

Appendix 2

Comments on the First Exposure Draft and Responses

The first exposure draft of the proposed revision of ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves*, was issued in July 2022 with a comment deadline of September 30, 2022. Nine 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. 36 Task Force and the Casualty Committee of the Actuarial Standards Board (ASB) carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the Casualty Committee.

Summarized below are the significant issues and questions contained in the comment letters and the responses. Minor wording or punctuation changes that were suggested but not significant are not reflected in the appendix, although they may have been adopted.

The term “reviewers” in appendix 2 includes the ASOP No. 36 Task Force, the Casualty Committee, and the ASB. The section numbers and titles used in appendix 2 refer to those in the first exposure draft, which are then cross referenced with those in the new exposure draft.

GENERAL COMMENTS	
Comment	One commentator questioned whether expanding the scope to cover other reserves is appropriate.
Response	The reviewers believe expanding the scope to cover other reserves is appropriate and made no change in response to this comment.
Comment	Several commentators suggested adding “other reserves” to any listing of “loss and LAE” reserves.
Response	The reviewers made changes consistent with the intent of the commentator’s suggestion.
Comment	One commentator suggested replacing “loss reserves” with “unpaid claim estimates.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested expanding the scope.
Response	The reviewers made no change in response to this comment.
SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	Several commentators suggested adding “premium deficiency reserves” to the examples of other reserves.
Response	The reviewers agree and made the change.
Comment	Several commentators said that the language on reviewing statements of actuarial opinion was unclear.
Response	The reviewers agree and made clarifying changes.

Comment	One commentator suggested clarifying that only opinions prepared in compliance with this standard should be reviewed under this standard.
Response	The reviewers made changes consistent with the intent of the commentator's suggestion.
Comment	One commentator suggested deleting, "If the actuary determines that the guidance in this standard conflicts with an applicable standard in another practice area, that ASOP governs."
Response	The reviewers agree and deleted the sentence.
Comment	One commentator suggested deleting item (c).
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested changing "other reserves" to "premium reserves."
Response	The reviewers disagree but added an example of a non-premium other reserve.
SECTION 2. DEFINITIONS	
Comment	One commentator said it was unclear why "events" and "unpaid claim estimate" were removed from the definitions.
Response	The reviewers believe these definitions are no longer necessary and made no change in response to this comment.
Section 2.2, Counterparty	
Comment	One commentator suggested adding "that has a financial interest in the transaction" to the definition of counterparty.
Response	The reviewers disagree and made no change.
Section 2.11, Review Date	
Comment	One commentator suggested adding "on or" in the parenthetical phrase.
Response	The reviewers agree and made the change.
Section 3. Analysis of Issues and Recommended Practices	
Section 3.1 in the 2011 standard	
Comment	Two commentators suggested reinstating the original section 3.1, Legal and Regulatory Requirements.
Response	The reviewers made no change in response to this comment. The reviewers note that the Code of Professional Conduct states, "An actuary must be familiar with and keep current with not only the Code but also applicable law and rules of professional conduct for the jurisdictions in which the Actuary renders actuarial services." In addition, section 1.2 states, "If a conflict exists between this standard and applicable law, the actuary should comply with applicable law."
Section 3.1, Purpose and Users of the Statement of Actuarial Opinion	
Comment	One commentator suggested adding auditors to the list of intended users.
Response	The reviewers note that this is an example and made no change.

Section 3.3, Stated Basis of the Reserves	
Comment	One commentator suggested replacing “identify the exposure to be covered by” with “identify the portion of the reserves intended to be in the scope of...”
Response	The reviewers made changes consistent with the intent of the commentator’s suggestion.
Section 3.3(b)	
Comment	One commentator suggested replacing “expected” with “the unloaded reserve.”
Response	The reviewers made changes consistent with the intent of the commentator’s suggestion.
Section 3.3(c)	
Comment	One commentator suggested adding “implicit or explicit” before “recoverables.”
Response	The reviewers believe the language is appropriate and made no change.
Section 3.4.1, Scope	
Comment	One commentator suggested removing the requirement to disclose the valuation date.
Response	The reviewers believe the guidance is appropriate and made no change.
Section 3.4.3, Using an Analysis or Opinion Not Produced Under the Actuary’s Direction (now section 3.4.4)	
Comment	One commentator suggested deleting the sentence following item (d) and adding item “e. the standards, including but not limited to applicable ASOPs and audit and financial accounting standards, under which the other analysis was prepared.”
Response	The reviewers made changes consistent with the intent of the commentator’s suggestion.
Section 3.6, Uncollectable Recoverables	
Comment	One commentator suggested changing the beginning of the first sentence to “If reserves being opined on reflect a material amount of anticipated recoverables on the unpaid reserves.”
Response	The reviewers believe the language is clear and made no change in response to this comment.
Section 3.7, Work Underlying the Prior Statement of Actuarial Opinion	
Comment	One commentator suggested adding guidance and clarification for how a reviewing actuary would use section 3.7.
Response	The reviewers believe the changes made to section 1.2 address the commentator’s concern.
Section 3.8, Type of Statement of Actuarial Opinion (now Types of Opinions)	
Comment	One commentator suggested adding “adequate” as an opinion type.
Response	The reviewers note that deviating from the standard to follow the law is covered in section 1.2 and made no change in response to this comment.
Comment	One commentator suggested adding guidance on how to address situations when there are differing conclusions about the reasonableness of individual reserve segments being opined upon.
Response	The reviewers made changes consistent with the intent of the commentator’s suggestion.

Section 3.8.4, Qualified Statement of Actuarial Opinion (now Qualified Opinion)	
Comment	One commentator suggested clarifying the language.
Response	The reviewers agree and made the suggested change.
Section 3.9, Determination of Materiality Standard (now section 3.10)	
Comment	Two commentators suggested clarifying that the financial metrics should be those the actuary believes are relevant to the intended users.
Response	The reviewers agree and made the change.
Section 3.10, Material Adverse Deviation (now section 3.11)	
Comment	One commentator questioned whether it was clear that material adverse deviation applies to the reserves being opined upon in total.
Response	The reviewers made changes consistent with the intent of the commentator's suggestion.
Comment	One commentator suggested language that did not use the word "understated" in the first paragraph.
Response	The reviewers made changes consistent with the intent of the commentator's suggestion.
Comment	One commentator suggested adding, "If there are such significant risks and uncertainties the actuary should find that a risk of material adverse deviation exists," to the end of the first paragraph.
Response	The reviewers believe the language as modified in response to another comment is appropriate and made no change in response to this comment.
Comment	One commentator suggested clarifying language if the actuary has not developed a range.
Response	The reviewers believe the language is appropriate and made no change in response to this comment.
Comment	Two commentators suggested deleting the second paragraph.
Response	The reviewers disagree because the language clarifies appropriate practice and made no change as a result of this comment.
Comment	One commentator suggested limiting the calculation in the second paragraph to only those instances when the actuary has determined a range of reasonable estimates.
Response	The reviewers disagree but made changes to clarify that this applies whether or not the actuary has determined a range of reasonable estimates.
Comment	One commentator suggested changing "sum of the materiality standard and the loss and loss adjustment expense reserves is within the actuary's range of reasonable estimates" to "The actuary should find that a risk of material adverse deviation exists when the difference between the high end of the actuary's range of reasonable estimates and the recorded reserves is greater than the materiality standard."
Response	The reviewers note that producing a range is not required and therefore made no change in response to this comment.
Comment	One commentator suggested that the inclusion of disclosures related to the risk of material adverse deviation for non-NAIC opinions is too broad, citing informal quarterly reserve reviews as an example.
Response	The reviewers disagree and note that the standard applies only to legally required statements of actuarial opinion and statements of actuarial opinion that the actuary represents as in compliance with the standard.

Section 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.2, Required Disclosures in a Statement of Actuarial Opinion	
Comment	One commentator thought the guidance in (h)-(j) is too broad.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested combining 4.3(b) into 4.2(d).
Response	The reviewers agree and made the change (now in section 4.2[c]).
Section 4.3, Additional Disclosures in the Statement of Actuarial Opinion	
Comment	One commentator suggested expanding the disclosure to include the discount rate used.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested adding a disclosure for whether the actuary reviewed another's work.
Response	The reviewers disagree that such a disclosure should be included in the statement of actuarial opinion and note that it is covered by ASOP No. 41, <i>Actuarial Communications</i> , for actuarial reports. Therefore, the reviewers made no change in response to this comment.
Comment	One commentator suggested alternate language for sections 4.3(g) and (h).
Response	The reviewers believe the language is clear and made no change in response to this comment.
Comment	One commentator suggested clarifying the language in section 4.3(i)iii (now 4.3[h]iii).
Response	The reviewers agree and made the suggested change.
Appendix 1, Background and Current Practices	
Comment	One commentator suggested adding captive insurance companies to the list in the third paragraph.
Response	The reviewers made changes consistent with the intent of the commentator's suggestion.