



AMERICAN ACADEMY *of* ACTUARIES

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June 10, 2016

Mr. Mike Boerner  
Chair, Life Actuarial (A) Task Force  
National Association of Insurance Commissioners

Re: Recommended changes to Section 4 of VM-G

Dear Mr. Boerner,

Attached below please find clean and red-lined versions of Section 4 of VM-G, incorporating the changes recommended by the Role of the Actuary Subgroup of the American Academy of Actuaries.

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If you have any questions or would like further dialogue on the above topics, please contact Amanda Darlington, life policy analyst, at [darlington@actuary.org](mailto:darlington@actuary.org).

Sincerely,

Arnold Dicke, MAAA, CERA, FSA  
Chairperson  
Role of the Actuary Subgroup  
American Academy of Actuaries

**Section 4.      RESPONSIBILITIES OF QUALIFIED ACTUARIES**

A. The responsibilities assigned to one or more qualified actuaries with respect to a group of policies or contracts under section 1.B are:

1. The responsibility for overseeing the calculation of principle-based reserves for that group of policies or contracts;
2. The responsibility for verifying that
  - a) the assumptions, methods, and models that are used in determining principle-based reserves, and
  - b) the company's documented internal standards used in the principle-based valuation processes, the company's documented internal controls, and documentation used for such reserves,

appropriately reflect the requirements of the Valuation Manual for that group of policies or contracts. In particular, the qualified actuaries are required to certify that the assumptions used in the principle-based valuation, other than assumptions that are prescribed in the Valuation Manual or by law or regulation, or that pertain to risk factors that are modeled stochastically, are prudent estimates, as defined in VM-01, with appropriate margins. The qualified actuaries are not required to verify the appropriateness of any prescribed assumptions, methods, or models, but are required to verify that they are being used as required;

3. [The responsibility for providing a summary report to the board and to senior management on the valuation processes used to determine and test principle-based reserves, the principle-based reserve valuation results, the general level of conservatism incorporated into the company's principle-based reserves, the materiality of principle-based reserves in relationship to the overall liabilities of the company, and significant and unusual issues and/or findings.] [This should be moved to VM-31 due to confidentiality concerns.]
4. The responsibility for preparing the PBR Actuarial Report with respect to that group of policies or contracts, as described in VM-31; and
5. The responsibility for disclosing to the company's external auditors and regulators any significant, unresolved issues regarding the company's principle-based reserves held with respect to that group of policies or contracts.

B. A qualified actuary assigned responsibilities under Section 1.B with respect to a group of policies or contracts may be required to make any certification required by the Valuation Manual, but is not required, except as regards any responsibilities he or she may have as the appointed actuary under VM-30, to opine upon or certify the adequacy of the aggregate reserve for that group of policies or contracts, the company's surplus, or the company's future financial condition.

C. The responsibilities of the appointed actuary are described in VM-30.

**Section 4. GUIDANCE FOR RESPONSIBILITIES OF QUALIFIED ACTUARIES, INCLUDING THE APPOINTED ACTUARY**

A. — ~~One~~ The responsibilities assigned to one or more qualified actuary(ies) is (actuaries with respect to a group of policies or contracts under section 1.B are) responsible:

1. The responsibility for overseeing the calculation of principle-based reserves for the groups of policies and contracts assigned by the company (see Section 1.B.) For each group of policies or contracts so assigned, this responsibility also includes: that group of policies or contracts;

2. The responsibility for verifying that

a) ~~reviewing and approving~~ the assumptions, methods, and models that are used in determining principle-based reserves, and

a) ~~b)~~ the company's documented internal standards used in the principle-based valuation processes, the company's documented internal controls and documentation used for such reserves,

appropriately reflect the requirements of the Valuation Manual for that group of policies or contracts. In particular, the qualified actuaries are required to certify that the assumptions used in the principle-based valuation, other than assumptions that are prescribed in the Valuation Manual or by law or regulation, or that pertain to risk factors that are modeled stochastically, are prudent estimates, as defined in VM-01, with appropriate margins. The qualified actuaries ~~are~~ not required to ~~verify the appropriateness of any prescribed review or approve~~ assumptions, ~~or methods or models, that are prescribed in law, regulation, or the Valuation Manual for use in determining principle-based reserves~~ but ~~are~~ required to ~~verify~~ confirm that ~~they~~ the prescribed assumptions and methods are being used as required;

~~Alternate language: Verifying that the assumptions, methods, and models that are used in determining principle-based reserves meet the requirements of this valuation manual, and for ensuring that the models and procedures produce the intended results relative to the principle-based valuation objectives as outlined in Section 12.A of the Standard Valuation Law. The qualified actuary(ies) does (do) not review or approve assumptions or methods that are prescribed in law, regulation, or the Valuation Manual for use in determining principle-based reserves but does confirm that the prescribed assumptions and methods are being used as required.~~

~~1. Reviewing and approving the company's documented internal standards for actuarial valuation processes, the company's documented internal controls, and documentation used for such reserves.~~

~~3. [The responsibility for p] Providing a summary report to the board and to senior management on the valuation processes used to determine and test principle-based reserves, the principle-based reserve valuation results, the general level of conservatism incorporated into the company's principle-based reserves, the materiality of principle-based reserves in relationship to the overall liabilities of the company, and significant and unusual issues and/or findings; [This should be moved to VM-31 due to confidentiality concerns.]~~

~~4.4. Preparing the PBR Actuarial Report as described in VM 31; and~~

~~—Working with the company's internal and external auditors, regulators, and company senior management to resolve significant issues regarding the company's principle-based reserves. This includes, but is not limited to, disclosing to such internal and~~

3. The responsibility for preparing the PBR Actuarial Report with respect to that group of policies or contracts, as described in VM-31; and

2.4. The responsibility for disclosing to the company's external auditors and regulators any significant unresolved issues regarding the company's principle-based reserves held with respect to that group of policies or contracts.

B. A qualified actuary assigned responsibilities under Section 1.B with respect to a group of policies or contracts may be required to make any certification required by the Valuation Manual, but is not required, except as regards any responsibilities he or she may have as the appointed actuary under VM-30, to opine upon or certify the adequacy of the aggregate reserve for that group of policies or contracts, the company's surplus or the company's future financial condition.

B.C. The responsibilities of the appointed actuary are described in VM-30.