

March 11, 1998

Blaine Shepherd  
Chair, NAIC Separate Accounts Working Group  
Minnesota Department of Commerce  
133 East 7th Street  
St. Paul, Minnesota 55101

Re: Academy Review of Certain Provisions in Proposed Model Regulation on Separate Accounts

Dear Mr. Shepherd:

Pursuant to your request of Mr. Wilcox of November 19, 1997, an American Academy of Actuaries Working Group of the Committee on State Life Insurance Issues has reviewed the proposed Separate Accounts Funding Minimum Benefits Model Regulation.

With regard to the three areas of the model regulation cited in your request that require statements of opinion by actuaries:

Section 5(b)(6): We recommend that the words “unqualified opinion” be substituted for “certification”. The actuary cannot *certify* as to the adequacy of the consideration for risks in the usual sense of the word which implies a guarantee. The actuary can *opine*, as to the adequacy, with an unqualified opinion implying the same degree of positive assurance provided by the Actuarial Opinion & Memorandum Model Regulation (AO&MR).

In order to provide the opining actuary with the appropriate guidance as to what constitutes adequacy in this case, we recommend that the Academy consider publishing an Actuarial Standard of Practice or Practice Note, as there is no existing guidance available. We do not believe however that implementation of the Model Regulation needs to be delayed for this purpose.

Section 9: The only changes we recommend with regard to the required actuarial opinion and memorandum are as follows:

- The words “good and sufficient” should be replaced with “adequate”. This change would ensure consistency with the AO&MR which uses adequacy as the reserve criteria, rather than the previously-used “good and sufficient” which currently has no common agreement as to its meaning. This recommendation also applies to Sections 11(A)(3) and 11(B)(2) and the replacement of the word “sufficiency” with “adequacy” in Section 9(D)(1).
- The officer-certified items in 9(B) should not include any that require actuarial expertise.

These should be transferred to the Memorandum section 9(D). Specifically, item (2) requires actuarial expertise with regard to the appropriateness of risk charges.

We recommend that the filing requirements for the actuarial opinion and memorandum be made consistent with those for the AO&MR, such that opinions would be filed but the memoranda only available on request of the insurance department.

Section 11: We have no recommended changes to this section, other than the one mentioned in point 1. Other than the recommendation in point 1, we believe the current Actuarial Standards of Practice provide adequate guidance to actuaries complying with these requirements.

The American Academy of Actuaries Working Group of the Committee on State Life Insurance Issues on the Proposed Separate Accounts Funding Minimum Benefits Model Regulation respectfully submits these comments.

Alastair G. Longley-Cook, Chairman  
Robert A. Brown  
Thomas A. Campbell  
George S. Quillan  
Linn K. Richardson  
William J. Rusch  
Henry N. Winslow

cc: Craig R. Raymond  
William D. Ward