



AMERICAN ACADEMY *of* ACTUARIES

Life Practice Council Cycle Report
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August 2010

LIFE PRACTICE COUNCIL HIGHLIGHTS

(Activity since last Board/Executive Committee meeting)

On its June 10 conference call, the LPC continued its on-going discussion of the council's peer review guidelines. The life policy analyst is now responsible for keeping records of peer reviewers in an attempt to diversify the peer reviewers in the process. Also discussed were the PBA Strategy Task Force, an update by the Life Products Committee, and an update from Senior Life Fellow Nancy Bennett. The next meeting will be held on August 11 in Seattle prior to the Summer NAIC meeting.

In early May, the Modeling Efficiency Work Group (MEWG) updated its [Bibliography](#), which is a compilation of efficient modeling techniques, in the ongoing effort to streamline the modeling requirements that companies will face under principle-based reserving.

Also in May, John Meetz took over as life policy analyst for the LPC, and in July he became the staff liaison for the Life Financial Reporting Committee (LFRC), which was formerly the responsibility of RMFRC Senior Policy Analyst, Tina Getachew.

On May 19 in Tampa, the Academy and the SOA jointly offered a seminar entitled "How will PBA Rock Your World" with 75 paid attendees and solid attendee feedback on the quality of the content. On September 22, the Academy and the SOA are offering a second seminar on PBA, entitled, "[PBA Implementation: Getting a Rock Solid Start](#)" attached to the Valuation Actuary symposium in Chicago.

The Life Settlements Work Group is collaborating with the Tax Work Group on a document to educate the public on the issue of life settlements that should be ready for distribution in the next month.

The Life Products Committee has also been working on an educational document regarding the effect of government mandates that will be geared toward both the public and policymakers.

OPERATIONAL PLAN HIGHLIGHTS

Initiative 2.3.1 – Facilitate members' participation in the public policy debate

On July 19 members of the LPC attended the Academy's Summer Summit on the topic of "The Public Interest."

On June 4, the Life Products Committee sent a [letter](#) to Massachusetts Governor Deval Patrick and the Massachusetts Senate Leadership to urge the Governor's support for HB 889, a bill that would remove the requirement that Savings Bank Life Insurance (SBLI) charge the same premiums to both male and female customers. The legislation has passed both houses and awaits action by Governor Patrick.

On May 3 the Pension Practice Council and the Life Practice Council jointly provided [comments](#) regarding the joint Department of Labor (DOL) and Department of the Treasury Request for Information (RFI) *Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans*.

Initiative 5.2.2 -- Represent the profession to other national and international organizations with respect to areas in our mission

NAIC Efforts

On July 20 and 21 members of the LPC attended the interim meeting of the Capital Adequacy Task Force's Solvency Modernization Initiative Subgroup to discuss a redesign of Risk-based Capital (RBC).

On May 20, Cande Olsen of the Life Products Committee presented [testimony](#) at an NAIC public hearing on Stranger Originated Annuities.

On May 12, the Life Practice Council (LPC) submitted a [letter](#) to the National Association of Insurance Commissioners' (NAIC) (EX) Working Group and the Life Insurance & Annuities (A) Committee on principle-based valuation and capital approach (PBA) for life insurance.

LPC committees and work groups submitted the following reports to the NAIC for its Summer National Meeting in August and for intervening conference calls:

- The LRWG submitted several amendment proposals regarding VM-20 to LHATF:
 - [Modification of requirements](#) for prescribed reinvestment asset spreads.
 - [Aggregate margin ratios](#), which was deferred by LHATF until the completion of field testing.
 - Additional submissions include [consistent simplification](#), [scenario reduction](#) clarification and [clarification to the stochastic exclusion tests](#).
- The Invested Asset Work Group submitted a [letter](#) to the Capital Adequacy Task Force regarding the proposed increase to commercial real estate mortgage risk based capital.
- The Annuity Illustrations Work Group submitted a [letter](#) regarding the development of annuity illustration guidelines to the NAIC Annuity Disclosure Working Group.
- The Annuity Reserve Work Group submitted a report on statutory valuation of deposit fund contracts.

NCOIL Efforts

Nancy Bennett delivered [testimony](#) regarding stranger originated annuities at the summer meeting of the National Conference of Insurance Legislators (NCOIL) in Boston. The Life Insurance and Financial Planning Committee decided to appoint a subcommittee to examine the need for a model law covering Stranger Originated Annuities and to report back at NCOIL's annual meeting in Austin, TX.

SENIOR LIFE FELLOW HIGHLIGHTS

Senior Life Fellow Nancy Bennett represented the Academy at NCOIL's Summer Meeting and presented testimony regarding Stranger-Originated Annuity Transactions. Represented the Academy at the ERM-II Symposium on Systemic Risk Regulation and provided concluding thoughts on next steps. Played pivotal role in representing the Academy's Life views on required capital at the NAIC's joint meeting of the Solvency Modernization Task Force and the Capital Adequacy Task Force in July. Participated in the Academy's Leadership Summit.

Continued participation in Academy LPC activities. Notable contributions include: development of testimony for the NAIC and NCOIL on Stranger Originated Transactions (STOLA) and Guaranteed Living Benefit standards, contributions to a Life Products Committee paper on the consequences of government mandates. Support for PBA includes: discussion of regulator training with the NAIC, review of C3P2/VARCM results with NAIC group and Oliver Wyman, continued responses to questions on C3P3, and ongoing work on economic scenario generators (oversee next version of integrated debt/equity scenario generator, testing and documentation, several member questions, and the C3P1 generator fix.) Also, continued work on a project to develop a new framework for determining capital requirements for investment-related risks. Participated in the NAIC's Invested Asset Working Group's Technical Advisory Group (newly formed.) Provided comments to the CADTF on proposed changes to the capital requirements for commercial mortgage holdings.

Continued participation in Academy RMFRC activities. Contributed to the Academy's *Monograph on the Role of the Actuary under Federal Insurance Regulation* and contributed to comments in support of the Office of Financial Research. Engaged LPC committees in Solvency Modernization Initiative Task Force (SMITF) activities, notably the RBC review, future of statutory accounting, and new corporate governance proposals.

As Senior Life Fellow, Nancy regularly monitors the activities of several NAIC committees including the CADTF, LRBCWG, VOSTF, IAWG, LHATF, and SMITF. In addition, Nancy monitors the federal proposals for reforming the regulation of the financial systems and other significant developments affecting the life insurance industry. Nancy continues her participation in Academy committees including LCAS (Chair), ESWG/ESIWG (Chair), SVL2, IAWG, LPrC, FinRegTF, and Solvency TF. Responds to inquiries from reporters relating to derivatives legislation and risk classification (two inquiries).