



April 14, 2015

Mike Boerner  
Chair, Life Actuarial (A) Task Force  
National Association of Insurance Commissioners

Dear Mr. Boerner:

The American Academy of Actuaries<sup>1</sup> Life Illustrations Work Group (“Work Group”) appreciates the opportunity to provide additional comments on the proposed Actuarial Guideline YY that was updated on March 26, 2015.

1. We recommend the following changes to the language in Section 7C:

“For each Index Account illustrated, a table for the most recent 20-year period showing (1) actual historical percentage index changes and (2) corresponding hypothetical credited rates using current index parameters in effect on the illustration date.”

We believe these changes clarify intent without changing any meaning; the previous language was open to misinterpretation.

2. In Section 7 Alternative 2, we believe the language in (i) is confusing. We interpret the language to have no impact on the illustration content, so we recommend that (i) be removed (i.e., we recommend Alternative 1).
3. We believe Section 8 is unnecessary and may in fact cause confusion regarding actuarial professionalism. We strongly recommend LATF remove Section 8 from the Actuarial Guideline for the following reasons:
  - a. **Centrality.** The Code of Professional Conduct and Actuarial Standards of Practice appropriately govern actuarial work; it is not necessary to repeat their content in other documents. All credentialed actuaries must adhere to a robust set of Actuarial Standards of Practice, qualification standards, and a Code of

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<sup>1</sup> The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Professional Conduct. As such, all certifications by a credentialed actuary, statements of actuarial opinions, etc., required or prescribed by laws, rules, or regulations implicitly require the actuary to review and as applicable meet these standards. In addition, adding a specific actuarial standards section to this particular Actuarial Guideline would imply either heightened qualifications for illustration actuaries or may imply the actuarial opinions associated with other Actuarial Guidelines do not require actuaries to meet standards.

- b. **Timeliness.** Actuarial Standards of Practice are the best place to define professional standards and may be updated to reflect changes in regulatory practices and professional standards, as appropriate. If standards of practice exist in more than one location, it becomes more difficult to update these standards when necessary.
- c. **Consistency.** If an illustration actuary consults with multiple regulators as proposed in the Actuarial Guideline, it is likely that the actuary will receive differing opinions, which will cause the illustration to vary between states. This adds significant complexity to the illustration process, and would appear contrary to the goal of consistent, uniform application.
- d. **Appropriateness.** Although actuaries are encouraged to contact the Actuarial Board for Counseling and Discipline (ABCD) for a request for guidance on any issues, it should not be mandatory. Mandating guidance from the ABCD reduces the actuary's ability to utilize professional judgement.
- e. **Clarity.** Various representatives of the Academy have previously expressed concern that terms such as "incompetence, lack of cooperation, or untrustworthiness" are vague and overly broad, making it difficult for actuaries to have reasonable notice of the exact nature of the wrongdoing contemplated by those terms.

If these professionalism issues warrant further discussion, we recommend working on them with the Academy outside of the particular context of one Actuarial Guideline.

We hope these comments are helpful. Please contact Brian Widuch, the Academy's life policy analyst ([widuch@actuary.org](mailto:widuch@actuary.org); 202-223-8196) if you have any questions or would like any further assistance.

Sincerely,

Linda Rodway, MAAA, FSA  
Chairperson  
Life Illustrations Work Group  
American Academy of Actuaries