



AMERICAN ACADEMY *of* ACTUARIES

May 21, 2010

Jacob Garn
Chair, Blanks Working Group
National Association of Insurance Commissioners
2301 McGee Street
Suite 800
Kansas City, MO 64108-2662

Re: Comments on Health Annual Statement Instructions

Dear Mr. Garn:

The American Academy of Actuaries¹ Health Practice Financial Reporting Committee has reviewed the proposed changes to the Health Annual Statement Instructions regarding actuarial opinions and we have the following comments:

The allowance for exemptions to the requirement of filing actuarial opinions creates a difficult situation. In many cases it is more critical for smaller or thinly capitalized organizations to obtain an actuarial opinion than larger well capitalized organizations. However, it may be appropriate for a well capitalized organization or a small affiliate of a larger organization with cross capitalization guarantees to forego the expense and effort of obtaining an actuarial opinion. Therefore, we would recommend that the small company exemption in section 1B and the financial hardship exemption in the same section include additional requirements of either a minimum RBC ratio that is well above the company action level or surplus guarantees from an affiliated organization.

The modified language in item “7” of the Opinion section causes significant concern. Most organizations filing a Health Annual Statement have a very limited licensure and operating area. Requiring the opinion to indicate that the liabilities “are at least as great as the minimum aggregate amounts required by any state” creates an unnecessary hardship to the organization in researching the requirements of all states and potentially complying with regulations of a jurisdiction in which it is not even licensed. Indirectly, it also gives each state the power to regulate all health plans regardless of whether or not they are licensed or operate in the state. We are unclear as to why the prior wording was unsatisfactory. If the lack of specificity in “by the state in which this statement is filed” is a concern, one possibility is to replace that phrase with a

¹ The American Academy of Actuaries is a professional association with over 16,000 members, whose mission is to assist public policymakers 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.

list of specific states as an alternative. Requiring predominantly single state jurisdictional organizations to assert compliance with regulations of all states seems inappropriate to us.

If you have any questions regarding our comments, please contact Tim Mahony, the Academy's state health policy analyst, at 202.223.8196 or Mahony@actuary.org.

Sincerely,

Darrell Knapp, MAAA, FSA
Chair, Health Practice Financial Reporting Committee
American Academy of Actuaries