

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

Comment Deadline: November 1, 2024

<http://www.actuarialstandardsboard.org/asops/pricing-reinsurance-or-similar-risk-transfer-transactions-involving-life-insurance-annuities-or-long-duration-health-benefit-plans/>

Instructions: Please review the exposure draft, and give the ASB the benefit or your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: <https://www.actuarialstandardsboard.org/asb-comment-template/>

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to comments@actuary.org and include the phrase 'ASB COMMENTS' in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system's spam filter.

The ASB posts all signed comments received to 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 to 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.

I. Identification:

Name of Commentator / Company
Laura Muse, FSA, MAAA / Lincoln Financial

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

Question No.	Commentator Response
5	Regarding pricing activities subsequent to initial pricing (monitoring, NGRE management), there is not enough guidance and omits key concepts such as existing treaty language, mutual agreement and/or business to business discussions. Also, no reference to original pricing expectations or inability to recoup past losses which should be addressed. See section III and IV comments below for suggestions.

III. Specific Recommendations:

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
1.2	Please add: <i>If a conflict exists between this standard and the binding reinsurance agreement applicable to the Pricing Considerations of the Reinsurance Transaction, the actuary should comply with the applicable terms of the Reinsurance Agreement.</i>	Pricing work could be done for a an inforce NGRE or an amendment to an existing treaty that may have terms in conflict with this ASOP guidance.
2.5	Nonguaranteed Reinsurance Element—An element of a reinsurance transaction <i>that may be changed according to the terms of the reinsurance agreement at the discretion of the assuming entity.</i> Examples of nonguaranteed	"at the discretion of the assuming entity" is problematic because it ignores contractual requirements or limitations. It also ignores the potential for the ceding entity to have a role regarding changes to the NGRE, such as mutual

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	reinsurance elements <i>can</i> include yearly renewable term premiums, renewal rates or allowances, or reinsurance transaction termination	agreement, joint actuarial review, or experience that entitles the ceding entity to propose NGRE changes. Add “can” because not all YRT premiums are nonguaranteed.
3.7	<p>Add the following additional considerations:</p> <ul style="list-style-type: none"> • <i>Profitability analysis impacting nonguaranteed reinsurance elements should not include recoupment of past losses or distribution of past gains</i> • <i>Profitability analysis impacting nonguaranteed reinsurance elements should include comparisons to expectations and assumptions assumed at original pricing or last redetermination</i> • <i>any business practicality or materiality considerations of making changes to the nonguaranteed reinsurance elements</i> 	These are similar concepts used in ASOP2 for NGEs; they should apply here as well.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
Inforce treaty NGREs review/setting is included in section 3.7 for Renewal, Revision, or Closure of a Reinsurance Transaction, but not much detail is provided specifically to NGRE review and potential redetermination. Suggest splitting apart and providing more guidance for inforce NGREs redetermination as a standalone section.	In ASOP2 there are two separate sections outlining the determination process for new sales vs. inforce policies (3.4.1 <i>Determination Process for Future Sales of a New or Existing Product</i> , and 3.4.2 <i>Determination Process for In-Force Policies</i>). This concept could be applied to this ASOP as well. More specific notes are provided in the comment sections above.

V. Signature:

Commentator Signature	Date
Laura Muse, FSA, MAAA	11/1/2024