

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of the *Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities* ASOP was issued in June 2020 with a comment deadline of November 13, 2020. Three 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. 28 Task Force carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the ASOP No. 28 Task Force and the ASB Health 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. 28 Task Force, the ASB Health Committee, and the ASB. Also, the section numbers and titles used in appendix 2 refer to those in the exposure draft, which are then cross referenced with those in the final ASOP.

GENERAL COMMENTS	
Comments	One commentator recommended adding specific disclosures to section 4 that a reviewing actuary would be required to include in communicating the results of their review.
Response	The reviewers note that section 1.2 indicates that this standard is applicable to the reviewing actuary to the extent practicable. Therefore, the reviewers believe that the existing requirements included in section 4 apply to reviewing actuaries to the extent practicable. The reviewers also believe there is no need to develop additional disclosure requirements specific to reviewing actuaries and made no change in response to this comment.
Comment	One commentator said the focus of section 3 is entirely on actuaries preparing statements of opinion and does not refer to the reviewing actuary.
Response	The reviewers note that section 1.2 indicates that the reviewing actuary should use the guidance in this standard to the extent practicable. Therefore, the reviewers removed all reference to the reviewing actuary in section 3 to eliminate confusion.
Comment	One commentator suggested that the ASOP provide clearer guidance to the actuary when considering accounting standards in the evaluation of assets and liabilities and on how to address deviations from the standard when there is a conflict with accounting standards.
Response	The reviewers disagree that clearer guidance is necessary, and note that ASOP No. 1, <i>Introductory Actuarial Standard of Practice</i> , and ASOP No. 41, <i>Actuarial Communications</i> , address situations involving deviation from standards. Therefore, the reviewers made no change in response to this comment.

SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	One commentator suggested replacing “governs” with “takes precedence” in this section.
Response	The reviewers note the language is consistent with ASOPs currently being issued and made no change in response to this comment.
SECTION 2. DEFINITIONS	
Section 2.9, Health Insurance Asset (Asset), and Section 2.10, Health Insurance Liability (Liability)	
Comment	One commentator suggested that the use of the term “actuarial consideration” in sections 2.9 and 2.10 is vague and should be defined in another ASOP such as ASOP No. 1. In addition, the commentator suggested that the use of examples is not necessary and suggested they be removed.
Response	The reviewers agree that the term “actuarial consideration” is unnecessary and modified the definitions accordingly. The reviewers disagree that the examples should be removed and added “may” before “include” to remove the definitive nature of the list.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.3., Basis of Assets and Liabilities	
Comment	One commentator suggested a definition of “basis” be included at the beginning of the section.
Response	The reviewers agree that the term “basis” should be clarified and revised the language in section 3.3 to provide clearer guidance. The reviewers note that the list of items in section 3.3(a) through 3.3(e) helps clarify what is included in a basis.
Comment	One commentator suggested changing “document what the actuary assumed” to “identify what the actuary assumed.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested that section 3.3(e) should begin with “whether there is...”.
Response	The reviewers agree and modified the language accordingly.
Comment	One commentator believes that the term “best estimate” implies statutory conservatism (i.e., good and sufficient under moderately adverse conditions) based on interpretation of Statement of Statutory Accounting Principles No. 55.
Response	The reviewers agree that the term “best estimate” is ambiguous and removed the sentence. The reviewers made additional changes to this section to clarify guidance.
Section 3.4, Scope of the Analysis Underlying the Statement of Actuarial Opinion	
Comment	One commentator noted that the use of the term “individual” in section 3.4(b) could result in the actuary being required to include any item that is theoretically possible for the statement line, even if a certain reserve item is not applicable to the company or may require the actuary to identify every element of a reserve category (for example, every element in an unpaid claim liability calculation).
Response	The reviewers agree that use of the word “individual” could be confusing and modified the language in section 3.4(b) in response to this comment.

Section 3.5, Materiality	
Comment	One commentator suggested that section 3.5 should also address materiality in terms of the level of conservatism in the assets and liabilities, whether implicit or explicit. The importance of a particular balance sheet item, and especially the potential misstatement of such an item, should be considered in terms of whether it is large enough to impair the required conservatism.
Response	The reviewers disagree and made no change in response to this comment. The reviewers note that the existing general guidance in section 3.6 and the last paragraph of section 3.11 address the evaluation of conservatism.
Section 3.6, Asset and Liability Evaluation	
Comment	One commentator suggested that the current wording—in particular, the word “evaluate”—requires some specific calculation of the aggregate level of conservatism in each assumption.
Response	The reviewers did not intend to require a specific calculation and deleted the last sentence of the first paragraph to avoid ambiguity.
Comment	One commentator suggested that the reference to “best estimate basis” should be removed from the last sentence in the sixth paragraph of section 3.6 and end with “...are developed without conservatism.”
Response	The reviewers agree and made the change.
Comment	One commentator felt the ASOP should not pre-suppose that all of the items listed in this section always stem from “complex calculations.”
Response	The reviewers agree and modified the language in response to this comment.
Comment	One commentator felt the requirement to “document” is unnecessary to include in section 3.6 since it is explicitly included in section 4.1(i).
Response	The reviewers believe that a documentation requirement in section 3 is appropriate and made no change in response to this comment.
Section 3.11, Statements of Actuarial Opinion	
Comment	One commentator suggested that changing the nomenclature of the types of opinions was unnecessary.
Response	The reviewers note that the standard applies to statements other than NAIC annual statements. Therefore, the reviewers added clarifying language in section 1.2, Scope, but made no change to the language in section 3.11.
Comment	One commentator felt that the ASOP was not clear regarding whether excessive conservatism would affect the type of opinion issued and suggested the language be clarified.
Response	The reviewers disagree and made no change in response to this comment. The reviewers believe “outside a reasonable range” addresses the commentator’s concern.
Comment	One commentator suggested that the language in section 3.11 that refers to the “good and sufficient” standard should refer only to liabilities and not to assets because the prescribed wording of an NAIC blank refers to the “good and sufficient standard” with respect to “unpaid claims and other liabilities.”
Response	The reviewers disagree and made no change in response to this comment.

SECTION 4. COMMUNICATIONS AND DISCLOSURES

Section 4.1, Required Disclosures in an Actuarial Report

Comment	Two commentators suggested clarifying which disclosures should be included in the opinion and accompanying actuarial memorandum.
Response	The reviewers revised the language in response to these comments and removed references to individual disclosures.
Comment	One commentator noted the disclosures in section 4.1(e) are more appropriate to include in the actuarial memorandum.
Response	The reviewers revised language in section 4.1 to allow more flexibility related to what is included in the actuarial memorandum versus in the opinion.
Comment	One commentator noted that a range is not required for every asset or liability and suggested that section 4.1(g) be revised to clarify the requirement.
Response	The reviewers disagree that section 4.1(g) requires the actuary to develop a range and made no change in response to this comment.
Comment	One commentator suggested that sections 4.1(d) and 4.1(j) could be merged as both require a description of the “methods, assumptions, and procedures used.”
Response	The reviewers agree and combined sections 4.1(d) and (j) in response to this comment.