



ACTUARIAL STANDARDS BOARD

**Actuarial Standard
of Practice
No. 28**

**Statements of Actuarial Opinion Regarding
Health Insurance Liabilities and Assets**

Revised Edition

**Developed by the
ASOP No. 28 Task Force of the
Health Committee of the
Actuarial Standards Board**

**Adopted by the
Actuarial Standards Board
June 2011**

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TABLE OF CONTENTS

Transmittal Memorandum	iii
STANDARD OF PRACTICE	
Section 1. Purpose, Scope, Cross References, and Effective Date	1
1.1 Purpose	1
1.2 Scope	1
1.3 Cross References	2
1.4 Effective Date	2
Section 2. Definitions	2
2.1 Actuarial Memorandum	2
2.2 Claim	2
2.3 Contract Reserve	2
2.4 Health Benefit Plan	2
2.5 Health Insurance Asset (Asset)	2
2.6 Health Insurance Liability (Liability)	2
2.7 Loss Adjustment Expense	3
2.8 Moderately Adverse Conditions	3
2.9 Qualified Actuary	3
2.10 Provision for Adverse Deviation	3
2.11 Statement of Actuarial Opinion	3
2.12 Valuation Date	3
Section 3. Analysis of Issues and Recommended Practices	3
3.1 Legal, Regulatory, and Contractual Requirements	3
3.2 Purpose of the Statement of Actuarial Opinion	3
3.3 Liabilities and Assets Being Opined Upon	3
3.4 Stated Basis of Liability and Asset Presentation	4
3.5 Scope of the Analysis Underlying the Statement of Actuarial Opinion	4
3.6 Materiality	5
3.7 Liability and Asset Evaluation	5
3.7.1 Evaluation Based on Actuary's Estimate of Unpaid Claim or Other Liabilities or Assets	5
3.7.2 Evaluation Based on the Actuary's Use of Another's Estimates or Opinions	6
3.8 Prior Opinion	6
3.9 Adverse Deviation	6
3.10 Collectability of Ceded Reinsurance	7
3.11 Statements of Actuarial Opinion	7
3.12 Adequacy of Assets Supporting Liabilities	8
3.13 Documentation	8
Section 4. Communications and Disclosures	8
4.1 Actuarial Communication	8

ASOP No. 28—June 2011

4.2	Disclosures	9
4.3	Additional Disclosures	10

APPENDIXES

Appendix 1—Background and Current Practices	12
Background	12
Current Practices	13
Appendix 2—Comments on the Exposure Draft and Responses	14

ASOP No. 28—June 2011

June 2011

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets

FROM: Actuarial Standards Board (ASB)

SUBJ: Actuarial Standard of Practice (ASOP) No. 28

This document contains the final version of a revision of ASOP No. 28, now titled *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*.

Background

In April 1997, the Actuarial Standards Board adopted ASOP No. 28, *Compliance with Statutory Statement of Actuarial Opinion Requirements for Hospital, Medical and Dental Service or Indemnity corporations and for Health Maintenance Organizations*.

This standard is a revised version of ASOP No. 28. The revisions were made in consideration of the development of the Health Annual Financial Statement Blank (successor to both the Health Service Company Blank and the Health Maintenance Organization Blank) and the revised health actuarial opinion instructions approved by the NAIC Blanks (E) Working Group in June 2009. The revision now encompasses all statements of actuarial opinion regarding health insurance liabilities and assets of health insurance or reinsurance companies and other health insurance financing systems (such as health benefit plans provided by self-insured or government plan sponsors).

Exposure Draft

The exposure draft of this revised ASOP was issued in June 2010 with a comment deadline of October 30, 2010. The ASOP No. 28 Task Force carefully considered the eleven comment letters received and made several modifications to the ASOP in response. A detailed summary of the issues contained in these comment letters and the responses of the reviewers is provided in appendix 2.

Key Changes

The most significant modifications from the exposure draft include:

1. ASOP No. 28 has been modified so that it applies to statements of actuarial opinion regarding health insurance liabilities and assets. This change was made as a result of the 2010 update to the NAIC Health Annual Statement Instructions, which requires the actuary to opine on assets which are actuarial items. Modifications have been made to the

ASOP No. 28—June 2011

title, scope and definition sections to incorporate these assets, and references to assets as well as liabilities are now included throughout ASOP No. 28.

2. Section 1.2, Scope, has been modified to clarify that ASOP No. 28 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*, and that it does not apply to actuaries preparing statements of actuarial opinion for life insurance companies, for which guidance is provided by ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis for Life and Health Insurers*. Furthermore, the scope has been clarified to indicate that actuaries preparing opinions subject to ASOP No. 28 may also be subject to ASOP No. 22.
3. Section 4.1, Actuarial Communication, has been modified to make it clear that in situations where the language prescribed by the NAIC for use in the NAIC Health Annual Statement is applicable and appropriate for the circumstances, yet does not encompass every disclosure identified by ASOP No. 28, the actuary may meet the requirements of disclosure by either using non-prescribed language or by addressing the various disclosures within the required detailed actuarial memorandum.

Also, section 4.2 has been modified to be consistent with the standard disclosure language required by the ASB for use in all ASOPs.

Other changes to ASOP No. 28 were made to add clarity to the standard in consideration of the various comments received.

The ASB thanks everyone who took the time to contribute comments and suggestions on the exposure draft. The ASB adopted this revised standard at its June 2011 meeting.

ASOP No. 28—June 2011

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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.

**STATEMENTS OF ACTUARIAL OPINION
REGARDING HEALTH INSURANCE LIABILITIES AND ASSETS**

STANDARD OF PRACTICE

Section 1. Purpose, Scope, Cross References, and Effective Date

- 1.1 Purpose—The purpose of this actuarial standard of practice (ASOP) is to provide guidance to actuaries in issuing a written statement of actuarial opinion regarding health insurance liabilities and health insurance assets.
- 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 health 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 also does not apply to actuaries preparing statements of actuarial opinion for life insurance companies, which is covered by ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis for Life and Health Insurers*.

Actuaries preparing opinions in compliance with this standard may also be subject to ASOP No. 22.

ASOP No. 28—June 2011

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.

- 1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the original referenced document, the actuary should consider the guidance of this standard to the extent that it is applicable and appropriate.
- 1.4 Effective Date—This standard is effective for all statements of actuarial opinion regarding health insurance liabilities rendered on or after December 31, 2011.

Section 2. Definitions

The terms below are defined for use in this actuarial standard of practice.

- 2.1 Actuarial Memorandum—A document that provides information regarding the analyses completed.
- 2.2 Claim—A demand for payment under the coverage provided by a plan or contract.
- 2.3 Contract Reserve—A liability established when a portion of the premium due prior to the valuation date is designed to pay all or a part of the claims expected to be incurred after the valuation date (sometimes referred to as an active life reserve or policy reserve). A contract reserve may or may not include a provision for unearned premiums.
- 2.4 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 governmental plan sponsors.
- 2.5 Health Insurance Asset (Asset)—An amount recorded in financial statements or accounting systems to reflect health benefit plan receivables valued using actuarial approaches to estimation. Common examples include pharmacy rebate receivables, provider settlement receivables and Medicare Part D settlement receivables.
- 2.6 Health Insurance Liability (Liability)—An amount recorded in financial statements or accounting systems in order to reflect health benefit plan obligations, including amounts that are recorded as zero dollars. Common examples include health claims in course of settlement, health claims that are incurred but not yet reported, liabilities for settlements of provider contracts, contract reserves, experience refund liabilities, premium deficiency reserves, premium stabilization reserves, reserves for amounts not yet due, and liabilities for reinsurance payable.

ASOP No. 28—June 2011

- 2.7 Loss Adjustment Expense—The cost of administering, determining coverage for, settling, or defending claims even if it is ultimately determined that the claim is invalid. It is also known as “claims adjustment expense.”
- 2.8 Moderately Adverse Conditions—Conditions that include one or more unfavorable, but not extreme, events that have a reasonable probability of occurring during the testing period.
- 2.9 Qualified Actuary—An actuary who meets the qualification requirements set forth by applicable law, regulation, insurance blank instructions or requirements defined by a licensing organization requiring an opinion of health insurance liabilities, and the American Academy of Actuaries’ *Qualification Standards for Actuaries Issuing Statements of Opinion in the United States*.
- 2.10 Provision for Adverse Deviation—An explicit amount to make some provision for uncertainty in an asset or liability. This sometimes is called a Provision for Uncertainty or a Margin for Uncertainty.
- 2.11 Statement of Actuarial Opinion—An opinion expressed by an actuary in the course of performing actuarial services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.
- 2.12 Valuation Date—The date for which the actuarial opinion is provided.

Section 3. Analysis of Issues and Recommended Practices

- 3.1 Legal, Regulatory, and Contractual Requirements—When an actuary prepares a statement of actuarial opinion, the actuary should have the necessary knowledge to comply with specific requirements of law, of regulatory authorities, and of the principal to whom the opinion is to be expressed, as applicable. Further, if the opinion is prepared subject to contractual requirements, the actuary should have the knowledge necessary to meet the requirements of the principal.
- 3.2 Purpose of the Statement of Actuarial Opinion—The actuary should identify the intended purpose of the statement of actuarial opinion. For example, the intended purpose may be to satisfy the requirements for such an opinion under the NAIC Health Annual Statement instructions.
- 3.3 Liabilities and Assets Being Opined Upon—The actuary should identify the following regarding the liabilities and assets for which the opinion is being prepared:
- a. the liability and asset amount(s);
 - b. the valuation date; and

ASOP No. 28—June 2011

- c. the accounting standards applicable for the liabilities and assets (for example, US SAP, US GAAP, IFRS, etc.).

3.4 Stated Basis of Liability and Asset Presentation—The actuary should identify the stated basis of liability and asset presentation, which is a description of the nature of the amounts usually found in the financial statement and the associated footnotes and disclosures. The stated basis often depends upon regulatory or accounting requirements. It includes, as appropriate, the following:

- a. whether the amounts are gross or net of specified recoverables, such as ceded reinsurance or salvage and subrogation, and follow any requirements for the treatment of these amounts specified by a particular accounting method;
- b. types of loss adjustment expenses covered;
- c. when the opinion is limited to only a portion of the liability or asset provision, the claims exposure to be covered by the liability (for example, type of coverage, line of business, year, state); and
- d. any other items that, in the actuary's professional judgment, are needed to describe the amounts sufficiently for the actuary's evaluation of the liabilities.

To the extent the actuary does not know the above items, the actuary should request this information from the principal. If unable to obtain these items from the principal, the actuary should identify what the actuary assumed to be the intended basis of the liability presentation for purposes of the liability evaluation.

3.5 Scope of the Analysis Underlying the Statement of Actuarial Opinion—The actuary should identify the scope of the analysis upon which the opinion is based, which includes the following:

- a. the date of the data that underlies the actuary's analysis;
- b. the date of the actuary's analysis, to the extent it differs from the date the opinion is signed;
- c. if separate amounts for different liability and asset items, such as unpaid claim liabilities, premium deficiency reserves, active life reserves, or pharmacy rebate receivables are disclosed in the statement of actuarial opinion, whether the actuary's opinion applies to those items in the aggregate or individually; and
- d. any other items that, in the actuary's professional judgment, are needed to sufficiently describe the scope of the actuary's analysis.

ASOP No. 28—June 2011

- 3.6 Materiality—The actuary should evaluate materiality based on the actuary’s professional judgment, any applicable materiality guidelines or standards, and the intended purpose for which the actuary is preparing the statement of actuarial opinion.

The actuary should understand which financial values are usually important to the intended users of the statement of actuarial opinion and how those financial values are likely to be affected by changes in the liabilities and assets. For example, for a statement of actuarial opinion for an insurance company that is to be used for financial reporting to insurance regulators, materiality might be evaluated in terms of the company’s reported liabilities or statutory surplus.

- 3.7 Liability and Asset Evaluation—The actuary should consider the amount to be reasonable if it is within a range of estimates that could be produced by an appropriate analysis that is, in the actuary’s professional judgment, consistent with either ASOP No. 5, *Incurred Health and Disability Claims*, or ASOP No. 42, *Determining Health and Disability Liabilities Other than for Incurred Claims*, as appropriate, and the identified stated basis of the presentation. In addition to the methods used, the actuary should consider, as appropriate, relevant past, present, or reasonably foreseeable future conditions that are likely to have a material effect on the amounts being established.

A significant element in the selection of actuarial assumptions and methods is consideration of the policy and contract provisions affecting the liabilities or assets. The actuary’s judgment in developing actuarial assumptions and methods should take into account the specific characteristics of the policy and contract provisions affecting the items with respect to which the actuary is expressing an opinion.

When the actuary opines that the liabilities make good and sufficient provision, the actuary should include a provision for adverse deviation. The provision should result in amounts that, in the actuary’s professional judgment, are sufficient to cover obligations under moderately adverse conditions. Even when the specific language “good and sufficient” is not required, the actuary may determine that a provision for adverse deviation should be included.

If the actuary makes use of other personnel within the actuary’s control to carry out assignments relative to analysis supporting the opinion, the actuary should review their contributions and be satisfied that those contributions are reasonable.

The actuary may develop estimates of the unpaid claims for all or a portion of the liability or make use of another’s unpaid claims estimate analysis or opinion for all or a portion of the liability.

- 3.7.1 Evaluation Based on Actuary’s Estimate of Unpaid Claim or Other Liabilities or Assets—When developing estimates to evaluate the reasonableness of an amount, the actuary may develop a point estimate, a range of estimates, or both. The actuary should be guided by ASOP No. 5 for the development of unpaid claim

ASOP No. 28—June 2011

estimates. The actuary should be guided by ASOP No. 42 for development of liabilities other than unpaid claims.

- 3.7.2 Evaluation Based on the Actuary's Use of Another's Estimates or Opinions—In the course of conducting a liability or asset evaluation, the actuary may make use of another's supporting analyses or opinions. The actuary should understand the intended purpose of the analyses or opinions, and assess whether the analyses or opinions are consistent with the stated purpose of the presentation of the liabilities or assets. The actuary should only make use of another's analyses or opinions when, in the actuary's professional judgment, it is reasonable to do so. In making this determination, the actuary should consider the amount of the liabilities or assets covered by the others' analyses or opinions in comparison to the total liabilities or assets subject to the actuary's opinion, the nature of the business, how reasonably likely deviations may affect the actuary's opinion on the total liabilities and assets subject to the actuary's opinion and the credentials of the other individuals that prepared the analyses or opinions. Where, in the opinion of the actuary, the reviewed analyses or opinions need to be modified or expanded, the actuary should perform such additional analyses as necessary to render an opinion.

If, in using the analyses performed by others, the actuary reaches conclusions materially different from those in the others' work, the actuary should, when practical, contact the producers of those analyses to discuss the differences. Where material differences exist, the issues underlying the differences should be understood by the actuary. (Note that materiality is measured relative to the actuary's opinion, not relative to the others' analyses.) If such understanding does not result in resolution of the differences, then the actuary should take this into consideration when forming an overall opinion.

- 3.8 Prior Opinion—If the actuary prepared the most recent prior opinion, or, if the actuary is able to review the prior opining actuary's work, then the actuary should determine whether the current assumptions, procedures, or methods differ from those employed in providing the most recent prior opinion prepared in accordance with this standard. If the current assumptions, procedures or methods differ from those employed in the prior opinion, the actuary should consider whether the changes are likely to have resulted in an estimate that is materially different (see section 4.3(a) for related disclosure requirements).

The use of assumptions, procedures, or methods for new liability segments (for example, a new line of business or product) or new asset amounts is not a change in assumptions, procedures, or methods within the meaning of this section. Similarly, when the determination of the reasonableness of the liability or asset is based on the periodic updating of experience data, factors, or weights, such periodic updating is not a change in assumptions, procedures or methods within the meaning of this section.

- 3.9 Adverse Deviation—The actuary should consider whether there are significant risks and uncertainties that could result in future paid amounts being materially greater than those

ASOP No. 28—June 2011

provided for in the liabilities or future amounts received being materially less than those provided for in the assets. When the actuary's analysis derives separate liability or asset estimates for various segments or groupings, the actuary should consider the combined risks and uncertainties associated with the liabilities and assets that are the subject of the opinion (see section 4.3(f) for related disclosure requirements). In general, when establishing a provision for adverse deviation, the provision should increase as the level of uncertainty increases.

3.10 Collectability of Ceded Reinsurance—If the scope of the statement of actuarial opinion includes liabilities net of ceded reinsurance and the amount of ceded reinsurance is material, the actuary should consider the collectability of ceded reinsurance in evaluating net liabilities. The actuary should solicit information from management regarding collectability problems, significant disputes with reinsurers, and practices regarding provisions for uncollectible reinsurance. The actuary's consideration of collectability does not imply an opinion on the financial condition of any reinsurer.

3.11 Statements of Actuarial Opinion—The statement of actuarial opinion should be one of the following types:

a. Unqualified Opinion—When an actuary is preparing an opinion to comply with NAIC Health Annual Statement instructions, the actuary providing an unqualified opinion represents that the reserve amount makes good and sufficient provision for the specified liabilities. In forming an opinion as to whether the actuarial items “make good and sufficient provision for all unpaid claims and other actuarial liabilities,” the actuary should be satisfied that the actuarial judgments made give recognition to any relevant factors, including the time periods over which the liabilities will extend. The actuary is expressing an opinion on the reasonableness of the aggregate liabilities and assets. The actuary should be satisfied that the liabilities, assets, and related items opined on make reasonable provision to cover obligations under moderately adverse conditions.

In other circumstances, such as under a contractual agreement with a principal, the actuary may provide an unqualified opinion if the liability and asset amounts are reasonable for the intended purpose. In this situation, the actuary should be explicit in the opinion or the supporting actuarial memorandum as to whether a provision for adverse deviation has been included in the determination of the reasonableness of the liability or asset.

b. Adverse Opinion—When an actuary is preparing an opinion to comply with NAIC Health Annual Statement instructions, the actuary should issue an adverse opinion when the aggregate amount established is not sufficient for the actuary to provide an unqualified opinion. In other circumstances, the actuary should provide an adverse opinion when the liabilities fall outside a reasonable range for the specified purpose.

ASOP No. 28—June 2011

- c. Qualified Opinion—The actuary should issue a qualified statement of actuarial opinion when, in the actuary’s opinion, the liability or asset for certain items are in question because they cannot be reasonably estimated or when the actuary is unable to render an opinion on the liabilities or assets for those items. The actuary should determine whether the total amount makes a reasonable provision for the specified items other than the items to which the qualification relates. The actuary is not required to issue a qualified opinion if the actuary reasonably believes that the items in question are not likely to be material.
- d. Inconclusive Opinion—The actuary’s ability to give an opinion is dependent upon data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the actuary cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions, or related information, then the actuary should issue an inconclusive opinion. A statement of an inconclusive opinion should include a description of the reasons that cause the opinion to be inconclusive.
- 3.12 Adequacy of Assets Supporting Liabilities—This standard does not obligate the actuary to undertake evaluation of the adequacy of the assets supporting the stated liability amount except as may be needed to comply with any applicable law, regulatory requirement, or other ASOP. Guidance on the analysis of cash flows is provided in ASOP No. 7, *Analysis of Life, Health or Property/Casualty Insurer Cash Flows*. Guidance on statements of opinion based on asset adequacy analysis is provided in ASOP No. 22, *Guidance on Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*.
- 3.13 Documentation—The actuary should consider the intended purpose of the statement of actuarial opinion when documenting work, and should refer to ASOP No. 41, *Actuarial Communications*. When the statement is provided to meet regulatory requirements, the actuary should follow the detailed requirements specified by regulators as to the form and content of supporting reports and documentation.

The documentation should provide sufficient detail to allow another qualified actuary to understand and evaluate the methods and analyses of the opining actuary. Specific guidance regarding the content of an actuarial memorandum that documents the analyses supporting a Statement of Actuarial Opinion prepared to comply with the NAIC requirements is provided in the NAIC Health Annual Statement instructions.

Section 4. Communications and Disclosures

- 4.1 Actuarial Communication—When issuing a statement of actuarial opinion subject to this standard, the actuary should consider the intended purpose of the statement of actuarial opinion and be guided by ASOP No. 41. In addition, the actuary should provide reports, opinions and memoranda as required by applicable law.

ASOP No. 28—June 2011

When the statement of actuarial opinion is prepared to meet the requirements of the NAIC Health Annual Statement, prescribed language is published by the NAIC and any deviation from the prescribed language must be identified. In a situation for which the prescribed language is appropriate for the circumstances of the opinion and yet does not encompass every disclosure identified in ASOP No. 28, the actuary may choose to use non-prescribed language in the opinion or may meet the disclosure requirements of ASOP No. 28 by addressing the various disclosures within the required detailed supporting actuarial memorandum.

Consistent with the intended purpose, the actuary should include the following information in the statement of actuarial opinion:

- a. the words “statement of actuarial opinion,” or alternative words with similar meaning if required by law or regulation governing the opinion, in the title of the written opinion;
- b. the intended user(s) of the statement of actuarial opinion;
- c. the intended purpose of the statement of actuarial opinion, as described in section 3.2;
- d. the liabilities being opined upon, as described in section 3.3;
- e. the stated basis of the amounts presented, as described in section 3.4. In certain circumstances, referring to specific financial statement liability figures and their specific source (for example, Statutory Annual Statement of Company ABC as filed with the Company’s state of Domicile) would satisfy disclosure requirements related to section 3.4;
- f. the scope of the analysis underlying the statement of actuarial opinion as described in sections 3.5(c) and 3.5(d) and the review date (see section 3.5(b)) if different from the date the opinion is signed; and
- g. the type of opinion, as described in section 3.11.

4.2 Disclosures—The actuary should include the following, as applicable, in an actuarial communication:

- a. the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority);
- b. the disclosure in ASOP No. 41, section 4.3, if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary; and

ASOP No. 28—June 2011

- c. the disclosure in ASOP No. 41, section 4.4, if in the actuary's professional judgment, the actuary has otherwise deviated from the guidance of this ASOP.
- 4.3 Additional Disclosures—In certain cases, consistent with the intended purpose, the actuary may need to make the following disclosures in addition to those in section 4.2:
- a. The actuary should disclose the nature of changes in assumptions, procedures or methods from those employed in the most recent prior opinion prepared in accordance with this standard, unless the actuary concludes the changes are not likely to have a material effect on the actuary's estimate. This standard does not require the actuary to quantify the impact of such changes. If the actuary cannot review the prior opining actuary's work, then the actuary should disclose that the prior assumptions, procedures and methods are unknown (see section 3.8).
 - b. If the actuary determines that the liability or asset amount is understated, the actuary should disclose the minimum amount that the actuary believes is reasonable.
 - c. If the actuary determines that the liability or asset amount is overstated, the actuary should disclose the maximum amount that the actuary believes is reasonable.
 - d. If the actuary issues a qualified opinion, the actuary should disclose in the opinion the item or items to which the qualification relates, the reasons for the qualification, and the amounts for such items, if disclosed by the entity, that are included in the liability. If the amounts for such items are not disclosed by the entity, the actuary should disclose that the liability or asset includes unknown amounts for such items. The actuary should also disclose whether the amounts established make a reasonable provision for the specified liabilities and assets, other than the item or items to which the qualification relates.
 - e. If the actuary relies on another person or firm for any aspect of the data or analysis supporting the actuary's opinion, the actuary should disclose this reliance. In particular, the actuary should identify the specific types of liabilities or assets that were based upon data or analyses provided by others, and also specify that the data was examined for reasonableness and consistency. The actuary should also identify the individual(s) responsible for the data or analysis.
 - f. If the actuary reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation, an explanatory paragraph should be included in the statement of actuarial opinion (see sections 3.6 and 3.9 for guidance on evaluating materiality and adverse deviations). The explanatory paragraph should contain a description of the major factors or particular conditions underlying risks and uncertainties that the actuary believes could result in material adverse deviation, and the amount of adverse deviation that the actuary judges to be material with respect to the statement of actuarial opinion.

ASOP No. 28—June 2011

The actuary is not required to include in the explanatory paragraph general, broad statements about risks and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the actuary required to include an exhaustive list of all potential sources of risks and uncertainties.

- g. If the liabilities being opined upon are net of ceded reinsurance and the amount of ceded reinsurance is material, the actuary should comment on the collectability of that reinsurance. This standard does not require the actuary to quantify the collectability (see section 3.10).
- h. When the statement is provided to meet regulatory requirements, the actuary should follow the detailed requirements specified by regulators as to the form and content of the required disclosures, to the extent not addressed above.

ASOP No. 28—June 2011

Appendix 1

Background and Current Practices

Note: This appendix is provided for informational purposes, but is not part of the standard of practice.

Background

In the early 1980s, the National Association of Insurance Commissioners (NAIC) developed standards for a statement of actuarial opinion as to reserves and related actuarial items that were to be included in the annual statement filed by health service corporations. In response to this requirement, the American Academy of Actuaries promulgated Financial Reporting Recommendation 10, *Statement of Actuarial Opinion for Health Service Corporation Statutory Annual Statements*, setting forth the actuary's professional responsibilities in providing such an opinion.

The form and content of these actuarial opinions, as specified in the instructions to the statutory statements, deal specifically with reserves and related actuarial items. Prior to the development of professional standards, some actuaries began to address other issues in forming their opinions, including asset adequacy analysis, claim settlement expense reserves, and the financial condition of capitated providers under health maintenance organization contracts.

In April of 1997, the ASB adopted ASOP No. 28. The original version of ASOP No. 28 was a revised and reformatted version of Financial Reporting Recommendation (FRR) 10, *Statement of Actuarial Opinion for Health Service Corporation Statutory Annual Statements*. The reformatting was done to conform to the revised uniform format for actuarial standards of practice adopted by the ASB in 1996. FRR 10 offered guidance to actuaries providing statutory statements of actuarial opinion for health service corporations. FRR 10 followed the Instructions to the 1983 NAIC Blank for Hospital, Medical, and Dental Service or Indemnity Corporations and the NAIC Blank for Health Maintenance Organizations. ASOP No. 28, as successor to FRR 10, was based on the current versions of the above two Blanks, and it provided more detailed and comprehensive guidance than that provided in FRR 10. It replaced FRR 10 entirely.

The type of asset adequacy analysis most widely used by actuaries is multi-scenario cash flow testing. To guide actuaries choosing to use this technique, the Actuarial Standards Board (ASB) adopted ASOP No. 7, *Performing Cash Flow Testing for Insurers*, in October 1988. ASOP No. 7 was revised in July 1991 and again in June 2002.

In July 1990, the ASB adopted ASOP No. 14, *When to Do Cash Flow Testing for Life and Health Insurance Companies*, to provide guidance in determining whether or not to do cash flow testing in forming a professional opinion or recommendation. ASOP No. 14 was repealed in September 2001 after a determination that relevant portions were incorporated in the 2001 revisions of ASOP No. 7 and ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers*.

ASOP No. 28—June 2011

To guide actuaries in the development of incurred health claim liabilities, the Interim Actuarial Standards Board approved an actuarial standard of practice, *Incurred Health Claim Liabilities*, in April 1988, which was subsequently reformatted and adopted by the ASB as ASOP No. 5 in January 1991 and revised in December 2000.

To guide actuaries in several important areas requiring special consideration for health maintenance organizations (HMOs) and other managed-care health plans in several areas, including establishing actuarial reserves relating to the transfer of risk to providers and the financial condition of capitated providers, the ASB adopted ASOP No. 16, *Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans*, in July 1990. This ASOP was repealed in April 2007 after a determination that it provided information redundant to other ASOPs; the document outlining its repeal refers the reader to other relevant ASOPs.

To guide actuaries in the development of health and disability liabilities other than liabilities for incurred claims, the ASB adopted ASOP No. 42, *Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims*, in March 2004. These include contract reserves, premium deficiency reserves, provider-related liabilities, claim adjustment expense liabilities, and other liabilities of insurance entities, insured or noninsured risk-assuming entities, managed care entities, health care providers, government-sponsored health benefit plans, or risk contracts.

Current Practices

Health Actuaries are guided by ASOP Nos. 5, 7, 22, and 42. Additional guidance is provided in ASOP No. 23, *Data Quality* and ASOP No. 41, *Actuarial Communications*.

Numerous educational papers are in the public domain that are relevant to the topic of reserves, liabilities and assets and their evaluation, including those published by the Society of Actuaries. While these may provide useful educational guidance to practicing actuaries, these are not actuarial standards and are not binding.

Health actuaries preparing statements of opinion for liabilities and assets included in an NAIC Health Annual statement should also be familiar with the NAIC Health Annual Statement instructions which provide specific guidance to the actuary. These are updated annually and the actuary should be familiar with the current version of the instructions.

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of this ASOP, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities*, was issued in June 2010 with a comment deadline of October 30, 2010. Eleven comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The ASOP No. 28 Task Force of the Health Committee of the Actuarial Standards Board carefully considered all comments received, and the Health Committee and ASB reviewed (and modified, where appropriate) the changes proposed by the Task Force.

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

The term “reviewers” in appendix 2 includes the Task Force, the Health Committee, and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in this final version.

GENERAL COMMENTS	
Comment	Two commentators pointed out that the 2010 update to the NAIC Health Annual Statement Instructions require the actuary to opine on assets that are actuarial items and that it would be appropriate to expand ASOP No. 28 to include both assets and liabilities and include a section that discusses considerations in the determination of whether an item is an “actuarial item”
Response	The reviewers agree that it is appropriate to include actuarial assets as well as liabilities within the scope of ASOP No. 28. Modifications have been made to the scope and definition sections to incorporate the assets which may be included in the statement of opinion, and also to include references to assets as well as liabilities throughout ASOP No. 28.
SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	Two commentators requested clarification regarding the applicability of ASOP No. 28 to the actuarial memorandum prepared in support of an actuarial opinion.
Response	The reviewers have modified the language in section 1.2 to eliminate the reference to “and supporting memoranda.” The intent is for ASOP No. 28 to apply to the statement of actuarial opinion. Any actuarial memoranda prepared to document and support an opinion are subject to ASOP No. 41, <i>Actuarial Communications</i> , and any requirements that may be provided by a regulator, as described in section 3.13. The definition of an actuarial memorandum is provided in ASOP No. 28, and is referenced in sections 3.11 and 4.1.

ASOP No. 28—June 2011

Comment	One commentator suggested inserting “or more” so the sentence would end “under one or more of the following circumstances.” The rationale for the recommendation was that currently the life Actuarial Opinion and Memorandum Regulation (AOMR) has specific instructions that some states apply to health companies that would have reported using the life and health blank in the past.
Response	The reviewers agreed that this clarification was helpful and incorporated the change.
Comment	Three commentators suggested that additional clarity around the scope of ASOP No. 28 and its intersection with ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations</i> ; ASOP No. 22, <i>Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers</i> ; and ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves</i> would be helpful. One commentator suggested specific language. Another noted that there are life insurance companies that have a majority of their premium reserves characterized as accident and health and suggested that it be made clear that ASOP No. 28 applied to actuaries preparing opinions in such situations.
Response	<p>The reviewers have added language to clarify that ASOP No. 28 does not apply to actuaries preparing statements of actuarial opinion that are subject to ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations</i> or ASOP No. 36, <i>Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserve</i> and that the standard also does not apply to actuaries preparing statements of actuarial opinion for life insurance companies, subject to ASOP No. 22, <i>Statements of Opinion Based on Asset Adequacy Analysis for Life and Health Insurers</i>. The reviewers have also added language to note that ASOP No. 22 may also be applicable to actuaries preparing opinions in compliance with ASOP No. 28.</p> <p>The reviewers note that while the guidance contained in ASOP No. 28 may be helpful to an actuary preparing a statement for a life company with a majority of business being health insurance; the applicable standard of practice for these companies is ASOP No. 22.</p>
Comment	One commentator requested clarification regarding the applicability of ASOP No. 28 to work performed through a contractual arrangement with a principal or client for periodic reports presenting estimates of outstanding claim liabilities produced in conjunction with estimates of self financed premium equivalent-rates. The commentator expressed an opinion that ASOP No. 28 should not apply because the contracting party would not be “obligated” to report or disclose this information.
Response	The reviewers believe that the language in section 1.2 makes it clear that ASOP No. 28 applies to actuaries providing written statements of actuarial opinion relating to the obligations of health benefit plans provided by self-insured or government plan sponsors when that sponsor is contractually responsible to obtain the opinion or when the actuary represents the opinion as being in compliance with ASOP No. 28.

ASOP No. 28—June 2011

Comment	One commentator commented that the scope seems to be very broad, and asked for clarification regarding the intent of the words “licensure” and “contractual obligations.”
Response	The reviewers note that the language is intended to be broad to encompass the variety of written opinions of health liabilities and assets that may be prepared. The reference to licensure requirements made within the transmittal letter of the exposure draft was intended to encompass circumstances such as those where actuaries working for Blue Cross Blue Shield Licensees must provide opinions to the Blue Cross and Blue Shield Association. The words contractual obligations are intended to encompass a variety of situations in which an actuary could be retained to provide a review of actuarial liabilities and then prepare and represent an opinion as being in compliance with ASOP No. 28. These might include, but are not limited to, reviews of self-funded employer obligations which an employer is contractually obligated to provide, or reviews in the context of a sale or merger of a company or segment of business or licensure agreements.
Section 1.4, Effective Date	
Comment	One commentator recommended that the effective date be no earlier than May 31, 2011 to assure that change did not occur in the middle of the process for 2010 annual statement opinions and memorandums.
Response	The reviewers understand this concern. The revised version of ASOP No. 28 is effective for all statements of actuarial opinion regarding health insurance liabilities and assets rendered on or after December 31, 2011. As such, the effective date will not conflict with an annual statement reporting cycle for most companies.
SECTION 2. DEFINITIONS	
Comment	Three commentators commented on the definition of insurer. Two were concerned that the definition included was too narrow, and would exclude organizations to which ASOP No. 28 is intended to apply and two noted that the definition was not used in the document.
Response	The reviewers have deleted the definition of “insurer” since the term is not used elsewhere in the standard.
Section 2.6, Health Insurance Liability	
Comment	One commentator suggested that the definition of health insurance liabilities in section 2.6 be expanded to specifically include the reserves reported on line 7 of page 3 of the health annual statement blank (reserves for amounts not yet due).
Response	The reviewers agreed that this clarification would be helpful and added reserves for amounts not yet due as another example to the definition in section 2.6.
Comment	One commentator noted that in the NAIC Health Annual Statement actuarial opinion instructions, the actuary is required to opine on certain items even if the amount recorded is zero. The commentator suggested this be addressed within the definition of a health insurance liability.
Response	The reviewers agree that it is appropriate to note that the amount of a liability may be zero and modified the definition accordingly.
Section 2.9, Qualified Actuary	
Comment	Two commentators recommended that the definition of “qualified actuary” in section 2.9 should also reference the American Academy of Actuaries <i>Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States</i> .
Response	The reviewers agreed and modified the definition accordingly.

ASOP No. 28—June 2011

Section 2.11, Statement of Actuarial Opinion	
Comment	One commentator recommended that the definition of “statement of actuarial opinion” (now section 2.9) be checked for consistency with the definitions used in other ASOPs.
Response	The reviewers acknowledge that the definition of “statement of actuarial opinion” is not consistent in all ASOPs. The definition in the exposure draft is the definition used in the American Academy of Actuaries <i>Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States</i> . This definition has been retained in the revised version of ASOP No. 28; the intent of the ASB is that this definition will become the standard in all ASOPs over time.
Comment	One commentator felt that the definition of opinion was too vague and could extend to informal conversations.
Response	The reviewers believe that the definition, which refers to an opinion expressed in the course of performing actuarial services and intended by the actuary to be relied upon by the person or organization to whom it is addressed, describes a situation in which both scope of work is defined and reliance is intended and therefore indicate a degree of formality that would not extend to informal conversations. Further, as noted in the previous comment, the definition is consistent with that used in the <i>Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States</i> .
2.12, Valuation Date	
Comment	Four commentators requested clarity around the date definitions used in ASOP No. 28. Two commentators pointed out that it is possible for the date for which the opinion is provided and the cutoff date for amounts recorded to be different based on company specific definitions for the timing of claim payments; one recommended that the valuation date be defined as “the date as of which those liabilities addressed by the actuarial opinion is presented.” The third suggested that it would be preferable to use three date definitions: valuation, accounting, and review date; and that by doing so additional useful information would be provided, and also noted that the additional dates are referred to in section 3.5, Scope of Analysis. The fourth suggested that the actuary be encouraged to consider inclusion or non-inclusion of subsequent events happening after the valuation date.
Response	The reviewers have modified the definition of valuation date to clarify that it is the date for which the opinion is provided. The reviewers also note that sections 3.5(a), 3.5(b), and 4.1(f) provide additional clarification regarding dates.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Legal, Regulatory, and Contractual Requirements	
Comment	One commentator recommended that changing the wording of the last half of the first sentence here to be “specific requirements of law, of regulatory authorities, and of the principal to whom the opinion is expressed, as applicable” would increase clarity.
Response	The reviewers agree and made the suggested change.
Section 3.2, Purpose of the Statement of Actuarial Opinion	
Comment	One commentator commented on section 3.2 and raised concerns about it relative to the prescribed language requirements in the NAIC Health Statement Instructions.
Response	The reviewers note that this comment was combined with others which raised similar concerns about the prescribed language requirement in response to the exposure draft transmittal memorandum, question 4. A response to the concerns is provided in section 4.1 of appendix 2.

ASOP No. 28—June 2011

Section 3.3, Liabilities Being Opined Upon	
Comment	One commentator suggested that if an asset adequacy opinion is required, that a table be included to describe the formula reserves, additional actuarial reserves and other amounts, and clarify that the amounts in the table are defined in the Health Annual Statement Instructions which are used instead of the amounts that correspond to the life and health statement blank.
Response	The reviewers note that additional clarification regarding this standard and its interaction with asset adequacy opinions have been addressed in the section 1.2. While a table such as the commentator described might be helpful and could be included in the actuarial memorandum documenting the opinion, the reviewers do not believe it should be required and therefore have not incorporated this recommendation in ASOP No. 28. If an asset adequacy opinion is required, the actuary should also follow the guidance of ASOP No. 22.
Comment	One commentator asked for clarification regarding the applicable accounting standard in the event that ASOP No. 28 is intended to apply to periodic reports of outstanding claim liabilities for self-financed health benefit arrangements.
Response	The reviewers believe it is the responsibility of the actuary preparing the statement of opinion to identify the applicable accounting standard. In a situation where more than one accounting standard could apply, the actuary should seek guidance from the principal for whom the opinion is being prepared.
Section 3.4, Stated Basis of Liability and Asset Presentation	
Comment	One commentator questioned whether the stated basis of liability presentation must be noted in the statement of actuarial opinion or whether it may be included in the supporting actuarial memorandum. The same commentator also noted that there are other disclosure requirements that do not fit within the prescribed wording requirements of the NAIC Health Annual Statement instructions.
Response	The reviewers believe that it is essential that the basis of accounting be included; guidance is provided in section 3.4. The reviewers note that section 4.1 has been modified to clarify that the disclosure requirements may be made within either the actuarial opinion or within the supporting actuarial memorandum.
Comment	One commentator wrote that it was unclear what was meant by “types” of loss adjustment expenses and why the definition would need to be repeated if they are defined by the basis of liability presentation.
Response	The reviewers added a definition in section 2.7 to clarify the expression “loss adjustment expenses.” The words “types of” in section 3.4(b) allow the specific loss adjustment expense categories to be described.
Section 3.5, Scope of the Analysis Underlying the Statement of Actuarial Opinion	
Comment	One commentator asked whether the identification of the scope of analysis upon which the opinion is based must always be included in the opinion itself, or whether it could be included in the actuarial memorandum.
Response	The reviewers believe this concern is addressed by the additional language in section 4.1 which indicates disclosures may be made in the actuarial memorandum if they are not made within the statement of actuarial opinion.

ASOP No. 28—June 2011

Comment	One commentator wrote that section 3.5(a) which references the date of the data that underlies the analysis was unclear, and noted that multiple dates might be involved depending on the liabilities covered, source systems involved or other factors.
Response	The reviewers believe that section 3.5 is clear in its direction that the data underlying the opinion be described thoroughly and that the use of multiple dates would be acceptable as long as they are described.
Comment	One commentator noted that section 3.5(c) asks the actuary to state whether their opinion applies in aggregate or to each item individually, observed that past language has been in the aggregate only, and suggested that this change be highlighted.
Response	The reviewers acknowledge that in the past, ASOP No. 28 has required the opinion to apply to the reserve amounts in aggregate. However, since the revised version of ASOP No. 28 applies to future statements of opinion, and because it is clear that the opinion should specify whether the opinion is in aggregate or to each item individually, the reviewers do not feel that a comment highlighting the change is needed within the revised ASOP No. 28.
Section 3.7, Liability and Asset Evaluation	
Comment	One commentator wrote that section 3.7 and its reference to the review of work completed by personnel within the actuary's control should not be needed as this relationship and review would not constitute "reliance" on the work of another. The commentator noted that if this is considered reliance, then it is contradictory with the requirements of section 4.2(e) which require the actuary to only examine the underlying data versus the actuary's work.
Response	The reviewers believe that section 3.7 provides clear guidance regarding the review of work of personnel under the actuary's control, and also provides guidance in section 3.7.2 regarding appropriate review when reliance is placed on another actuary's work. Section 4.2(b) addresses the disclosure that is required when reliance is placed on another actuary's work.
Comment	Two commentators wrote regarding opinions in which the actuary opined that liabilities made good and sufficient provision. One commentator suggested the language "when the actuary is required to opine" be changed to "if the actuary opines" as the standard should apply to what the actuary does, rather than what the actuary is required to do. The second commentator suggested adding a comment to clarify that there may be situations in which a provision for adverse deviation is appropriate and necessary, even though the actuary is not opining that the amounts make good and sufficient provision for all liabilities.
Response	The reviewers felt that the word "when" appropriately describes the action taken by the actuary, and retained the exposure draft language. The reviewers felt the suggestion to add a comment to clarify that there may be situations in which a provision for adverse deviation is necessary even when the opinion does not state the amounts make good and sufficient provision was helpful and incorporated the change in section 3.7.
Section 3.7.1, Evaluation Based on Actuary's Estimate of Unpaid Claim or Other Liabilities	
Comment	One commentator suggest that it would be preferable to modify section 3.7.1 to describe both what is required to evaluate the reasonableness of reserves as well as the determination of good and sufficient (currently described in section 3.7).
Response	The reviewers felt that the language in sections 3.7 and 3.7.1 provides appropriate guidance and made no changes.

ASOP No. 28—June 2011

Section 3.7.2, Evaluation Based on the Actuary’s Use of Another’s Estimates or Opinions	
Comment	One commentator suggested that the language in ASOP No. 22, section 4.4, be used in ASOP No. 28, section 3.7 or section 3.7.2. This would add the sentence “The actuary should then form an overall opinion without claiming reliance on the opinions of other actuaries” to one of these sections. The reviewer also noted that making this change would be consistent with section 3.12.
Response	The reviewers have modified the language of section 3.7.2 to clarify that the opining actuary is forming an overall opinion of the amounts. The reviewers also believe that section 3.7.2 provides appropriate guidance for the opinion actuary to consider in determining whether to use another’s supporting analyses or opinions when forming an overall opinion.
Comment	One commentator expressed concern that the statement “where material differences exist, the issues underlying the differences should be understood by the actuary,” and felt the paragraph could be interpreted to mean that the opining actuary can accept the opinion of another actuary with which he disagrees so long as differences are understood. The commentator does not believe that an opining actuary should provide an unqualified opinion for a number with which the actuary disagrees.
Response	The reviewers agree and have added the following sentence to section 3.7.2: “If such understanding does not result in resolution of the differences, then the actuary should take this into consideration when forming an overall opinion.”
Section 3.8 , Prior Opinion	
Comment	One commentator felt section 3.8 was not clear with respect to which actuary (prior or current) is being referred to with respect to the phrase “actuary’s liability estimate.” Further, the commentator suggested that guidance be provided on what the opining actuary should do in the event the changes resulted in a material effect on the estimate.
Response	The reviewers have clarified the language regarding the reference to the current and prior actuary, and provided guidance to the actuary in the event that the difference is material.
Section 3.9, Adverse Deviation	
Comment	One commentator wrote regarding references to adverse deviation and observed that in the usual course of business there routinely are uncertainties that could cause material adverse deviation with the possible exception of a situation in which a large number of months of claims development is available. The commentator suggested that ASOP No. 28 be modified to make it clear that significant probabilities for adverse deviation are the norm and not the exception.
Response	The reviewers have updated the language in section 3.9 to address the concern and the need to consider the probability of material difference in the future paid amounts relative to the estimates. The reviewers also note that adverse deviation is identified as an item for disclosure in section 4.3(f).
Comment	One commentator suggested that the following sentence be added at the end of section 3.9, “The actuary should consider the rule of thumb, ‘the greater the uncertainty, the greater the margin.’”
Response	In response to this comment, the reviewers added a sentence at the end of section 3.9 commenting on the establishment of a provision for adverse deviation.

ASOP No. 28—June 2011

Section 3.11, Statements of Actuarial Opinion	
Comment	One commentator noted that section 3.11(b) defines an adverse opinion to include situations where the reserve was not “good and sufficient” as well as situations where the liabilities fell outside of a reasonable range, if that is the basis for evaluation. The commentator then stated a concern that it is counter-intuitive to group three conclusions (“not good and sufficient,” “deficient,” and “excessive”) that are quite different under the same type of opinion.
Response	The reviewers believe that it is appropriate to include as adverse any opinion where the actuary believes the booked amount falls outside the reasonable range of estimate.
Comment	One commentator asked whether the word “sufficient” in section 3.11(d) was correct and suggested that the word should be “insufficient.”
Response	The reviewers believe the language is appropriate as it refers to the dependency of the actuary on sufficient data, etc.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Actuarial Communication	
Comment	Three commentators suggested that, in light of the prescribed language provided by the NAIC for opinions prepared in accordance with the NAIC Health Annual Statement instructions, that it would be desirable if the standard allowed for the disclosures included in sections 4.1 and 4.2 to be included in an actuarial memorandum rather than within the actuarial opinion.
Response	The reviewers agree that it would be undesirable to have a standard which effectively required all opinions prepared following the NAIC Health Annual Statement instructions to require disclosure of additional language. The reviewers have addressed this concern by making it clear in section 4.1 that in a situation where the prescribed language is appropriate for the circumstances, yet does not encompass every disclosure identified in ASOP No. 28, the actuary may meet the requirements of ASOP No. 28 by following prescribed language for actuarial opinions prepared for NAIC Health Annual Statement and then including additional detailed disclosures within the required actuarial memorandum.
Comment	One commentator suggested adding the phrase “statement of actuarial opinion based upon an asset adequacy analysis” before the word “or” in section 4.1(a). The commentator felt that this wording would emphasize that some opinions are not based upon an asset adequacy analysis.
Response	The reviewers believe the words “or alternative words” would allow the opining actuary to refer to a statement of actuarial opinion based upon an asset adequacy analysis if those words were more appropriate for the opinion being rendered and did not modify the language of section 4.1(a).
Comment	One commentator expressed concern that the language in section 4.1(h) of the exposure draft was overly broad and required excessive amounts of disclosure.
Response	The language of concern in section 4.1(h) has been eliminated. Section 4.3(f) of the revised standard provides guidance on disclosures of risks of material adverse deviation.
Comment	One commentator asked whether section 4.1(h) of the exposure draft regarding material adverse deviation is intended to be addressed in the opinion or in the supporting actuarial memorandum.
Response	The reviewers note that the language in section 4.1(h) of the exposure draft has been eliminated.

ASOP No. 28—June 2011

Comment	One commentator suggested that section 4.1(h) of the exposure draft is in conflict with section 3.7.
Response	The reviewers note that the language in section 4.1(h) of the exposure draft has been eliminated.
Section 4.3, Additional Disclosures	
Comment	One commentator noted that the exposure draft sections 4.2(b) and (c) refer to deficient or unreasonable opinions and redundant or excessive amounts of reserves, using similar language as ASOP No. 36. The commentator felt additional clarity was needed and questioned whether these disclosures apply to an adverse opinion when deficient, and what type of opinion would be involved if the amounts were redundant.
Response	The reviewers note that the sections 4.2(b) and (c) of the exposure draft are now sections 4.3 (b) and (c) of the revised standard. Section 3.11 addresses the types of opinions; they are intended to specify additional disclosure necessary if an actuary reaches one of these conclusions.
Comment	One commentator asked why the second paragraph of section 4.2(f) in the exposure draft was necessary.
Response	The reviewers note that section 4.2(f) of the exposure draft is now section 4.3(f) in the revised standard. The second paragraph is intended to clarify that the actuary is not expected to list every possible risk and uncertainty; but should identify those that are significant and could result in material adverse deviation. The actuary could also include a statement that indicates that the nature of the business is inherently risky.