



AMERICAN ACADEMY *of* ACTUARIES

Life Practice Council Cycle Report
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LIFE PRACTICE COUNCIL HIGHLIGHTS

(Activity since last Board/Executive Committee meeting)

At the Winter 2009 National Meeting, the NAIC extended the deadline to complete the Valuation Manual from December 31, 2009 until the August 2010 NAIC meeting. Although there is still considerable work to complete, this extension makes possible the enactment of the new Standard Valuation Model Law passed last year and is an important milestone in making Principle-Based Reserves a reality.

On January 6, the Life Products Committee provided comments to the Interstate Insurance Product Regulation Commission (IIPRC) on the proposed standards for Guaranteed Living Benefits on individual deferred annuities. Barbara Lautzenheiser represented the Committee at its January 11 Management Committee teleconference.

Also in January, the LPC formed the Deferred Tax Asset Work Group to respond to a charge by the NAIC to review the risks associated with deferred tax assets (DTA) and to evaluate the need for a risk charge. The Work Group is coordinating its efforts with the other practice councils.

On December 14, 2009, the Life Practice Council presented its quarterly post-NAIC webcast. The webcast focused on updates of PBA and NAIC activity at its most recent meeting. Topics included:

- SVL and the Big Picture
- Life Risk-Based Capital
- C3 Phase III Practice Note Update
- VM-20 Update

In December, the Variable Annuity Practice Note published its [Addendum I to The Practice Note For The Application Of C-3 Phase II And Actuarial Guideline XLIII](#).

The Academy's Model Efficiency Work Group is [actively promoting and assembling research reports](#) on various techniques to make complex modeling demands more manageable.

OPERATIONAL PLAN HIGHLIGHTS

Initiative 2.1.1 – Strengthen our reputation as the major source of unbiased technical advice to Congress and the executive branch, on matters within our expertise.

In November, Leonard Reback, vice chairperson of the Life Financial Reporting Committee and member of the Financial Reporting Committee participated at a FASB Roundtable on Fair Value Measurements.

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

As discussed above, on December 14, the Life Practice Council presented its quarterly post-NAIC webcast, focusing on PBA.

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

NAIC Efforts

LPC committees and work groups submitted the following reports to the National Association of Insurance Commissioners (NAIC):

- In December, Highlights of Report on Existing Asset Default Costs for VM-20.
- On December 3, Status of Review of Country Specific Regulatory Responses to the Financial Crisis.
- In December, Update Regarding a General Revision Of Life and Annuity Standard Nonforfeiture Laws.
- On December 3, Update on Payout Annuity Mortality Table Project.
- On December 3, Response from the LRWG on New York Insurance Department’s proposed changes to the use of economic scenarios in VM-20.
- On November 6, the Annuity Illustration Work Group submitted to the Annuity Disclosure Working Group additional recommended changes to the ACLI proposal for a model annuity illustration. The additional changes were prompted by the Working Group’s discussion at the Fall NAIC National Meeting.
- On November 2, the Economic Scenario Implementation Work Group submitted answers to questions from LHATF’s PBR Scenarios Subgroup on different possibilities in scenario calculations.

NCOIL Efforts

At the National Conference of Insurance Legislators (NCOIL) Annual Meeting in November, Larry Bruning and Senior Life Fellow Nancy Bennett presented an educational session on the basics of PBA, using a shortened version of the “PBA 101” document that was presented at the NAIC Fall 2009 National Meeting. Bennett also provided an update on the PBA project at the Summer NCOIL Meeting in July.

SENIOR LIFE FELLOW HIGHLIGHTS

Senior Life Fellow Nancy Bennett represented the Academy at the SOA Annual Meeting in October, which included participating in a panel discussion on Actuaries and Public Policy. She also made a presentation on systemic risk regulation during the SOA’s Global ERM Best Practices webinar in December.

Represented the Academy at the NAIC’s Winter 2009 National Meeting, including at the LHATF meeting and the LPC’s quarterly meeting.

Continued participation in Academy committee activities, with activity this reporting period with LCAS (chair), ESIWG (chair), SVL2, Solvency Task Force, and the Financial Regulatory Reform Task Force (FRRTF). Notable contributions included: response to LHATF questions on the Academy Interest Rate generator, comment letter to the NAIC on RMBS RBC proposal, drafting the NAIC charge to the Academy on Deferred Tax Assets RBC along with communication with affected Academy work

groups, and comments on the FRRTF letter on the proposed Federal Insurance Office. Also, worked on a project to develop a new framework for determining capital requirements for investment-related risks.

Initiated and/or prompted discussion on: developing a PBA feedback loop, the Academy's role in promoting PBA, the Academy's objectives of participation in NCOIL, and the LPC's interaction with the RMFRC. Continued working with the FRRTF on a webinar for members on federal efforts to modernize the regulation of the financial services industry.

Continued monitoring legislative efforts to modernize the regulation of insurance, NAIC solvency modernization; and NAIC responses to the recession, including proposals for increased risk disclosure and changes to capital requirements. Provided regular updates to the LPC. Continued to respond to members' questions, primarily related to RBC, PBA and federal regulatory developments.