



AMERICAN ACADEMY *of* ACTUARIES

January 24, 2001

Mr. Mark Greene
New York State Insurance Department
Empire State Plaza, Agency One Building
Albany, NY 12257

Dear Mr. Greene,

The American Academy of Actuaries' Variable Annuities with Guaranteed Living Benefits (VAGLB) Work Group would like to take the opportunity to comment on the draft survey regarding VAGLBs, released by the New York State Insurance Department (NYSID) on December 14, 2000.

The VAGLB Work Group strongly supports the NYSID's efforts to increase disclosure and have companies maintain an adequate combination of reserves and capital to support VAGLB obligations. The VAGLB Work Group is committed to working with the Life and Health Actuarial Task Force (LHATF) of the National Association of Insurance Commissioners (NAIC), the Academy's Life Risk-Based Capital Committee, and the Academy's Life Liquidity Work Group to determine the ultimate solution for reserves and capital. We would ask that the NYSID reflect the results of the work of these groups in their ultimate requirements to assure state uniformity.

The Academy's Life Practice Council (which oversees the work of the previously mentioned Academy groups) believes that it is important that the risk of any product be covered by a combination of reserves and risk-based capital.

In the development of Proposed Actuarial Guideline MMMM, the VAGLB Work Group explored several methodologies in developing a reserve mechanism to recommend to LHATF. The proposed guideline was written in direct response to the request from LHATF to focus on the reserves within a Commissioners' Annuity Reserve Valuation Method (CARVM) context. If it is desired that other directions be explored, the Academy's Life Practice Council stands ready to assist the NAIC and the NYSID to explore different methods of determining the proper level of reserves and capital for the VAGLB risk.

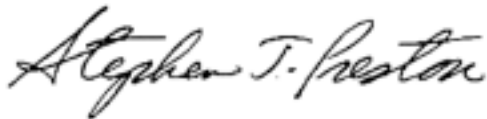
There appears to be a concern on the part of the NYSID that companies offering or reinsuring VAGLBs may not be capable of appropriately analyzing the corresponding risks. The Academy views it as very important that actuaries have the proper tools to measure the risk of VAGLBs and determine appropriate reserves for them. If the NYSID has specific concerns, it would be helpful to share these with the VAGLB Work Group so that we may assist providing resources to those actuaries who may need additional information. The VAGLB Work Group is also currently working on a practice note to provide additional information regarding VAGLB testing.

The appropriate amount of total capital to be held for VAGLBs and the acceptable ways to manage the risks are important topics that actuaries need to address. The proposal on reserves is part of the solution and has been designed to fit into the CARVM method. Risk-based capital requirements and risk management tools are the other parts of the solution and warrant further discussion.

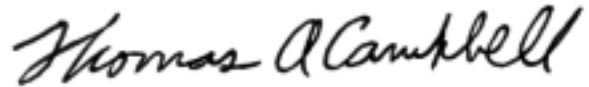
The VAGLB Work Group is currently testing the impacts of more conservative means and volatilities on the level of reserves, using its current proposed methodology. The results of this sensitivity analysis will be presented to LHATF at their March 2001 meeting to help enable them to set the appropriate levels.

If you would like to discuss this matter further with the VAGLB Work Group, please contact either Steve Preston or Tom Campbell, co-chairpersons of the group.

Sincerely,



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