisitions" was unclear because acquisitions are carved out of scope in section 1.2.
Response	The reviewers believe the definition is appropriate and made no change in response to this comment.
Comment	One commentator suggested adding "indemnity" before "reinsurance agreement."
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Section 2.12, Risk Capital (now section 2.13)	
Comment	One commentator suggested deleting "chooses to."
Response	The reviewers disagree and made no change.
Section 2.15, Underlying Product (now section 2.16)	
Comment	One commentator suggested modifying the definition to "the original source of risk pooling or risk transfer in the business in scope for the reinsurance transaction."
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding more examples of underlying products.
Response	The reviewers believe the language is appropriate and made no change.
Proposed Section, Life Insurance and Annuities	
Comment	One commentator suggested defining life insurance and annuities.
Response	The reviewers believe that life insurance and annuities are commonly understood terms and that a definition is unnecessary.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Pricing Considerations	
Comment	One commentator suggested changing "should take into account" to "should consider."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested defining principal.
Response	The reviewers note that principal is defined in the Code of Professional Conduct as a client or employer of the actuary, and made no change in response to this comment.
Section 3.1.1, Criteria of the Principal	
Comment	One commentator suggested adding language similar to that in ASOP No. 2, *Nonguaranteed Elements for Life Insurance and Annuity Products*, to the criteria of the principal.
Response	The reviewers believe the definition of the nonguaranteed reinsurance element framework is appropriate for this ASOP and made no change in response to this comment.
Section 3.1.1(b)	
Comment	One commentator suggested deleting "profit or loss experience to date."
Response	The reviewers agree and made the change.

Comment	One commentator suggested modifying the last phrase to "confidence in or credibility of pricing assumptions."
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested adding "if applicable."
Response	The reviewers deleted "profit and loss experience" in response to another comment.
Comment	One commentator suggested adding concessions given to the cedent.
Response	The reviewers note that this section is a non-exhaustive list of examples and made no change.
Section 3.1.2, Relevant Characteristics of the Reinsurance Transaction	
Comment	One commentator suggested adding "assets held in support of the reinsurance transaction, including any requirements in the reinsurance agreement and whether the assets are held by the ceding entity or assuming entity."
Response	The reviewers disagree with the addition but modified 3.1.2(d) and (e).
Comment	One commentator suggested explicitly mentioning the risks retained by the ceding company as a characteristic of the reinsurance transaction.
Response	The reviewers believe that the guidance is appropriate, note that this section is a non-exhaustive list of examples, and made no change in response to this comment.
Section 3.1.2(a)	
Comment	One commentator suggested changing "profitability" to "profit or loss profile."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested changing 3.2.1(a) to "The inception to date profitability (or from the previous determination, if applicable) of the existing reinsurance transaction."
Response	The reviewers disagree and made no change in response to this comment.
Section 3.1.2(c)	
Comment	One commentator suggested changing the language to "the type(s) of reinsurance utilized in a given transaction, such as coinsurance, yearly renewable term (YRT), or stop-loss."
Response	The reviewers added "(s)" to types and note the list is not exhaustive.
Section 3.1.2(e)	
Comment	One commentator suggested adding misalignment of interest.
Response	The reviewers note that this section is a non-exhaustive list of examples and made no change in response to this comment.
Comment	One commentator suggested moving ceding company retention to 3.1.2(d).
Response	The reviewers modified the language in response to another comment.

Section 3.1.2(f)	
Comment	One commentator suggested that risk mitigation strategies also lie in the reinsurance contract itself.
Response	The reviewers note that this section is a non-exhaustive list of examples and made no change in response to this comment.
Comment	One commentator suggested adding nonguaranteed reinsurance elements.
Response	The reviewers agree and made the change.
Proposed subsection in section 3.1.2	
Comment	One commentator suggested adding "constraints on the ability to revise NGRE scales to reflect future changes in anticipated experience factors (for example, guaranteed elements, contractual limitations, development and implementation cost, systems constraints)," between (f) and (g).
Response	The reviewers note that this section is a non-exhaustive list of examples and made no change in response to this comment.
Section 3.1.3, Relevant Characteristics of the Ceding Entity and Underlying Products of the Reinsurance Transaction	
Comment	One commentator suggested adding asset/investment information.
Response	The reviewers modified section 3.1.2(e).
Comment	One commentator suggested adding an item on the effect on pricing of ceding company risk mitigation strategies.
Response	The reviewers modified the language in section 3.1.3(f).
Comment	One commentator suggested adding "whether the ceding entity is in a different jurisdiction from the assuming entity."
Response	The reviewers modified 3.1.3(h).
Section 3.1.3(a)	
Comment	One commentator suggested considering ownership structure of the ceding entity in 3.1.3(a).
Response	The reviewers note that section 3.1.3 is a non-exhaustive list of examples and made no change in response to this comment.
Section 3.1.3(b)	
Comment	One commentator said it was unclear how performance is evaluated.
Response	The reviewers believe the guidance is appropriate and made no change.
Section 3.1.3(d)	
Comment	One commentator suggested adding examples of target markets.
Response	The reviewers disagree and made no change in response to this comment.
Section 3.2, Actual Experience from the Reinsurance Transaction (now section 3.1.4, Actual Experience from the Existing Reinsurance Transaction)	

Comment	One commentator suggested adding repricing.
Response	The reviewers note that the definition of pricing includes subsequent pricing and made no change in response to this comment.
Comment	One commentator suggested adding examples of actual experience.
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested changing "should take into account" into "should consider."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested clarifying that experience should be evaluated for the risks transferred from the cedent to the reinsurer.
Response	The reviewers modified the language.
Comment	One commentator suggested changing "should take into account" to "may consider …if available."
Response	The reviewers modified the language.
Comment	One commentator suggested changing "from the reinsurance transaction" to "from the underlying products" throughout the section.
Response	The reviewers clarified the language and moved section 3.2 into section 3.1.
Comment	One commentator suggested changing "if available, and take into account the following:" to "if available. Some examples are:"
Response	The reviewers modified the language in response to another comment.
Comment	One commentator suggested adding underlying products.
Response	The reviewers modified the language in response to another comment.
Comment	One commentator said that the level of review should relate to the nature of the transaction and the underlying risk.
Response	The reviewers note that ASOP No. 1 addresses materiality and made no change in response to this comment.
Section 3.2(a) (now section 3.1.4[a])	
Comment	One commentator suggested including examples related to actual experience and anticipated experience.
Response	The reviewers believe examples are unnecessary and made no change in response to this comment.
Comment	One commentator suggested changing 3.2(a) to "how much the actual experience from the reinsurance transaction differs from the assuming entity's anticipated experience for the reinsurance transaction or pricing assumptions, if available;"
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Comment	One commentator suggested clarifying that comparison to the original pricing is not required.
Response	The reviewers believe the language is appropriate and made no change in response to this comment.

Section 3.2(b) (now section 3.1.4[b])	
Comment	One commentator suggested including examples for actual experience and suggested "the trends appear consistent period over period, are significant and established (expected to reoccur);"
Response	The reviewers believe that examples are unnecessary and that the original language was clear and made no change in response to this comment.
Comment	One commentator suggested "how trends in the actual experience of the reinsurance transaction are developing and the anticipated duration of those trends."
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Section 3.2(c) (now section 3.1.4[c])	
Comment	One commentator suggested removing credibility.
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Section 3.2(d) (now deleted)	
Comment	One commentator suggested deleting item (d), as the listed processes are not actuarial in nature and actuaries are not well-qualified to perform them.
Response	The reviewers disagree with the rationale, but deleted item (d) and added references to sections 3.1.2 and 3.1.3 for clarity in item (e) (now section 3.1.4[d]).
Section 3.2(e) (now section 3.1.4[d])	
Comment	One commentator suggested including examples for actual experience and anticipated experience.
Response	The reviewers believe that examples are unnecessary and made no change in response to this comment.
Proposed Section 3.2(f)	
Comment	One commentator suggested adding a new item (f): "how the assuming entity's expected future experience for the reinsurance transaction compares to the anticipated or actual experience for the reinsurance transaction;"
Response	The reviewers did not add this language, but in response to this and other comments moved key content of section 3.2 to section 3.1.4 and believe this is addressed in what is now 3.1.4(a).
Section 3.3, Profitability Metrics (now section 3.2)	
Comment	Two commentators suggested changing "take into account" to "should consider."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested adding "the jurisdiction of the assuming entity."
Response	The reviewers believe the guidance is appropriate and made no change.
Comment	One commentator said the ASOP should include a list of profitability metrics.
Response	The reviewers believe the guidance is appropriate and made no change.

Section 3.3(e) (now section 3.2[e])	
Comment	One commentator suggested adding "duration of any experience refund or time period at which experience refund provision changes materially."
Response	The reviewers believe the guidance is appropriate and made no change.
Section 3.3(f) (now section 3.2[f])	
Comment	One commentator suggested deleting (f) because it is unnecessary.
Response	The reviewers clarified the language in response to this comment.
Section 3.4, Pricing Assumptions (now section 3.3)	
Comment	Several commentators suggested using "anticipated" instead of "expected future" experience.
Response	The reviewers agree and made the change.
Comment	One commentator suggested clarifying that the assuming entity's expected future experience should be reflected.
Response	The reviewers clarified the language.
Comment	One commentator suggested that referring to section 3.1 might be appropriate for all of section 3.4.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator said that reasonableness should be considered in section 3.4.
Response	The reviewers believe this is adequately covered in sections 3.4 (now 3.3) and 3.9(d) (now 3.8[d]) and made no change in response to this comment.
Section 3.4.1, Assumption Setting (now section 3.3.1)	
Comment	One commentator suggested changing "should take into account" to "should consider."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested changing "should use" and "should take into account" to "may consider."
Response	The reviewers clarified the language in response to this comment.
Section 3.4.1(c) (now section 3.3.1[d])	
Comment	One commentator suggested adding initial asset allocation to list of assumptions.
Response	The reviewers believe the guidance is appropriate but clarified that the assumption list is not exhaustive.
Section 3.4.1(g), Assumption Setting (now section 3.3.1[h])	
Comment	One commentator suggested removing needing to know the in-force management strategies of the ceding entity.
Response	The reviewers believe that including in-force management is appropriate but deleted "strategies." The reviewers also note that they changed the language in the stem in response to another comment.

Section 3.4.1(i), Assumption Setting (now section 3.3.1[j])	
Comment	One commentator suggested adding "respectively" after the references to sections 3.1.2 and 3.1.3.
Response	The reviewers agree and made the change.
Proposed Section 3.4.1(*x*)	
Comment	One commentator suggested adding a new item: "when pricing an existing reinsurance transaction, information developed pursuant to the exercise outlined in Section 3.2."
Response	The reviewers believe this issue has been addressed in response to comments on section 3.2.
Comment	One commentator suggested adding a new item: "the intended market and any competitive pressure or strategic objectives."
Response	The reviewers believe this is covered in 3.4.1(i) (now 3.3.1[j]) and made no change.
Section 3.4.2, Assumption Margins (now section 3.3.2)	
Comment	One commentator suggested the actuary should consider the "appropriateness" of including a margin.
Response	The reviewers agree and modified the language.
Section 3.4.2(c), Assumption Margins (now section 3.3.2[c])	
Comment	One commentator suggested adding "if appropriate."
Response	The reviewers clarified the language.
Section 3.4.3, Consistency of Assumptions (now section 3.3.3)	
Comment	One commentator suggested changing "should take into account" to "should consider."
Response	The reviewers disagree but modified the language.
Section 3.4.5, Adjustments of Assumptions (now last paragraph in section 3.3.1)	
Comment	One commentator suggested changing "should take into account" to "should consider."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested deleting section 3.4.5.
Response	The reviewers clarified the language and moved it to section 3.3.1.
Section 3.4.6, Documentation of Assumptions, Rationale, and Data Modifications (now section 3.3.5)	
Comment	One commentator suggested deleting reference to "expert."
Response	The reviewers disagree and made no change.
Section 3.5.1, Model Development, Selection, and Evaluation (now section 3.4.1)	
Comment	One commentator suggested changing "should take into account" to "may consider…as applicable."
Response	The reviewers added "if applicable."
Comment	One commentator suggested that not all listed items will be relevant to all transactions.
Response	The reviewers believe changes to the stem address the reviewer's concern.

Comment	One commentator suggested changing “should take into account” to “should consider.”
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	Two commentators suggested changing “should take into account” to “should consider” in the paragraph after (m).
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested deleting the documentation language.
Response	The reviewers disagree and made no change.
Section 3.5.1(b) (now section 3.4.1[b])	
Comment	One commentator suggested adding “respectively.”
Response	The reviewers made the change.
Section 3.5.2, Using Model Output (now section 3.4.2)	
Comment	One commentator suggested changing “should take into account” with “should consider.”
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	One commentator suggested deleting section 3.5.2.
Response	The reviewers disagree and made no change in response to this comment.
Section 3.6, Risk Evaluation (now section 3.5)	
Comment	One commentator suggested changing “should consider” to “may consider, as applicable.”
Response	The reviewers disagree and made no change.
Comment	Two commentators suggested changing “should” to “may” in the sentence on risk mitigation strategies.
Response	The reviewers believe the language is appropriate and made no change.
Comment	One commentator asked for examples of risk mitigation.
Response	The reviewers believe this is covered in section 3.1.2(f) and made no change.
Section 3.6.2, Stochastic Analysis (now section 3.5.2)	
Comment	One commentator suggested changing “should” to “may,” and “in particular” to “such as.”
Response	The reviewers changed “should consider using” to “may use” and deleted the examples.
Comment	One commentator suggested removing the section.
Response	The reviewers made no change in response to this comment.
Comment	One commentator suggested changing “take into account” to “consider” in (a).
Response	The reviewers modified the language.

Section 3.7, Renewal, Revision, or Closure of a Reinsurance Transaction (now section 3.6, Renewal, Revision, or Termination of an Existing Reinsurance Transaction)	
Comment	One commentator said this section did not encompass all possible actions related to the reinsurance transaction.
Response	The reviewers clarified that the section applies to existing reinsurance transactions and added a definition of "existing reinsurance transaction."
Comment	One commentator suggested using "terminated" instead of "closed."
Response	The reviewers agree and made the change.
Comment	One commentator suggested using "consider" instead of "take into account."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Comment	Two commentators suggested including language from ASOP No. 2 that restricts changes to nonguaranteed elements.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested using "may consider" instead of "should take into account."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Section 3.7(b) (now section 3.6[b])	
Comment	One commentator suggested adding "if applicable."
Response	The reviewers note that "if applicable" is included in the introduction to the list and therefore applies to all items in the list.
Comment	Two commentators suggested adding more detail around "performing."
Response	The reviewers believe the guidance is appropriate and made no change in response to this comment.
Section 3.7(c), (now section 3.6[g])	
Comment	Several commentators suggested deleting (c) and (d) because they cover management considerations rather than pricing considerations.
Response	The reviewers incorporated (c) into (h, now [g]) but did not delete (d).
Section 3.7(g), (now section 3.6[f])	
Comment	One commentator suggested deleting "reputational impacts."
Response	The reviewers agree and made the change.
Section 3.9, Reliance on Another Party (now section 3.8)	
Comment	One commentator suggested that reliance on another party as part of pricing the reinsurance transaction should be documented.
Response	The reviewers believe this is covered in section 3.10 (now section 3.9 and 4.1[i]) and made no change in response to this comment.

Section 3.10, Documentation (now section 3.9)	
Comment	One commentator suggested adding more detail on the format of the documentation.
Response	The reviewers believe the guidance is appropriate and made no change.
Section 3.10, Documentation (now section 3.9), and Section 4, Communications and Disclosures	
Comment	One commentator said that sections 3.10 and 4 are too prescriptive.
Response	The reviewers believe the guidance is appropriate and consistent with other ASOPs and made no change in response to this comment.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Required Disclosures in an Actuarial Report	
Comment	One commentator suggested adding a list of examples of actuarial reports that may be produced as part of a reinsurance transaction pricing exercise.
Response	The reviewers added a sentence with examples to appendix 1.
Sections 4.1, Required Disclosures in an Actuarial Report, and 4.2, Additional Disclosures in an Actuarial Report	
Comment	One commentator suggested adding language that does not inadvertently scope all reinsurance-related communications as actuarial reports.
Response	The reviewers believe the language is appropriate, note that ASOP No. 41, *Actuarial Communications*, defines actuarial report, and made no change in response to this comment.
Section 4.3, Confidential Information	
Comment	One commentator suggested using “can be used” instead of “is intended.”
Response	The reviewers believe the language is appropriate and made no change.
APPENDIX 1	
Comment	One commentator suggested replacing “future” with “anticipated” before “experience” for consistency.
Response	The reviewers agree and made the change.