



AMERICAN ACADEMY *of* ACTUARIES

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**Report of the American Academy of Actuaries’  
Life Practice Council**

**Presented to the National Association of Insurance Commissioners’  
Principles Based Regulation Working Group**

**Washington, D.C. – June 2006**

The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

Life Practice Council

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There are several issues that would benefit greatly from Commissioner input/decisions that the American Academy of Actuaries' (AAA) Life Practice Council would like addressed at the Summer 2006 National Meeting of the NAIC's Principles Based Regulation Working Group. Key decisions are needed soon. The sooner these issues can be addressed, the sooner we can work through the details needed to finalize an adoptable package by year-end. They include:

1. Governance framework

For example, what is needed to address the Commissioners' concerns with the new Principles-based Approach (PBA) system (e.g., expectations of the Company's Board and its relationship to the PBA Reviewing Actuary)?

2. NAIC framework to obtain uniformity

Is a SVO-type framework, such as a Risk Valuation Office (RVO) needed?

Coordinated resolution of accounting and examination issues, such as:

- a. Due & Deferred Premiums
- b. Exhibit 5
- c. Life Blank & Instructions
- d. Review SSAP 51
- e. Examiners Handbook
- f. Financial Analysis Manual
- g. Regulator Oversight Ratios
- h. Exhibit on Schedules with Surrender Charges

3. Scope – Regarding:

- a. Companies covered
- b. New business or all Inforce

4. Needed flexibility for ongoing management of process – e.g., feedback/dialogue process for Regulators, AAA, Actuarial Standards Board, PBA Appointed Actuary, and PBA Reviewer

5. Coordinate the on-track development of the PBA reserves project with the interim solution for those products most directly affected (term & some UL).