

Comment #11 – 10/29/10 – 4:09 p.m.

As one of the original drafters of the new NAIC Health Opinion Instructions, I offer the following comments. These comments reflect my own opinions and do not represent any official position of my employer.

Actuarial Memorandum. The exposure draft says the revisions are being made in part due to the revised NAIC actuarial opinion instructions. One of the changes made to the original draft was to change a requirement for an actuarial report to be a requirement for an actuarial memorandum. I agreed to this change after I was assured that that a 'memorandum' in this context would meet the definition of an actuarial report in ASOP No. 41. In the Instructions, the content of the memorandum is defined with a good deal of specificity and uses terminology that is consistent with the definition of a report as found in 41. The definition in this exposure draft appears to be so general that almost any document could fit the definition. A more robust definition would seem to be in order. I believe the ASB needs to decide how they expect ASOP 41 to interact with other ASOPs re documentation and disclosure. It seems the intent is for 41 to be the overarching default but I am not sure how realistic that is.

Other comments;

1. Purpose and scope. The scope here seems to be very broad, including not just the prescribed opinions but per the comment and the words, licensure and contractual obligations. It is not clear to me exactly what that means so it is hard for me to decide if that is desirable and/or practical.

2. Dates. Other ASOPs have 3 dates, valuation, accounting and review date. This ASOP appears to combine accounting and valuation date and make no mention of a review date. By not having the three dates, there may be valuable information not routinely disclosed. The additional dates are referred to in Section 3.5 Scope of Analysis.

3. Section 3.7.1 describes what is required to evaluation the reasonableness of reserves, while the determination of good and sufficient is covered above in 3.7. I think it would be more clear to describe the requirements for both bases in 3.7.1.

4. Section 3.11.b defines an adverse opinion to include situations where the reserve was not "good and sufficient" as well as situations where the liabilities fell outside of a reasonable range, if that is the basis for evaluation. It is somewhat counter-intuitive to group three conclusions ("not good and sufficient", "deficient", and "excessive") that are quite different under the same type of opinion.

5. Section 4.2 b and c refer to deficient or unreasonable opinions and redundant or excessive, using similar language as ASOP 36, but there is not a reference to the type of opinion. Does this apply to an adverse opinion when deficient and what kind of opinion when redundant? The definitions and references need to be clearer.

Thank you for the opportunity to comment.

Mary D Miller FCAS, MAAA
Assistant Director
Product Regulation and Actuarial Services
Ohio Department of Insurance