



July 26, 2024

Miriam Fisk, Chair  
Julie Lederer, Vice Chair  
Actuarial Opinion (C) Working Group  
National Association of Insurance Commissioners (NAIC)

Via email: [kdefrain@naic.org](mailto:kdefrain@naic.org)

Re: Request for Clarifications—Actuarial Guidance for 2024

Dear Chair Fisk and Vice Chair Lederer,

The American Academy of Actuaries (Academy)<sup>1</sup> Committee on Property and Liability Financial Reporting (COPLFR) seeks additional clarification from the Actuarial Opinion (C) Working Group as the group reviews 2024 regulatory guidance. Specifically, we are looking for guidance on whether the Appointed Actuary is expected to opine on the long-duration unearned premium reserves (UEPR) when it is not material.

The instructions for the [opinion paragraph](#) states (underlining added):

*If the Scope includes material Unearned Premium Reserves for P&C Long Duration Contracts or Other Loss Reserve items on which the Appointed Actuary is expressing an opinion, the Actuarial Opinion should contain language such as the following:*

*D. Make a reasonable provision for the unearned premium reserves for P&C Long Duration Contracts and/or <insert Other Loss Reserve item on which the Appointed Actuary is expressing an Opinion> of the Company under the terms of its contracts and agreements.*

Because the language in the [scope paragraph](#) states (underlining added), “I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A,” and long-duration UEPR is listed in Exhibit A, some Appointed Actuaries have raised the question of whether this means that they are opining on the long-duration UEPR, even if it is not material.

Further, the regulatory guidance states (underlining added), “While the Instructions provide some illustrative language, the Working Group encourages Appointed Actuaries to use whatever language they believe is appropriate to clearly convey their opinion and the basis for that opinion.” It therefore appears that the Appointed Actuary can change the language in the scope and/or opinion paragraph to describe how the UEPR is treated.

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<sup>1</sup> The American Academy of Actuaries is a 20,000-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.

Further clarification would be appreciated, making it clear whether the intent of the guidance is to direct the Appointed Actuary to opine, regardless of materiality.

COPLFR would also note two additional concerns that seem appropriate for future consideration by AOWG. We do not anticipate AOWG will be able to address these concerns for the 2024 regulatory guidance. However, we would ask whether it would be possible for clarifications to be considered. Then, more significant changes could be considered for 2025 or later.

1. It is our understanding that AOWG is already considering clarifying the meaning of Exhibit B, disclosure #10. Our members have observed some inconsistent interpretations and appreciate any clarification that AOWG would offer.
2. Some items in Exhibit A and B of the SAO do not have direct ties to the Annual Statement, including long-duration UEPR, net amounts from voluntary and involuntary pools, claims made, extended loss and loss adjustment expense, and unearned premium reserves. COPLFR would appreciate the opportunity to discuss how these items are used by regulators. Many Appointed Actuaries are not officers of the insurer for which they are opining. Thus, it may be more appropriate for these items to be disclosed directly by the company in the Annual Statement, rather than designating the SAO as the sole source of disclosure. Given the absence of a “check” back to the Annual Statement, there are inconsistencies in how these items are populated which limits the usefulness of these disclosures to regulators and the public.

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COPLFR appreciates your consideration of these further points of clarification as you review actuarial guidance for 2024. We would be happy to discuss this request at your convenience and invite you to contact Rob Fischer, the Academy’s casualty policy analyst, ([fischer@actuary.org](mailto:fischer@actuary.org)).

Sincerely,

Stephen Koca,  
Chairperson, COPLFR  
American Academy of Actuaries

CC: Kris DeFrain, Director, Research and Actuarial Department, NAIC