

Comment #1 – 4/2/09 – 2:08 p.m.

Regarding the exposure draft of ASOP #36, I have the following comments.

1.3) The wording "as they may be amended or restated in the future" can be read to imply that the actuary should also reference exposure drafts of the other ASOPs, which I don't think is correct nor is it your intent. I think it would be more clear to say "...includes the referenced documents if they are amended or restated in the future..."

2.2) It references "claim payment", but I think it should say "claim or claim adjustment expense payment"

3.4) Under section b, should it be further clarified to state examples of recoverables like in sections d & e of the same section? I would add "(for example, salvage, subro, 3rd party reinsurance, stop loss reinsurance, retroactive cover, etc.)"

3.7) It says "...reasonable if it is within a range of estimates that could be produced by an analysis..." I suggest changing "could be" to "are" since I don't think we should opine on a reserve unless the range is produced consistent with ASOP 43 and a description of the reserves.

3.7.1) I think the actuary should disclose the selected measure (range or point). This item is not mentioned in 4.1 or 4.2.

3.7.2) Second paragraph, second sentence begins "The reviewing actuary need not perform additional...." I suggest wording to clarify "The reviewing actuary may choose not to perform additional..."

3.8) I think the actuary should disclose reliance on others. This item is not mentioned in 4.1 or 4.2.

3.11.1) I think it should add mention of liquidated estates, insolvencies, and schemes of arrangement (solvent or insolvent) in here. These reinsurers may be paying dividends, interest on dividends, and their payout percentages should be part of the analysis (or more appropriately, the percentage they are not paying).

3.11.1) While the opinion does not opine on financial condition of specific reinsurers, a collectibility analysis needs to consider the financial strength of reinsurers when considering the reasonableness of the provision for uncollectible reinsurance, if the ceded balances contain more than the paid loss recoverable (i.e. ceded case or ceded IBNR).

4.2) An actuary may opine that a reserve is within a reasonable range, but could have questions about whether the carried reserve is correct. While it's not the actuary's job to balance the books, they should discuss with the finance department to at least understand the carried reserves. This could be as important as discussing the type of claims or lines

of business with the claim & underwriting departments. If there are unresolved issues, the actuary should disclose this.

Thank You,

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