Comment #9 – 4/27/16 – 9:24 a.m.

NAIC Health Actuarial (B) Task Force Comments on the Actuarial Standards Board's Proposed Revision of Actuarial Standard of Practice No. 5, *Incurred Health and Disability Claims.*

4/14/16

Responses to ASB's request for comment on particular issues

1. Is it appropriate to change the language in the first sentence of section 3.2 from "should consider" to "should include"?

"Should include" seems to direct the actuary to document all of the factors considered, whereas "should consider" does not necessarily mean this. For example, if the actuary considered a factor for demographic changes but decided it had no impact, the actuary should document "Changes in demographics = 1.000". In the spirit of transparency and full disclosure, "should include" is preferred.

2. Is the guidance in section 3.3.6 on "provider contractual arrangements" too detailed?

No.

3. Is the required disclosure on "provider insolvency risk," as discussed in section 3.3.6, appropriate?

We feel that the disclosure on provider insolvency risk is appropriate as long as the implication is that the actuary need only evaluate the potential liability if the provider became insolvent, but the actuary is not required to assess the likelihood of provider insolvency.

4. Which common methods, if any, are appropriate to include in section 3.4?

The loss ratio method is appropriate to include.

5. Are the methods included in section 3.4 described in appropriate detail?

Yes.

6. Is the requirement to disclose explicit provision for adverse deviation (PAD), as discussed in section 4.1, appropriate?

Yes.

Additional Comments

2) Section 3.2.10 - This section doesn't read well. Perhaps it would read better if the last half of the paragraph were first.

3.2.10 SPECIAL CONSIDERATIONS FOR LONG-TERM PRODUCTS -- Certain health benefit plans provide for long-term medical or disability benefits. Some examples are cancer, long-term care, and long-term disability policies. The plan's benefits may not begin for several years after policy purchase and

claims usually extend beyond the valuation date. The actuary should consider the variety of benefits available in these health benefit plans, such as lump-sum, fixed, or variable payments for services; provisions such as cost of living adjustments and inflation protection; payment differences based on institutional or home-based care; social insurance integration; and the criteria for benefit eligibility.