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AMERICAN ACADEMY *of* ACTUARIES

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October 11, 2013

Mark Birdsall, Chair  
Life Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners

Dear Mr. Birdsall:

The American Academy of Actuaries<sup>1</sup> Life Capital Adequacy Subcommittee (LCAS) appreciates the opportunity to comment on the RSM McGladrey, Inc. September 28, 2010 letter, where the issue is raised as to whether the Asset Valuation Reserve (AVR) is being double counted by its use in both RBC and Asset Adequacy Analysis.

As you are aware, the role of AVR and its relationship to RBC is being discussed by the NAIC's Investment Risk Based Capital (E) (IRBC) Working Group as the C-1 RBC factors are being updated. Based on these discussions, it is apparent that there is confusion among many regarding the role of AVR, statutory policy reserves, and RBC. The Academy's C1 Work Group is working closely with the NAIC's IRBC group and will be recommending updated C1 and AVR bond factors.

At this time, the LCAS recommends that no action be taken relating to the McGladrey letter until the NAIC and Academy groups have completed their review. We think the issue will be better addressed by leveraging the C1 work, after which each of the alternatives presented in the letter can be more critically assessed in terms of the issue, if any, to be resolved and any unintended consequences.

The LCAS and the C1 Work Group will be happy to discuss the alternatives identified in the McGladrey letter with the Working Group following completion of the C1 work.

Sincerely,

Jeff Johnson, FSA, MAAA  
Chairperson  
Life Capital Adequacy Subcommittee  
American Academy of Actuaries

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<sup>1</sup> The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.