

**Title of Exposure Draft: Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans**

**Comment Deadline: November 1, 2024**

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: <http://www.actuarialstandardsboard.org/email/2020/ASB-Comment-Template-Sample.docx>

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](mailto: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
Comments summarized and submitted by Eric Golus, FSA, MAAA on behalf of actuaries at Gen Re Life

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

Question No.	Commentator Response

**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)
1.1	At the end of the paragraph, the following should be added: "For clarity, the ASOP would also apply to transactions involving retrocessionaires."	The perspective of the retrocessionaire should be called out, as this ASOP would apply to them too.
1.2	Mention that the ASOP pertains to financial reinsurance.	Based upon the discussion in the Appendix, in the Background section, it seems that the ASOP pertains to financial reinsurance. If this is so, it should be specifically mentioned to avoid any doubt.
2.3	Define life insurance and annuities.	Since this ASOP relates to life insurance and annuities in addition to long-duration health benefit plans, do these need to be defined also. Why are just long-duration health benefit plans defined?
2.3	Definition of "Long-Duration Health Benefit Plan" should be based on more specific criteria.	The current definition is somewhat vague and could be interpreted differently by different actuaries. Should the definition consider renewability provisions or whether active life reserves need to be established?
2.4	Remove reference to appraisals.	It said earlier in section 1.2 that "This standard does not apply to actuaries performing actuarial services with respect to preparing actuarial appraisals, which is covered by ASOP No. 19, <i>Appraisals of Casualty</i> ,

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		<i>Health, and Life Insurance Businesses.</i> ” So, should the model output not be for appraisal purposes?
3.1.1.b	“profit and loss experience to date”  should be  “profit or loss experience to date, if applicable”	Rate increases shouldn’t consider trying to make up for past losses. Such a review may not be applicable in all pricing situations.
3.4.1.g	Remove needing to know the in-force management strategies of the ceding entity.	This is a bit concerning that the assuming company’s pricing actuary needs to know about the in-force management strategies of the ceding company. This seems like it would be hard to find this out since this could be proprietary in nature.
3.4.1.i	“as described in sections 3.1.2 and 3.1.3”  should be  “as described in sections 3.1.2 and 3.1.3, respectively”	Add out the word “respectively”.
3.4.2.c	“whether the level of margins is appropriate for each assumptions individually”  Should be  “whether the level of margins is appropriate for each assumptions individually, if appropriate”	Add out the phrase “if appropriate”.  Sometimes the margin is only in the aggregate and not on each assumption
3.5.1.b	“as described in sections 3.1.2 and 3.1.3”  should be  “as described in sections 3.1.2 and 3.1.3, respectively”	Add out the word “respectively”.
3.6.2	Remove this section relating to stochastic analysis or at least alter it.	It seems as if stochastic analysis is required. Not every pricing exercise would necessitate stochastic analysis.
3.7	“how the reinsurance transaction is performing;”  Should be  “how the reinsurance transaction is performing, if applicable”	Rate increases shouldn’t consider trying to make up for past losses. Such a review may not be applicable in all pricing situations.
3.9	At the end of the section, the following should be added: “The actuary should document their reliance on another party as part of pricing the reinsurance transaction.”	This section should probably follow the other previous sections and say something relating to the need to document the reliance on other parties.
4.1	“and 56.”  Should be  “and 56, <i>Modeling.</i> ”	The title of ASOP 56 should be mentioned like with the other ASOPs mentioned in this sentence.

**IV. General Recommendations (If Any):**

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Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>We recommend that a second exposure draft come out so that depending on where things fall out interested parties can be provided another opportunity to give feedback.</p>	<p>Our recommendation is based upon the fact that there is a good deal of concern with what would be required by the ASOP.</p>
<p>Don't make the lists in section 3 items that are "required" via the term "should". Allow for some discretion by the actuary via the term "may" that will alleviate the burden imposed by the lists.</p> <p>If the "should" language is used, then the list of items that need to be addressed should be greatly reduced or phrased in a way that gives the actuary more discretion.</p> <p>Another option would be to say something along the lines of "example could include but are not limited to the following". Or to include the phrase "if applicable" more often than it is currently used.</p>	<p>Throughout section 3, there are several lists of things that should be taken into account and several list of examples. If the goal of the ASOP is to address every item on these lists through some sort of documentation to acknowledge that these items have been considered it will be overly burdensome especially since some are not relevant to how reinsurers price deals. For example, the administration of the cedent might not be known to the reinsurer and is more than likely not material to the reinsurance transaction. It would be burdensome to find out about this and as stated it is not germane to the pricing exercise. We reviewed and agree with Munich Re's comments pasted here:</p> <p><i>"Some guidance is either inapplicable to certain lines of business or impractical in daily practice. In addition to this as a general concern, a more tangible result of this concern is that nearly all actuarial reports would need to include disclosure of noncompliance with this ASOP. That is, because practical application of reinsurance pricing cannot possibly cover these restrictive guidelines, nearly all reinsurance pricing exercises would be done without compliance. This is our most serious concern with the ASOP as drafted. We believe that there needs to be more uniform application of qualifiers around materiality, practicality and applicability."</i></p> <p>The ASOP should recognize that every reinsurer considers different things in a pricing exercise along with the way they go about pricing. The ASOP should provide a framework but not dictate to reinsurers how to price transactions.</p> <p>The ASOP should recognize that the pricing of reinsurance is different than the pricing of direct business as the risks and information involved are different. The proposed ASOP language is overly prescriptive and will reduce the autonomy of the pricing actuary to make risk related decisions without regard to the specific facts and data underlying the transaction, and the risk pricing framework of the reinsurer. Since we are dealing with sophisticated entities of equal bargaining power, we should rely on actuarial judgment for the reinsurance pricing exercise.</p>
<p>Fix misnumbering of sections referenced</p>	<p>There are numerous misnumbering of referenced section in the ASOP. Instead of pointing them all out, we'll ask that in the next draft or final version to make sure that the section reference is correct.</p>

**V. Signature:**

Commentator Signature	Date
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Eric Golus	11/1/24
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