



AMERICAN ACADEMY *of* ACTUARIES

May 6, 2013

Commissioner Julie Mix McPeak and Superintendent Joseph Torti III
Co-Chairs, NAIC Principle-based Reserving Implementation (EX) Task Force
National Association of Insurance Commissioners

Dear Commissioner McPeak and Superintendent Torti:

The American Academy of Actuaries¹ Life Practice Council (LPC) appreciates the opportunity to comment on the draft NAIC PBR Implementation Plan exposed on April 3, 2013. We are pleased to see that you have added this new language to Section I:

“Procedures need to be well-defined to evaluate the overall effectiveness of the PBR methodology, including a need to consider the entire methodology before adjusting each individual component. The Life Actuarial (A) Task Force will be charged to further develop the procedure for updating the VM, as needed.”

This provision is important because, as we said in our [January 11 letter](#) to the Principles-Based Reserving (E) Working Group, PBR for life insurance is a new process — one that the states, the NAIC and companies have not yet used as a regulatory tool. Consequently, it should be expected that the methodology will need to be adjusted as experience with PBR unfolds. Furthermore, PBR involves the use of an integrated modeling methodology with many intertwined assumptions and components, and therefore adjustments should be based on the evaluation of the methodology in its entirety. The LPC stands ready to work with the NAIC to develop such procedures.

Please contact John Meetz, the Academy’s life policy analyst (meetz@actuary.org; 202/223-8196) if you have any questions.

Sincerely,

Cande Olsen, Vice-President
Life Practice Council
American Academy of Actuaries

¹ The American Academy of Actuaries is a 17,000-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.