

Comment #5 – 10/15/13 – 2:21 p.m.

These comments on the Draft Exposure of ASB ASOP #8 – “Regulatory Filings for Health Benefits, Health Insurance and Entities Providing Health Benefits” are being made on behalf of New York Life Insurance Company.

First, thanks very much to the group for preparing this excellent draft!

Our comments are as follows:

Section 2.1 Filing Actuary – The section refers to the reviewing actuary as defined in section 2.9. The reviewing actuary is described in section 2.7.

Section 2.3 Health Benefit Plan – This section defines a health benefit plan to include a broad range of coverages including vision disability income, long-term care etc. While the scope of the ASOP is stated in this section, most of the examples in the remaining sections seem to deal primarily with medical insurance. It seems that there should be more non-medical examples.

Section 3.3 Legal and Regulatory Requirements - The section indicates that “the actuary should have the necessary knowledge and understanding of applicable law”. Laws and regulations governing health filings are very extensive. We believe that either this standard or a practice note should indicate that it is extremely difficult for an actuary to know the nuances of every law or regulation in every state.

Section 3.4.6 – Health Cost Trends – The trends are addressed solely in terms of medical insurance. There probably should be some mention of LTC or DI. For long-term care we recommend the following: “When long-term care trends are projected, the actuary should consider the frequency, utilization, and duration of future claims by care setting (egs. nursing home, home care, or assisted living facility)”

We also believe a statement indicating that trends may be based on insured or population data should be included.

Finally, the last paragraph states that “the actuary should select an estimate of the trend based on the actuary’s professional judgment. For example, historical trends may or may not be the best predictor of future trends.” That paragraph is probably not necessary since the process of selecting assumptions is almost always based on professional judgment. Actuaries use professional judgment on a daily basis and it is generally understood that that is appropriate. The purpose of ASOP’s is to provide the actuary with an analytical framework for exercising that professional judgment.

Section 3.4.7 Expected Financial Results, such as Profit Margin/Surplus Contribution, Loss Ratio or Surplus Level - It may not be clear to all actuaries what the significance of Profit Margin/Surplus is.

The last paragraph reads “The actuary should consider whether the provisions for adverse deviation are appropriate to provide a margin for variability and uncertainty in projected health costs. The actuary should consider the cumulative effect of any such provisions built into other assumptions.” We recommend the following language: “The actuary should consider whether the aggregate provisions for adverse deviation are sufficient to cover anticipated costs under moderately adverse experience.”

Section 3.6 Use of Business Plans to Project Future Results - This section indicates that the actuary should “request and review relevant business plans”. We believe it should say “*if appropriate*, the actuary should request and review...”.

Section 3.7 Use of Past Experience to Project Future Results – In this section there is a statement that refers to “claims of a particular service category”. It may not be clear what the term “service category” refers to.

Later on, the section indicates that “The filing actuary should update prior earned premium and incurred claim estimates to reflect premium and claim development experience We believe that that should state: *When appropriate*, the filing actuary.....”

Section 3.13 Reasonableness of Assumptions - The section indicates that “This information may include....any relevant industry and government studies”. We recommend that that be changed to say “This information may include....any relevant industry, government or academic studies”

Thank you,

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