Actuarial Standard of Practice No. 22
Statements of Opinion Based on
Asset Adequacy Analysis by Actuaries
for Life and Health Insurers

and

Actuarial Standard of Practice No. 28
Statements of Actuarial Opinion Regarding
Health Insurance Liabilities and Assets

Revised Edition

Adopted by the
Actuarial Standards Board
September 2012

Doc. No. 166
ASOP Nos. 22 and 28 Revisions—September 2012

Transmittal Memorandum

REVISED LANGUAGE FOR ASOP Nos. 22 and 28

Revised Language for ASOP No. 22
Revised Language for ASOP No. 28
Appendix—Comments on the Exposure Draft and Responses
ASOP Nos. 22 and 28 Revisions—September 2012

September 2012

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Statements of Opinion Based on Asset Adequacy Analysis

FROM: Actuarial Standards Board (ASB)

SUBJ: Actuarial Standards of Practice Nos. 22 and 28

This document contains the final revisions to ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, and ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*.

Background

ASOP No. 28 provides an explicit exclusion for actuaries preparing statements of actuarial opinion for life insurance companies. The ASB believes that the standards of practice delineated in ASOP No. 28 are appropriate for health insurance liabilities and health insurance assets included in statements of actuarial opinion for life insurance companies, and should be made applicable.

This final version includes changes to section 3.1 of ASOP No. 22 to indicate that the actuary should review and apply ASOP No. 28 in doing work covered by ASOP No. 22. In addition, the definition of Health Benefit Plan in ASOP No. 22 is changed to be consistent with that in ASOP No. 28. Finally, the scope of ASOP No. 28 is changed to remove the exclusion for work covered by ASOP No. 22.

The ASB thanks everyone who took the time to contribute comments and suggestions on the exposure draft. The ASB adopted these revisions to ASOP Nos. 22 and 28 at its September 2012 meeting, to be effective for actuarial opinions issued on or after December 31, 2012.
The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB’s goal is to set standards for appropriate practice for the U.S.
1. Section 2.11 will be replaced with:

2.11 Health Benefit Plan—A contract or other financial arrangement providing medical, prescription drug, dental, vision, disability income, accidental death and dismemberment, long-term care, or other health-related benefits, whether on a reimbursement, indemnity, or service benefit basis, regardless of the form of the risk-assuming entity, including health benefit plans provided by self-insured or government plan sponsors.

2. Section 3.1 will be replaced with:

3.1 Requirements to Consider—When preparing an opinion based on asset adequacy analysis, the actuary should review and apply applicable law and applicable actuarial standards of practice, such as ASOP No. 7, Analysis of Life, Health, or Property/Casualty Insurer Cash Flows. The actuary should be aware of the Actuarial Guidelines published in the NAIC’s Examiners Handbook, and make a reasonable effort to be aware of generally distributed interpretations of each regulatory authority. If the opinion encompasses health insurance liabilities and assets, ASOP No. 28, Statements of Actuarial Opinion Regarding Health Insurance Liabilities also applies.

3. These changes are effective for actuarial opinions issued on or after December 31, 2012.
ACTUARIAL STANDARD OF PRACTICE NO. 28

STATEMENTS OF ACTUARIAL OPINION REGARDING HEALTH INSURANCE LIABILITIES AND ASSETS

REVISED LANGUAGE

1. Section 1.2 will be replaced with:

1.2 **Scope**—This standard applies to actuaries providing written statements of actuarial opinion with respect to health insurance liabilities and health insurance assets of insurance or reinsurance companies and other health insurance financing systems (such as health benefit plans provided by self-insured or government plan sponsors) that provide similar coverages, under one or more of the following circumstances:

a. the statement of actuarial opinion is prepared to comply with NAIC Health Annual Statement instructions;

b. the statement of actuarial opinion is otherwise prescribed by law or regulation;

c. the statement is prepared to fulfill contractual obligations of the principal, including review of the work product of another actuary; or

d. the statement of actuarial opinion is represented by the actuary as being in compliance with this standard.

The standard does not apply to actuaries preparing statements of actuarial opinion that are subject to ASOP No. 6, *Measuring Retiree Group Benefits Obligations* or ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*. The standard applies to actuaries preparing statements of actuarial opinion for life insurance companies with respect to health insurance liabilities and assets included in such analysis; in addition, ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis for Life and Health Insurers* may apply.

If the actuary departs from the guidance set forth in this standard in order to comply with applicable law (statutes, regulations, and other legally binding authority) or for any other reason the actuary deems appropriate, the actuary should refer to section 4.

2. This change is effective for actuarial opinions issued on or after December 31, 2012.
Appendix

Comments on the Exposure Draft and Responses

The exposure draft of this document was issued in April 2012 with a comment deadline of May 15, 2012. Two comment letters were received, one of which was submitted by a committee on behalf of multiple commentators. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The Health Committee and Life Committee of the Actuarial Standards Board carefully considered all comments received, and the Health Committee, Life Committee, and ASB reviewed (and modified, where appropriate) the changes proposed.

Summarized below are the significant issues and questions contained in the comment letters and the responses.

The term “reviewers” in this appendix includes the Health Committee, Life Committee, and the ASB. Also, unless otherwise noted, the section numbers and titles used in this appendix refer to those in this final version.

**GENERAL COMMENTS ON ASOP NO. 22**

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<td>Two commentators noted that ASOP No. 28, <em>Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets</em>, provides more specific guidance than ASOP No. 22, <em>Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers</em>, particularly with respect to the collectability of reinsurance ceded.</td>
<td>The reviewers note the scope of the current revision was limited to updating ASOP No. 22 to reflect changes recently made to ASOP No. 28, and made no change.</td>
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<td>One commentator noted that the change to section 3.1, Requirements to Consider, could be interpreted as a complete list of ASOPs to review.</td>
<td>The reviewers agreed and changed the section to clarify the language.</td>
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**GENERAL COMMENTS ON ASOP NO. 28**

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<td>One commentator asked for clarification on how health insurance assets should be taken into consideration in an actuarial opinion prepared in accordance with the Life and A&amp;H Annual Statement and whether the proposed revisions to section 1.2, Scope, of ASOP No. 28, stating that “actuaries preparing statements of actuarial opinion for life insurance companies with respect to health insurance liabilities included in such analysis,” should mention health insurance assets.</td>
<td>The reviewers agreed and clarified the scope to note the standard applies to actuaries preparing statements of actuarial opinions for life insurance companies with respect to health insurance liabilities and assets.</td>
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<td>Two commentators expressed concern that an actuarial opinion for a Health Annual Statement filed by a property/casualty company would be exempt from the scope of ASOP No. 28 and suggested ASOP No. 36, <em>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</em>, should be similarly amended.</td>
<td>The reviewers discussed this with the ASB Casualty Committee. The Casualty Committee believes that health insurance is adequately covered by AOSP No. 36, and no changes are needed to the scope of either ASOP Nos. 28 or 36. The Casualty Committee also notes that a property/casualty company filing an annual statement with health liabilities, but no property/casualty liabilities would be subject to ASOP No. 28, as it is currently written.</td>
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<td>One commentator recommended a slight change to the scope of ASOP No. 22 to improve the consistency between ASOP Nos. 22 and 28.</td>
<td>The reviewers agreed and changed the language to clarify that ASOP No. 28 applies to actuaries performing asset adequacy analysis for life insurance companies with health insurance liabilities and assets.</td>
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