

**Title of Exposure Draft:** ASOP No. 36: Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves

**Comment Deadline:** [November 1, 2023]

Instructions: Please review the exposure draft, and give the ASB the benefit of your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: <http://www.actuarialstandardsboard.org/email/2020/ASB-Comment-Template-Sample.docx>

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to [comments@actuary.org](mailto:comments@actuary.org) and include the phrase 'ASB COMMENTS' in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system's spam filter.

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted to the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

**I. Identification:**

|  |
|--|
| Name of Commentator / Company                                    |
| Committee on Property and Liability Financial Reporting (COPLFR) |

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

| Question No. | Commentator Response |
|--------------|----------------------|
|              |                      |
|              |                      |

**III. Specific Recommendations:**

| Section #<br>(e.g. 3.2.a)                        | Commentator Recommendation<br>(Please provide recommended wording for any suggested changes)  | Commentator Rationale<br>(Support for the recommendation)  |
|--|---|--|
| Notable Changes from first exposure draft item 4 | Change "The actuary is required to determine the discount rate..." to "The actuary is required to identify the discount rate..." consistent with language in section 3.3(a)   | The standard does not state that the actuary is required to determine the discount rate, only that they must identify it.    |
| 3.1  | Remove "For example, the intended purpose may be to satisfy the requirements for such an opinion under the NAIC Property/Casualty Annual Statement Instructions, where the intended users include the company's board of directors and its regulators." | ASOPs typically do not include these types of examples. It would be more appropriate to include examples in a practice note. |

**Title of Exposure Draft:** ASOP No. 36: Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves

**Comment Deadline:** [November 1, 2023]

|       |   |   |
|-------|---|---|
| 3.10  | Remove examples of materiality standards.   | ASOPs typically do not include these types of examples and including them may suggest that these are the most appropriate, or even the only appropriate, materiality standards to use. In particular, one of the examples given is “an amount that would trigger a regulatory action for the company.” This seems to imply that the actuary would need to recalculate the risk-based capital (RBC). RBC is a complex calculation impacted by far more than just loss reserves. This would be overly cumbersome, and the actuary may not readily have all inputs available to do so. |
| 3.4.3 | Change “When using a model developed by another party, the actuary should refer to ASOP No. 56, <i>Modeling</i> , and ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i> .” To “When using a model developed by another party, the actuary should refer to ASOP No. 56, <i>Modeling</i> , and, if relevant, ASOP No. 38, <i>Catastrophe Modeling (for All Practice Areas)</i> .”   | ASOP No. 38 may not be relevant to every model developed by another party.  |
| 3.9.2 | Change “Opinion on Total Reserves—When the actuary issues different types of opinions on different reserve items, such as (1) loss and loss adjustment expense reserves and (2) unearned premium reserves, the actuary should issue an opinion on the total reserves within the scope of the statement of actuarial opinion.” to “Opinion on Total Reserves—If, as described in 3.4.1.b, the actuary is providing an opinion on different reserve items individually, the actuary should also issue an opinion on the total reserves within the scope of the statement of actuarial opinion.” | The current wording could be interpreted that the actuary is required to identify subsets of the reserves where they may have a different opinion than their opinion on the total reserves.   |
| 4.2.c | Change “the stated basis of the reserves (see section 3.3) or the assumed basis of the reserves, if the actuary is unable to obtain the stated basis for all or a portion of the reserves” to “the stated basis of the reserves (see section 3.3) or, if the actuary is unable to obtain the stated basis for all or a portion of the reserves, the assumed basis of the reserves and the rationale for that assumption.”   | The rationale for the assumption may be as important to the user of the opinion as the assumption itself.   |

**Title of Exposure Draft:** ASOP No. 36: Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves

**Comment Deadline:** [November 1, 2023]

**IV. General Recommendations (If Any):**

| Commentator Recommendation<br>(Identify relevant sections when possible)   | Commentator Rationale<br>(Support for the recommendation)  |
|--|--|
| Guidance around the requirements or recommendations for an actuary reviewing a statement of actuarial opinion is unclear, particularly around documentation. Clarity around how this standard applies to a reviewing actuary would be helpful. | Section 1.2 states “If the actuary is performing actuarial services that involve reviewing a statement of actuarial opinion, the reviewing actuary should follow the guidance in section 3 to the extent practicable within the scope of the actuary’s assignment.” However, given that a review of a statement of actuarial opinion can take many forms (e.g., peer review, regulatory review, auditor review), it is not clear whether each of these purposes should follow the guidance to the same degree, and how to appropriately document that this guidance has been followed. |
| In section 3.8.4, clarify “materiality.”   | The section states “The actuary is not required to issue a qualified opinion if the actuary reasonably believes that the item or items in question are not likely to be material.” Is this material to the reserve evaluation or to the actuary’s conclusion?  |

**V. Signature:**

|                          |                  |
|--------------------------|------------------|
| Commentator Signature    | Date             |
| Stephen Koca, MAAA, FCAS | November 1, 2023 |