

April 15, 2002

Commissioner Harry W. Low
State of California Department of Insurance
300 South Spring Street, South Tower
Los Angeles, CA 90013

Re: Actuarial Opinion and Memorandum Regulation (AOMR)

Dear Commissioner Low,

The American Academy of Actuaries' Life Practice Council would like to express its appreciation for your interest in considering amendments to the AOMR. Our council wishes to provide comment for the May 1 prenotice public discussions. The council supports the revised provisions of NAIC Model Regulation No. 822, as adopted by the NAIC in October of 2001, in that it:

- Allows the appointed actuary to utilize his or her professional judgement in developing the actuarial opinion and supporting memoranda, consistent with relevant actuarial standards of practice. The commissioners continue to have the authority to specify actuarial methods and assumptions on an as-needed basis.

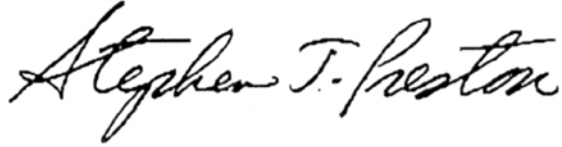
The appointed actuary can perform analysis deemed necessary considering the actual risks his or her company undertakes, rather than following the specifications detailed in the regulation, which may or may not address the company's risks. The appointed actuary continues to be bound by the relevant actuarial standards of practice. The standards can be updated more easily than regulations when necessary to keep up with changes in the environment.

- Supports the principle that the level of reserve analysis to be performed should be based on the risks associated with the products and supporting investments, rather than on the size of the company. General guidance on risk evaluation is provided in the actuarial standards of practices. For example, some situations that might indicate a need for cash flow testing include asset risks for below investment grade bonds, long duration contracts with reinvestment risks, etc. The appointed actuary can decide on the appropriate testing methods and degree of analysis based on his or her evaluation of the risks.
- Allows the commissioner to accept the valuation of a foreign insurer when the valuation meets the insurers domiciliary state's requirements in aggregate. The commissioner may accept this foreign valuation provided certain conditions, such as quantifying codification reserves or sending a request, are met.

We support the revised NAIC model regulation, however we do believe that this amendment is an interim solution. Our long-term goal is to see the NAIC adopt a new valuation law with more professional actuarial responsibility and less formulas and detailed regulatory oversight.

Again, the Life Practice Council applauds and supports your efforts in amending the AOMR. We also appreciate the opportunity to provide our comments.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Preston". The signature is written in a cursive style with a large, stylized 'S' and 'P'.

Stephen J. Preston
Life Practice Council, Vice President

cc: Ahmad Kamil, Carolyn Johnson