



# AMERICAN ACADEMY *of* ACTUARIES

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December 5, 2001

Michael Batte, Chairperson  
Life and Health Actuarial Task Force  
NAIC  
2301 McGee  
Suite 800  
Kansas City, MO 64108-2604

Larry Gorski, Chairperson  
Life Risk-Based Capital Working Group  
NAIC  
2301 McGee  
Suite 800  
Kansas City, MO 64108-2604

Re: Reorganization of Life Practice Council

Dear Mr. Batte and Mr. Gorski,

The last several years have produced an accelerating expansion of change for those in the financial services and insurance industries. These changes encompass increasingly sophisticated products as well as a regulatory landscape that is exploring the boundaries between state, federal, and international oversight, as well as the oversight across institutions (insurance and banking). In response, the American Academy of Actuaries (Academy) has reorganized its Life Practice Council to deal with the increasing complexity of emerging products and issues and the expanding number of audiences interested in these topics. Historically, the Academy has focused its organization to respond to specific external bodies such as the National Association of Insurance Commissioners' (NAIC) Life Risk-Based Capital Working Group and the Life and Health Actuarial Task Force. As the Academy effected its reorganization, it encompassed the thought process that was developed by the Academy Valuation Task Force and the reality of our limited resources working on increasingly complicated reserve and RBC standards. In addition to being more proactive, the council's reorganization addresses the increasing need to view liabilities and capital in a unified, less formulaic manner.

A key feature of the Life Practice Council reorganization is the creation of a Life Financial Soundness and Risk Management Committee with three major subcommittees. These subcommittees will continue to support key NAIC projects, but as it does so, will also work to extend the principles and processes recommended in the past reports of the Valuation Task Force. The effective implementation of internal company models, non-formulaic reserves, capital requirements, and feedback loops will lead to an increasingly relevant balance sheet and encourage more effective risk management within life insurance companies. Thus, with these principles and provisions in mind, we encourage and look forward to supporting the review of possible changes to the Standard Valuation Law being discussed at the NAIC's winter meeting in Chicago, IL.

Sincerely,

Stephen J. Preston  
Life Practice Council, Vice President

cc: Mark Peavy, Todd Sells