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April 13, 2010

Mr. Philip Barlow
Chair, Life Risk Based Capital Working Group
Deputy Commissioner
Dept of Insurance, Securities & Banking
810 First Street NE, Suite 701
Washington, DC 20002

Re Comments on NAIC RBC Instructions for C-3 Phase II

Dear Philip:

The American Council of Life Insurers (ACLI) is pleased to provide the following comments regarding the NAIC RBC instructions for C-3 Phase II. ACLI represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S. life insurance and annuity industry.

In general, the revision appears to be an adoption of the July 2005 Academy report with non-substantive changes. However, we feel that Appendix 2 would benefit from a front to back review focusing in on the following items:

- The use of consistent formatting throughout the document and with Appendix 3. Visually, there are multiple formats and pure formatting oversights. Prior to inclusion in the published RBC instructions, the document should have a more professional appearance.
- Standardizing terms between Appendix 2, Appendix 3 and/or Actuarial Guideline 43 where such terms do NOT create a substantive difference. For example, the terms "prudent best estimate" and "prudent estimate" are equivalent. We suggest using the term "Prudent Estimate" for consistency.
- A comprehensive review of references, as we have noted several errors below.
- Use of the newly defined terms in Section 1 as appropriate

The following are examples, but not a comprehensive list, of the types of issues described above:

- Page 1: The phrase AG VACARVM should be updated to "Actuarial Guideline XLIII".
- Page 7: Definition of Qualified Actuary references Section 7 – Certification and Documentation. Certification and Documentation is in Section 12, and does not contain the qualification standards.
- Page 12: Item 8 contains two sets of (a), (b), (c).
- Pages 13 & 14: Numbering goes: 9, 10, 8, 9, 10
- Page 15: Section references in last paragraph should be to Section 9 and not Sections 10 & 11.

- Page 39: Section 9 Alternative Method for GMDB Risks is the second Section 9. It should be changed to Section 10 and all subsequent sections renumbered.
- Page 41, 42: It appears that page 58 and the first paragraph on page 59 of the Academy report were inadvertently deleted.
- Pages 63: References to the Academy report should be updated to refer to the Introduction.
- Page 68: Formatting in table needs attention
- Page 72: Formatting of Section 12 – indentations are inconsistent and hard to follow.
- Page 75: References to the Academy report should be updated to refer to the Section 1.
- Page 75: Section 15 reference should be to the Introduction

In addition to the above items, we suggest the following specific changes:

- On page 1, paragraph 1 refers to "a principle-based approach." This was appropriate for the Academy report. Within the C3P2 instructions, the reference to a "principle-based approach", and the discussion of the principles, should only apply to the projection methodology (i.e., stochastic component). This is similar to the approach taken in AG 43.

  We suggest the following:

  New Paragraph 1:
  This Appendix details the determination of the C3 component of Risk-Based Capital for variable annuities and similar products.

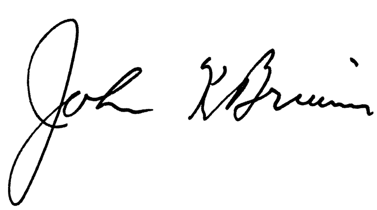
  New Paragraph 5:
  The projection methodology used to calculate the Total Asset Requirement ("TAR"), as well as the approach used to determine the Alternative Methodology, is a principle-based approach ("PBA") and is based on the following set of principles. These principles should be followed when applying the methodology in these recommendations and analyzing the resulting TAR.

- Revise page 3, paragraph 3. Stochastic assumptions currently include more items than equity returns (e.g., interest rates) and could potentially include other items.

  We suggest the following:

  Assumptions for which stochastic processes are considered include equity returns and interest rates. Assumptions which are neither stochastically determined nor prescribed should incorporate appropriate margins for uncertainty.

We thank you for your consideration of our comments and look forward to continuing to work with you on this project.



cc Dan Swanson, NAIC