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 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:

Swiss Re Life & Health America Inc.
Submitted by on behalf of the Organization and summarized by Brett Bade, Jeffrey Browne, and Edward Wright

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)
2.11	Could be more clear by adding the word "indemnity" in front of "reinsurance agreement" in 2.11 to scope out certain catastrophe bonds and/or other derivatives whose source of risk may be "biometric" in nature without a cession of risk linked to an underlying insurance portfolio. If this suggested change is deemed too limiting, the second sentence of 2.11 could be broadened to say similar risk transfer transactions "which may include one or more agreements to effect such indemnity risk transfer, such as…"	Given the examples listed in 2.15 "underlying product" and the multiple references to underlying product throughout, it appears that the intended scope of reinsurance transactions is meant to be "indemnity" transactions (i.e., where there is an underlying product). This would be in contrast to an "indexed" based risk taking transaction that, for example, might source risk from population or other reference data not necessarily a one-for-one mirroring of a ceding entity's risks. (i.e., an indexed transaction or other types of parametric transactions contain basis risk because of the lack of indemnity coverage and these might be considered derivatives or embedded derivatives).
3.1.2	General Comment	Even when considering language in 3.1.2(e), there seems to be a category missing that differentiates between risks of the underlying product that are transferred in the reinsurance transaction versus those that are retained or implicitly or explicitly not transferred. This differentiation could arise from the

		form of reinsurance (e.g., mortality only) or from specific contract terms that are otherwise risk-limiting (e.g., fixed expense allowances, lump settlement of payment streams, conversions treated as lapses, other risks not assumed by the reinsurer, etc.). Note that "ceding company retention" tends to have an industry accepted meaning of dollar amount / quota share percentage and does not refer more generally to risks not transferred in the reinsurance transaction.
3.1.2(e)	The first item, "ceding company retention" belongs in 3.1.2(d)	The first item, "ceding company retention" is not a risk per se and seems to be more of a structure/parameter and therefore belongs in 3.1.2(d).
3.2.a	General Comment	This section should be clear that this does not necessarily require comparison to original pricing where there are other methods of reaching an actuarially sound result, which is a common practice for older treaties or in other circumstances in which original documentation is unavailable.
3.3(e)	Duration of any experience refund or time period at which experience refund provision changes materially could be added.	
3.4	Ideally, the 3.4 section lead-in should refer back to 3.1 to describe what might be appropriate more generally regarding assumptions, for example, in light of the reinsurance structure.	Although the comment in 3.4.1(i) does make reference back to sections in 3.1, this seems to apply more broadly to 3.4 as a whole and not be limited to assumption setting in 3.4.1(i).
3.4 / 3.9	Reasonableness is arguably considered in 3.9(d), but should this not be referenced in 3.4 itself?	Reliance on ceding company assumptions. In some cases, certain of these assumptions, depending on materiality in the transaction (and also in consideration of reinsurance structure) may not be specifically "prescribed" by the ceding entity as stated in 3.9 but reliance is nevertheless placed on information provided by the ceding entity (either as an explicit assumption or implicit assumption within projections or other information) – this does not seem to be contemplated in 3.4.
3.7.c	General	Issues requiring a review of profitability could be very specific to a subset of business of a ceding entity, while analysis of the overall portfolio could involve difficult to analyze segments of the business.
4.1 / 4.2	It would be helpful to add language that does not inadvertently scope all reinsurance-related communications as actuarial reports simply because existence of this ASOP.	This standard calls into question what internal documentation is now considered to be "actuarial reports". For example, detailed pricing memos specifically related to assumption setting seem to be more clearly scoped in, but there are many internal communications at reinsurance companies (e.g., emails, meeting minutes, transaction summaries, referrals, etc.) for which the standard might be interpreted as somehow covering because those communications may in part contain reinsurance pricing information, but this does not seem to be the intent and would be impractical for an actuary in a

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		non-pricing role to adhere to. It would be helpful to add language that does not inadvertently scope all reinsurance-related communications as actuarial reports simply because existence of this ASOP.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
Overall concern	
Given the range of products and information implicated by various types of reinsurance, initial pricing and repricing necessarily involves significant actuarial judgment dependent on the specific circumstances (e.g. size and complexity), products being reinsured, etc. We are concerned that the exposure draft, which applies to multiple types of products and pricing exercises, lacks sufficient qualifying language and/or specificity in many places to properly facilitate the exercise of actuarial judgment. We recommend revising to permit more discretion to use those approaches and considerations that fit the practical needs of the specific reinsurance pricing projects.	

V. Signature:

Commentator Signature	Date
Brett Bade, Jeffrey Browne, and Edward Wright	November 1, 2024