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AMERICAN ACADEMY *of* ACTUARIES

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May 14, 2012

Mr. Jake Garn, Chair  
Blanks Working Group  
National Association of Insurance Commissioners

Re: Blanks Working Group proposal 2012-04 exposed for comment on March 3, 2012

Dear Mr. Garn:

The Life Practice Council of the American Academy of Actuaries<sup>1</sup> appreciates the opportunity to review and provide comments on the Blanks Working Group proposals exposed for comment on March 3, 2012. We offer the following comments on the Blanks Working Group proposal 2012-04.

The Blanks Working Group proposal shows the following changes to paragraphs XIII and VIII on page 42 (proposed changes in green):

Describe any aspects of the determination of the dividend or refund scale not covered above that involve material departures from the actuarial principles and actuarial standards of practice issued by the Actuarial Standards Board of the American Academy of Actuaries applicable to the determination of dividends or refunds.

Describe any aspects of the determination of nonguaranteed elements not covered above that involve material departures from the actuarial principles and actuarial standards of practice issued by the Actuarial Standards Board of the American Academy of Actuaries, applicable to the determination of nonguaranteed elements.

We agree that a change in the wording of these annual statement requirements is needed, but we have a few suggested modifications to the proposed wording change. The Actuarial Standards Board (ASB) was established in 1988 as an entity that functions independently of the American Academy of Actuaries. The ASB has issued Actuarial Standards of Practice (ASOPs) on the topics of both non-guaranteed elements and dividends. We agree that documenting material departures from the Standards of Practice as it pertains to the determination of these items in the annual statement is appropriate. Documentation of such material departures is, in fact, required by the ASOPs themselves. We believe such documentation will fully satisfy the original purpose of the requirement, the current wording of which pre-dates the ASB.

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<sup>1</sup> 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.

We suggest two modifications to the proposed wording change. First, to avoid confusion, we suggest that the reference to the Standards of Practice replace the original reference to "actuarial principles." Second, we suggest that "of the American Academy of Actuaries" be removed. As noted above, the ASB is independent of the Academy, so this change is needed to avoid implying that the ASB is part of the Academy. Specifically, we recommend the following:

Describe any aspects of the determination of the dividend or refund scale not covered above that involve material departures from the ~~actuarial principles and~~ Actuarial Standards of Practice issued by the Actuarial Standards Board ~~of the American Academy of Actuaries~~ applicable to the determination of dividends or refunds.

Describe any aspects of the determination of nonguaranteed elements not covered above that involve material departures from the ~~actuarial principles and~~ Actuarial Standards of Practice issued by the Actuarial Standards Board ~~of the American Academy of Actuaries~~, applicable to the determination of nonguaranteed elements.

Please feel free to contact John Meetz, the Academy's life policy analyst ([meetz@actuary.org](mailto:meetz@actuary.org); 202/223-8196) to discuss our suggested edits to the proposal.

Sincerely,



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

Cc: Tom Kilcoyne, Life Actuary, Pennsylvania Department of Insurance  
Larry Bruning, International Life Actuary, National Association of Insurance Commissioners  
Jeremy Brown, ASB Life Committee Chairperson, American Academy of Actuaries