



AMERICAN ACADEMY *of* ACTUARIES

May 1, 2012

Via email to: mcaswell@naic.org

Jacob Garn
Chair, Blanks (E) Working Group

Kim Hudson
Vice Chair, Blanks (E) Working Group

c/o Mary Caswell, Data Quality Audit Manager
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Agenda Item #2012-16BWG
Proposed Changes to the 2012 Annual Statement Instructions for P&C Actuarial
Opinion, P&C Actuarial Opinion Summary, and Title Actuarial Opinion

Dear Mr. Garn and Ms. Hudson:

Based on a review of the proposed changes to the Annual Statement Instructions in Agenda Item #2012-16BWG, dated Jan. 30, 2012, the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries¹ respectfully submits the following comments for your consideration. These comments apply to both the proposed P&C and Title Opinion Instructions.

1. Item 1 of the Opinion Instructions deals with an insurer's responsibilities when changing its Appointed Actuary:

The insurer shall also furnish the domiciliary Commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scopes, procedure, [category of opinion issued](#), [wording of the opinion](#) or data quality.

The proposed wording would require notification if there were "any disagreements" with regard to the "wording of the opinion" (which is newly added language). COPLFR is concerned that,

¹ The American Academy of Actuaries is a 17,000-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.

strictly interpreted, this might include concerns that were stylistic as well as substantive. Perhaps it might be appropriate either to change “any disagreements” to “any substantive disagreements” or alternately, change “wording of the opinion” to “substantive wording of the opinion.” To avoid ambiguity, COPLFR also proposes that the word “category” be replaced with “type” as the expression “type of opinion” is more widely used and is consistent with the remainder of the instructions (e.g., Exhibit B, item 4), as in:

The insurer shall also furnish the domiciliary Commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scopes, procedure, [type of opinion issued, substantive wording of the opinion](#) or data quality.

2. COPLFR also suggests requiring a brief description of the disagreement, including whether, and if so, how it was resolved. This greater detail might be useful to the regulator in deciding whether or how to act on such information. It might also make the prior Appointed Actuary’s response letter easier to write clearly. Suggested language might be (inserted after the sentence referenced immediately above this paragraph):

[That letter should include a description of the disagreement and the nature of its resolution \(or that it was not resolved\).](#)

3. Additionally, while not a proposed change to the 2012 Opinion Instructions, Item 5D of the 2011 Opinion Instructions states:

If the actuary has made use of the work of another actuary (such as for pools and associations, for a subsidiary, or for special lines of business), the other actuary must be identified by name and affiliation within the OPINION paragraph.

COPLFR suggests adding a few words to clarify that this need be done only if the reserves for which the Appointed Actuary relies on another actuary’s opinion are material, assuming this is the intent of the Opinion Instructions. Perhaps this could be accomplished using the following language, which parallels ASOP No. 36, section 4.2.f:

If the actuary has made use of the work of another actuary (such as for pools and associations, for a subsidiary, or for special lines of business) for a [material](#) portion of the reserves, the other actuary must be identified by name and affiliation within the OPINION paragraph.

4. Item 7 requires the actuary to include in the Actuarial Report an “... exhibit which ties to the Annual Statement and compares the Actuary’s conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis ...” Likewise, item 7 requires an “exhibit that reconciles and maps the data used by the Actuary, consistent with the segmentation of exposure or liability groupings used in their analysis, to the Annual Statement Schedule P line of business reporting.”

Often, the segmentation of exposure or liability groupings used by the actuary does not align with Schedule P, and, in such cases, this detailed comparison would not be feasible. Indeed, the 2010 regulatory guidance stated that “... CASTF recognizes that company line of business definitions may be more meaningful than Annual Statement line of

business definitions.” COPLFR thus proposes the addition of the following clarification (inserted after the sentence referenced immediately above this paragraph):

“If the actuary’s analysis does not follow the Schedule P lines of business, such differences in data classification should be clearly documented, and the exhibits required per item 7 should be prepared at the most detailed feasible level of aggregation.”

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We appreciate the opportunity to comment on the proposed 2012 Actuarial Opinion Instructions, and we hope you find these comments helpful. If you have any questions about our comments, please contact Lauren Pachman, the Academy’s casualty policy analyst, at pachman@actuary.org.

Sincerely,



Dale F. Ogden, ACAS, MAAA
Chairperson, Committee on Property and Liability Financial Reporting
American Academy of Actuaries

cc: via email
Richard Piazza, Chair
Casualty Actuarial and Statistical Task Force