

Title of Exposure Draft: ASOP 36; Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves

Comment Deadline: November 1, 2023

I. Identification:

Name of Commentator / Company
Daniel Lyons, MAAA, FCAS / Retired / I am submitting these comments on my own behalf.

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

III. Specific Recommendations:


Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
2.2	Counterparty—Another entity <u>with whom the insurance company or the property/casualty risk financing entity has a contractual relationship related to its reserves</u> involved in a financial transaction including, but not limited to, a ceding entity, an assuming entity, an insured, or a service provider.	I think that basing the definition on a “financial transaction” is too narrow and suggest changing it to a contractual basis. And if “reserves” are used in this definition and if the “reserve” definition is changed per my suggestion in §2.8 then there is also a link to the “coverage” definition.
2.8	Reserve—An amount recorded in a financial statement or accounting system to reflect potential obligations <u>expected future payments incurred under the terms and conditions of the coverages written by the insurance company or the property/casualty risk financing entity.</u>	I don’t think reserves reflect potential obligations, they reflect real obligations having potential payments. I think it’s important to incorporate “coverage” in this definition.
3.4	Reserve Evaluation—The actuary should evaluate the reasonableness of reserves consistent with the applicable ASOPs, <u>the Code of Professional Conduct</u> , and the identified stated basis of the reserves.	ASOP 36 can now apply to “other reserves” and there may not be specific ASOPs covering these added items. Precept 2 of the Code requires the actuary to be qualified in order to do such work on the other reserves.
3.4.2	Evaluation Based on the Actuary’s Estimates—When developing estimates to evaluate the reasonableness of reserves, the actuary may develop a point estimate, a range of estimates, or both. The actuary should be guided by applicable ASOPs for the development of these estimates. For example, when developing unpaid claim estimates to evaluate the reasonableness of unpaid claim reserves, the actuary should be guided by ASOP No. 43, Property/Casualty Unpaid Claim Estimates. <u>For reserves where specific ASOPs do not exist the actuary should be guided by the Code of Professional Conduct (Precept 2 in particular) and general ASOPs.</u>	See rationale for §3.4 above.

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New - insert after 4.3 b.	<u>that the assumptions, procedures, methods, or models of the work product produced by another party not under the actuary's direction for a material portion of the reserves are unknown, if the opining actuary is not able to review the other party's analysis.</u>	I suggest adding another disclosure when the actuary is unable to or did not review the analysis work product of another party. I'm concerned if the opining actuary just reviews the other party's opinion without doing a deeper dive and think this should be disclosed. I've tried to make the recommended wording similar to §4.3 e., the required disclosure when the opining actuary cannot review the prior opining actuary's work product.
4.4	<p>Additional Disclosures in an Actuarial Report—The actuary also should include disclosures in an actuarial report in accordance with ASOP No. 41 for the following circumstances:</p> <p>a. if any material assumption or method was prescribed by applicable law;</p> <p>b. if, in the actuary's professional judgment, the actuary has deviated materially from the guidance of this ASOP.</p>	This section deals with " Additional Disclosures in an Actuarial Report " (emphasis added) and only references two items covered in ASOP 41; §4.2 and §4.4. (And these are carried over to the draft ASOP 41 §4.2 h. and §4.3 released 8-18-2022.) However, ASOP 41 already applies in its entirety and is listed in §4.1 "Required Disclosures in and Actuarial Report" so §4.4 adds nothing new. If this section remains as is it could be interpreted that only these two sections of ASOP 41 apply to actuarial reports prepared under this revised ASOP 36. I suggest deleting this section but if the intent of the Drafting Committee is to remind actuaries of these two specific ASOP 41 disclosure requirements then this section should be reworded or the reminders placed in §4.1.

IV. General Recommendations (If Any):

Commentator Signature	Date
	10-29-2023