

Comment #6 – 5/20/19 – 1:03 p.m.

Following are comments on exposure draft ASOP 22 and Actuarial Compliance Guideline (ACG) No. 4

The following comments are being submitted on my own behalf.

1. Please note, I believe it is incorrect to assume that Actuarial Compliance Guideline (ACG) No. 4 is no longer useful. Although the current *Standard Valuation Law* requires all reserve opinions to be based on asset adequacy analysis, single state exemptions to this requirement can be approved by domiciliary commissioners. I am aware of a few states where several of their smaller companies receive this exemption. If ACG No. 4 is repealed, there would be a gap in the standards for these entities.
2. The ASOP could be improved by including considerations with regards to reinsurance agreements. It is my experience that although most actuaries reflect reinsurance cash flows, I've encountered instances where 100% coinsurance agreements are not subject to cash flow testing, or other asset adequacy methodologies listed in section 3.1.1. Addition of a section similar to ASOP 28, section 3.10 "Collectability of Ceded Reinsurance" would be useful. It would also be useful to include specific reference to ASOP 11 in addition to the other ASOP listed in Section 4.1 and Section 1.2
3. It would be consistent to include language similar to ASOP28 (Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets) to the extent similar items are applicable to Life Insurers.
 - a. Sections 3.1, 3.2 of ASOP28 would seem to be applicable, other than the change in reference to the NAIC Life Annual Statement.
 - b. Such items as 3.3 "Liabilities and Assets Being Opinion Upon" and 3.4 "Stated Basis of Liability and Asset Presentation", could have similar items in ASOP 22. For example, deferred premium assets, deferred tax assets, and Funds withheld liabilities could be important to include in asset adequacy analysis and should be identified.
 - c. Section 3.7.2 has much more detail about "Evaluation Based on the actuary's use of another's Estimates or Opinions" than ASOP22 Section 3.1.11 or Section 3.2.7. The first paragraph of this section is much more explicit and useful to an opining actuary.
 - d. ASOP 28 item 3.8 regarding "Prior Opinion", first paragraph should also be incorporated to support the ASOP22 disclosure item 4.1.c, perhaps as an expansion to ASOP22 Section 3.2.5.
4. I believe the ending language in item 3.1.8 "Testing Horizon" should be modified to state : "the use of a longer period would not materially affect **the results of the analysis.**" or "the use of a longer period would not materially **impact the asset adequacy analysis results**".

I also support the prior commenters' suggestions about identifying the specific blocks of assets underlying each type of analysis/block analyzed.

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