

Comment # 1 - 4/7/10 - 9:38 a.m.

Comments on the proposed revision to Actuarial Standard of Practice No. 36:

The use of both "loss" and "claim" in the Standard is unnecessarily confusing. For example in the Introduction to Section 2, it seems as though "loss" and "claim" are interchangeable (I realize that is not the literal statement), but Definition 2.5 uses the term "claim amount" as opposed to "claim." I would submit that "loss" was / is a poor choice of words. The insured (not the insurer) suffers a loss for which they file a claim which is an expense (not a loss) to the insurer. The term loss is also easily misunderstood as referring to the opposite of profit. I would suggest using the term "claim" exclusively with a note indicating that the term "loss" is often used in practice.

Definition 2.5 should be revised to be clear as to whether it includes both unallocated and allocated claim adjustment expenses. The language of the definition implies only "allocated" (i.e. "defense and cost containment" in Annual Statement vernacular) because it leaves out "adjusting and other" (Annual Statement vernacular for unallocated) as examples of types of costs.

The use of "as of date" in Definition 2.1 is confusing. In my reports I label losses as being "*as of* the valuation date." I may also show unpaid claim estimates *as of* the valuation date and then forecast or backcast estimates to the accounting date. In these contexts - with your definition - users would be confused as to which is the accounting date.

Section 4.1 b: I don't like the requirement of indentifying the intended user of the SAO. They are generally addressed to and paid for by the Board of Directors but there is also clearly an intended use for regulators. This is confusing and will lead to criticisms about independence and conflicts of interest. I would suggest that disclosure described in Section 4.2b - the intended use - is sufficient.

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