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AMERICAN ACADEMY of ACTUARIES

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May 7, 2021

Eric King  
Health Actuary  
Health Actuarial (B) Task Force  
National Association of Insurance Commissioners (NAIC)

Re: Request for comments on proposal to modify the definition of “actuarial assets” as used in the instructions for the Health Statement of Actuarial Opinion

Dear Mr. King:

I write on behalf of the American Academy of Actuaries (Academy)<sup>1</sup> Financial Reporting and Solvency Committee of the Health Practice Council regarding the revised proposal as put forward in the [exposure draft](#) of April 23, 2021, to modify the instructions for the Health Statement of Actuarial Opinion to address “actuarial assets.” We appreciate the opportunity to provide the following comments in addition to our originally submitted April 19, 2021, [comment letter](#).

Generally, we believe the changes are appropriate, as they address the inclusion of wording reflecting that actuarial assets need to be covered by the actuarial opinion. We have the following specific comments:

1. The wording modifications in Sections 4. and 5. are fairly minor (i.e., addition of words: “actuarial assets”) and sensible considering actuaries are required to opine on both actuarial assets and liabilities.
2. The wording added in Section 7.D., “Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements, when such liabilities are considered in combination with any actuarial assets included in the scope of this opinion...” is cumbersome, and there is some concern that it could be potentially interpreted as allowing conservative treatment of actuarial assets (i.e., recording lower balances than what might be justified) to offset aggressiveness (i.e., recording lower than what might be necessary) on the liability side. We would suggest that eliminating the additional Section 7.D. wording and adding an explicit statement related to the actuarial assets would be preferable and would suggest adding the following new Section 7. wording: “E. Do not overstate actuarial assets.” Doing so would preserve the concept of “good and

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.

- sufficient” provision for actuarial liabilities, while also requiring the actuary to state an opinion on “actuarial assets,” which we believe might be a more direct and practical approach to incorporating “actuarial assets” in the Opinion Section 7.D. than the currently proposed wording.
3. The revisions in Section 9. incorporate wording pertaining to actuarial assets into instructions related to considerations when issuing adverse, qualified, or inconclusive opinions, which is appropriate.
  4. One item that is not addressed in the instructions to the Annual Health Statement Blank, Actuarial Opinion is the definition of an “actuarial asset.” While actuaries generally may be able to point to other guidance to determine what could reasonably be considered an “actuarial asset,” it does not appear to be well defined within the NAIC instructions. The NAIC may want to consider adding some certainty to what is a reasonable approach to determining what constitutes an “actuarial asset” to be included in the Actuarial Opinion. This might include providing examples of assets that would generally be considered by regulators to be “actuarial assets” that should be covered by the Actuarial Opinion.

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If you have any questions or would like to discuss further, please contact Matthew Williams, the Academy’s senior health policy analyst, at [williams@actuary.org](mailto:williams@actuary.org).

Sincerely,

Marc Lambright, MAAA, FSA  
Chairperson, Financial Reporting and Solvency Committee  
American Academy of Actuaries