

Comment Letter #2 – 4/7/10 – 4:35 p.m.

Comment Letter

Second Exposure Draft

Proposed Revision of Actuarial Standard of Practice No. 36

Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves

- 3.5(b)
 - Suggest revising to read “the review date of the actuary’s unpaid claim estimate analysis...”. While review date is previously defined in 2.10 to specifically refer to the unpaid claim estimate analysis, the current reading of 3.5(b) is potentially misleading and could be misinterpreted to refer to the reserve evaluation rather than the unpaid claim estimate analysis.

- 3.8.
 - Suggest adding a reference to section 4.2(a), similar to how 3.9 references 4.1(h) and 4.2(e).

- 3.11(d)
 - States “The actuary is not required to issue a qualified opinion if the actuary reasonably believes that the item or items in question are not likely to be material. (See section 4.2(d) for related disclosure requirements.)” It is understood the item in parentheses at the end applies to 3.11(d) in general and not the sentence that immediately precedes it. However, section 4.2(d) starts off with “If the actuary issues a qualified opinion...”, and thus is not applicable to the situation where a qualified opinion would not be issued due to the item in question not being material. The ASOP does not give further guidance as to any disclosure in the case where there is an item in question but the actuary reasonably believes the item not likely to be material. It may be the appropriate place for such disclosure is the actuarial report and not the actual opinion document but I recommend some guidance contained within ASOP 36.

- 4.1(f)
 - Why is the valuation date referenced in 3.5(a) not necessary to be disclosed but the other items of 3.5 (b) through (d) necessary to be disclosed? 3.5 states “The actuary should identify the scope of the analysis” that includes each subsection of 3.5. However, 4.1(f) specifically states 3.5(b) through 3.5(d) are necessary to be disclosed but does not make such a statement regarding 3.5(a); this seems contradictory. Additionally, disclosing the valuation date may help for clarity in such cases where the unpaid claim estimate analysis is performed prior to the accounting date with a subsequent roll forward or true-up based on data valued as of the accounting date.

Thank you for the opportunity to provide this comment letter.

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