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# Recap of the Modern Pricing Methodologies Seminar

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Following the Product Development Symposium, the Product Development Section sponsored a seminar on Modern Pricing Methodologies. Attendees gleaned information on a variety of topics, providing them with knowledge that will help them assess product risks and profitability in our current, strained economic environment.

The first session defined the profit measures most commonly used by companies in pricing life insurance and annuity products. Time was spent on the strengths and weaknesses of each, and how they might apply to different product lines. Some new perspectives on pricing, including market consistent embedded value (MCEV), were explained during this session.

This was immediately followed by a discussion of the results of the Tillinghast Pricing Methodology Survey. This survey covers the most popular profit measures for various companies within various product lines. It also summarizes, in aggregate of course, some of the targets companies are apt to use for the different measures, again by product.

The following session covered MCEV from a different presenter's point of view, as well as balance sheet implications of many new regulations and pronouncements. Attention was focused here on how those

balance sheet items should be considered by pricing and product development actuaries. Significant time was spent on the interplay between pricing, hedging and principles-based reserve/asset requirements. Information was presented on the level of traction hedge programs are given in RBC testing, which was quite illuminating.

The first day concluded with a session on pricing indexed products, which was very helpful to actuaries practicing in that area, and then a networking reception in the evening.

On the seminar's second day, case studies were presented, to help illustrate the techniques and concepts presented on day one. Products covered included:

- Universal Life with Secondary Guarantees;
- Return of Premium ("ROP") Term; and
- Variable Annuities with Living Benefits.

All of the case studies were very helpful in expanding attendees' understanding of Modern Pricing Methods, as discussed in the seminar.

The link to on-line versions of sessions presented at the seminar is: <http://www.soa.org/meetings-and-events/handouts/2009-la-modern-meth.aspx>. □