

May 28, 2009

Exposure Draft Comments

Actuarial Standards Board

1859 M Street, NW

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Washington, DC 20036

RE: Exposure Draft ASOP 36 – Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves.

Section 3.1 Analysis of Issues and Recommended Practices.

The current ASOP 36 has a section 3.1.1 on Qualification Standards. It states “Before accepting an assignment ... the actuary should determine that he or she meets the qualifications...” This is left out of the current exposure draft. The opining actuary states in his/her opinion that he/she meets the qualification standards; it is important that the opining actuary meets these qualifications (and has actually read the current standard.) Therefore I think we should put this wording back in the exposure draft.

Section 3.7.2 – Opinion based on Actuary’s Review of Existing Reserve opinion.

Current Section 3.8.2 (Responsibilities of Reviewed Actuary) discusses the responsibility of the reviewed actuary to “comply with the Code of Professional Conduct with respect to availability to respond to questions...” This section was left out of the exposure draft. It is assumed the opining actuary meets the qualification standards and complies with the Code of Professional Conduct; but it helps to mention it in the ASOP. I think we should put this section back into the revised ASOP 36.

Section 3.11 Reinsurance Ceded.

The current ASOP 36 has 2 additional subsections on Gross vs. Net Reserves and on Uncollectible Reinsurance and Commutations that are not included in the current exposure drafts. These are 2 issues that the opining actuary should consider. Uncollectible reinsurance and commutations can be a significant issue and the opining actuary should consider these. They are not mentioned in ASOP 43.

Section 4.1 Actuarial Communications

In the current ASOP 36, Section 4.1 has the ending sentence “When the statement is provided to meet regulatory requirements, the actuary should consider the detailed requirements specified by regulators as to the form and content of the statement and supporting reports.” This is covered somewhat in ASOP 41, but it needs to be emphasized in this ASOP. The opining actuary needs to be aware that the

opinion and the actuarial report are of course for the principal, but the regulators are the prime users of the actuarial report and opinion which items have to meet the NAIC requirements and guidance.

Answers to Request for Comments

1. Yes
2. The scope is clear
3. Section 3.5 asks for Valuation date and review date in opinion. These dates are not currently in the Actuarial Opinion as required by NAIC instructions. (Should be in Report, but not in opinion.) The opinion only wants the accounting date.
4. The guidance is sufficiently clear.
5. Section 3.7 Reinsurance ceded is not sufficiently covered in ASOP 43. (See comment above.) Section 3.6 Uncertainty is not sufficiently covered in ASOP 43. The subsection 3.6.1 Sources of uncertainty is not covered in ASOP 43. ASOP 43 discusses sources of uncertainty as model risk, parameter risk and process risk. Section 3.6.1 of the current ASOP 36, gave more examples that should be in either ASOP 43 or ASOP 36.
6. In the regulatory Actuarial Opinion, the opining actuary is opining on the reasonableness of the carried reserves and only describes in the Actuarial Report the various types of measures used for the unpaid claim estimate. So I believe that Section 3.4.a should be deleted. The last sentence in Section 3.4 should be changed to "This may include the following;" Some of the details in the list 3.4.a, d –f would normally be in the Actuarial report, not in the opinion.

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