

APPENDIX 1

EXAMPLES OF STATEMENTS OF ACTUARIAL OPINION

This appendix describes Statements of Actuarial Opinion (SAOs) and gives several examples of opinions that are typically rendered by actuaries, indicating whether or not those opinions are usually SAOs. The examples set forth in this appendix are not intended to be all-inclusive. Actuaries can, and do, render many types of SAOs and other statements and opinions that are not specifically referenced in this appendix.

This appendix is intended to help actuaries understand which statements are SAOs. It represents the consensus of the Academy's Committee on Qualifications.

I. General Observations

- a. Internal communications within a company, firm, or governmental agency may or may not be an SAO depending on whether or not the internal communication expresses an actuarial opinion and whether or not it is intended to be relied upon.
- b. A draft of an actuarial opinion that has not been provided to an actuary's Principal who requested the opinion is not an SAO. A draft of an actuarial opinion that has been provided to an actuary's Principal who requested the opinion is an SAO unless the document is clearly marked that it should not be relied upon. If there is a reasonable likelihood that the Principal will rely on the draft regardless of intent, that is an indication that the draft is an SAO. If the Principal is not subsequently sent a final report within a reasonable time frame, that is an indication that the draft report is an SAO. The actuary should communicate to the Principal that the final report replaces the draft report. There may be instances where the actuary sends the Principal a draft report that clearly indicates it should not be relied upon (a document that is not an SAO according to the above definition) and the actuary and Principal subsequently agree that a final report will not be issued. In this case, the draft report is not an SAO.
- c. An SAO is usually a written actuarial opinion, but it may also be conveyed by oral communication. The fact that an actuary's opinion is conveyed orally is not, in and of itself, evidence that the opinion is not an SAO.
- d. Not every communication by an actuary is an SAO. The communication must be based on actuarial considerations.
- e. A statement that contains data and/or other information but does not contain actuarial advice or an actuarial opinion is not an SAO.
- f. An SAO may or may not be embodied in a public document.

II. Commonly Issued Actuarial Opinions and Work Products

Please observe that only *actuarial* statements of opinion can be SAOs. This list was prepared as of the date of adoption of the Qualification Standards. It is not intended to be and should not be interpreted as all-inclusive.

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are SAOs.	1. IC Life and A&H Annual Statement Opinion	H/L	Specific
	2. IC Health Annual Statement Opinion	H	Specific
	3. IC Property & Casualty Annual Statement Opinion	C	Specific
	4. Form 5500 Schedule B Certification and Other ERISA Forms	P	General
	5. VEBA Account Limit Determination	H/L/P	General
	6. Insurance company statutory reserve opinion	C/H/L/P	Specific
	7. Profit tests for regulators	C/H/L	General
	8. State exam opinion	C/H/L	General
	9. Tax issue opinion	C/H/L/P	General
	10. Nonforfeiture law compliance demonstration	L	General
	11. Indeterminate premiums opinion	L	General
	12. Rate filing opinion	C/H/L	General
	13. COBRA premium determination	H	General
	14. Opinion re: rate level indications	C	General
	15. Cash flow testing	C/H/L/P	General
	16. Non-guaranteed elements opinion	C/H/L/P	General
	17. Actuarial appraisal	C/H/L/P	General
	18. Actuarial audit	C/H/L/P	General
	19. Opinion of assumptions and methods used to value social insurance	C/H/L/P	General
	20. Supporting reports	C/H/L/P	General
	21. Expert testimony	C/H/L/P	General
	22. Sales illustrations	H/L	General
	23. Testimony at rate filing or reserve adequacy hearing	C/H/L	General
	24. Loss ratio opinion	H	General
	25. Premium increase demonstration	H	General
	26. Loss reserve opinion	C	General
	27. Ratemaking opinion	C	General
	28. Internal management report (depending on content and intent)	C/H/L/P	General
	29. Sale price of a company opinion	C/H/L/P	General
	30. Merger/spinoff opinion	C/H/L/P	General

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
	31. Profit tests for management (depending on content and intent)	C/H/L/P	General
	32. Asset adequacy analysis	C/H/L/P	General
	33. Pricing opinion	L	General
	34. Policyholder dividend opinion	L	General
	35. CCRC pricing opinion	H/L/P	General
	36. Health & welfare fund financial opinion	H	General
	37. Determination of maximum deductible contributions under IRC Section 404	P	General
	38. Pension plan non-discrimination testing	P	General
	39. SFAS 35 determination	P	General
	40. SFAS 87 & 88 determination	P	General
	41. SFAS 106 determination	H/L/P	General
	42. SFAS 109 liability determination	H/P	General
	43. SFAS 112 determination	C/H/L/P	General
	44. SFAS 123(R) determination	P	General
	45. SFAS 132 determination	P	General
	46. SFAS 158 determination	P	General
	47. GASB 25 determination	P	General
	48. GASB 27 determination	P	General
	49. GASB 43 determination	H/P	General
	50. GASB 45 determination	H/P	General
	51. CAS 412 determination	P	General
	52. CAS 413 determination	P	General
	53. SFAS 5 determination	H/L/P	General
	54. SOP 92-6 retiree obligation opinion	H/P	General
	55. Draft of an actuarial report provided to the actuary's client	C/H/L/P	General
B. These opinions and communications may contain an SAO.	1. Slide presentation (depends on content)	C/H/L/P	General
	2. Speech (depends on content)	C/H/L/P	General
	3. Phone conversation (depends on content)	C/H/L/P	General
	4. Certification of data requested by state insurance departments (not unless there is an opinion included on an actuarial subject other than that the data are reliable)	C/H/L/P	General
	5. Congressional testimony (almost always an SAO if an actuary is testifying as an expert on an actuarial subject)	C/H/L/P	General
	6. NAIC working group or task force opinion (usually is, although not everyone who works on the opinion must be qualified)	C/H/L/P	General

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
C. These opinions are usually SAOs because they are relied on by third parties.	1. Pension plan cost	P	General
	2. Effect of principal plan changes on pension cost	P	General
D. These communications are not SAOs when used alone without an opinion as to what the results suggest.	1. Experience study	C/H/L/P	N/A
	2. Personal computer program	C/H/L/P	N/A
E. These communications are not SAOs.	1. Draft of an actuarial report not provided to the actuary's client	C/H/L/P	N/A
	2. Meeting minutes	C/H/L/P	N/A
	3. Letters to the editor	C/H/L/P	N/A
	4. Interview by media	C/H/L/P	N/A
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

III. Application of Qualification Standards to Public Service Actuaries

The Qualification Standards apply to all actuaries, including those working in public service (for example, actuaries providing professional services to federal, state, or local governments). When a public service actuary issues a Statement of Actuarial Opinion (SAO), the public service actuary has the same obligation as a non-public service actuary to comply with the General or Specific Qualification Standards.

However, a public service actuary may be called upon to review another actuary's SAO, and to approve, disapprove, accept, or reject a submission based upon another actuary's SAO. The review itself may be an SAO, but only if:

- The review itself of an SAO (or a submission based upon and substantially supported by an SAO) is intended by an actuary to be relied upon by the person or organization to which it is addressed; and
- The review is based on actuarial considerations.

If the above two conditions apply, then an actuary issuing the review must meet the General Qualification Standard for issuing SAOs in the applicable area of actuarial practice.

The following is a list of communications that are routinely issued by public service actuaries. Public service actuaries also author communications that are not specifically referenced in this listing.

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are not SAOs.	1. Rate filing query letter	C/H/L	N/A
	2. Answers to consumers' questions	C/H/L/P	N/A
	3. Legislative/rulemaking activities — draft, review, etc.	C/H/L/P	N/A
	4. Reserve adequacy comments within an insurance department	C/H/L	N/A
	5. Review and approve appointed actuary designations	C/L	N/A
	6. Analyze insurance company and industry data	C/H/L	N/A
	7. Actuarial review of NAIC models and pronouncements	C/H/L	N/A
	8. Accept/reject company license applications	C/H/L	N/A
	9. Review Asset Valuation Reserve determinations	C/H/L	N/A
	10. Requests for clarification of SAOs received	C/H/L/P	N/A

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
B. These opinions, communications, and testimonies are SAOs if based on actuarial considerations.	1. Issue actuarial opinions re: resolution of troubled company	C/H/L	General
	2. Review reinsurance contracts for compliance with risk transfer and reserve credit	C/H/L	General
	3. Law and regulation enforcement, interpretation, and implementation	C/H/L/P	General
	4. Opinion of state fund's reserve and funding level	C/H/L	General
	5. Reports called for on governmental retirement plans	P	General
	6. Chief Actuary's report on Social Security and Medicare	H/L/P	General
	7. Statement of actuarial advisory board appointed by government, such as the Board of Actuaries of the Department of Defense	C/H/L/P	General
	8. Actuarial testimony at administrative hearing	C/H/L/P	General
	9. Actuarial testimony at judicial hearing	C/H/L/P	General
	10. Actuarial testimony at legislative hearing	C/H/L/P	General
	11. Rate filing — written or oral approval/disapproval	C/H/L	General
	12. Reserve adequacy opinion — approval/disapproval	C/H/L/P	General
	13. Approve/disapprove actuarial portion of policy forms	C/H/L	General
	14. Approve/disapprove actuarial memo on reserves and nonforfeiture values	C/H/L	General
	15. Resolve filed audit issues consistent with ASOPs	C/H/L/P	General
	16. Review small group annual actuarial certifications	H	General
	17. Review actuarial opinion of political subdivision that self-funds its health insurance	C/H/L	General
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			