



AMERICAN ACADEMY *of* ACTUARIES

May 15, 2012

Actuarial Standards Board
1850 M St., NW, Suite 300
Washington, DC 20036

Re: Comments on ASOP No. 22 and ASOP 28

On behalf of the Health Practice Financial Reporting Committee of the American Academy of Actuaries¹ I submit the comments below regarding the March 2012 exposure draft of the proposed revision of Actuarial Standard of Practice (ASOP) No. 22, [*Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*](#) and Actuarial Standard of Practice No. 28, [*Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets*](#). I will begin with the committee's responses to the specific question asked in the Actuarial Standards Board's (ASB) transmittal memorandum, and then follow with additional comments on aspects of the draft that are of particular concern to the committee.

The committee agrees that the expansion of ASOP No. 28 to cover health insurance work applicable under ASOP No. 22 is appropriate.

Question 1

On changing the definition of Health Benefit Plan in ASOP No. 22, the committee believes consistent definitions are appropriate and that this definition is an improvement.

Question 2

The change in Section 3.1, "Requirements to Consider," of ASOP No. 22 to include ASOP No. 28 can be interpreted as meaning a level of inclusiveness that may be perceived as a complete list of ASOPs to review. There are many ASOPs the actuary should consider while performing an asset adequacy analysis. The reference to ASOP No. 7, [*Analysis of Life, Health, or Property/Casualty Insurer Cash Flows*](#) makes sense because that details considerations in cash flow testing; however, it is less clear as to why a reference to ASOP No. 28 is more important than references to several other ASOPs depending on what products are covered. The committee suggests noting ASOP No. 7 only or mentioning ASOP No. 7 along with a list of other applicable standards, such as ASOP No. 5, [*Incurred Health and Disability Claims*](#),

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

ASOP No. 11, [Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance](#) and ASOP No. 18, [Long-Term Care Insurance](#).

Question 3

Regarding the modification to the scope of ASOP No. 28, the committee has concerns about the exclusion of opinions subject to ASOP No. 36, [Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves](#). It appears the same issues apply to the ASOP No. 36 exclusion as apply to the exclusion in ASOP No. 22 that the ASB is trying to modify.

The committee appreciates the ASB's goal of not having conflicting standards. As such, opinions filed on annual blanks for life and health, health **and P/C** statements should be covered under ASOP 28. Since ASOP 22 is being modified to address this exclusion, the committee suggests ASOP 36 be modified for consistency. For example, a licensed property/casualty insurance company filing a National Association of Insurance Commissioners' Health Annual Statement would find the opinion within the scope of ASOP No. 36. Since the filing would be on a health blank, the committee does not consider it appropriate for such an opinion to be exempt from the scope of ASOP No. 28. The committee similarly suggests removing the exclusion of ASOP No. 36 from ASOP No. 28.

In addition, the scope sections in ASOP No. 22 and ASOP No. 28 appear to be at odds with respect to applicability for a life insurance company filing a health blank. The language in ASOP No. 28 indicates that ASOP No. 22 applies but Section 1.2 of ASOP No. 22 indicates ASOP No. 22 doesn't apply if the actuary is not required to opine on the adequacy of a life and health insurer's reserves and other liabilities in light of supporting assets. The committee suggests a slight modification of the scope change to read, "in addition, ASOP No. 22, *Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life and Health Insurers*, may apply."

Question 4

As a point of clarification, in ASOP No. 28 under section 3.10, "Collectability of Ceded Reinsurance," it states "...the actuary should consider the collectability of ceded reinsurance in evaluating net liabilities." This implies that this collectability issue only pertains to health insurance business and not for life business, since ASOP No. 22 does not contain similar language.

The Academy's Health Practice Financial Reporting Committee appreciates the opportunity to provide comments on ASOP No. 22 and ASOP No.28. If you have any questions regarding these comments, please contact Tim Mahony, the Academy's state health policy analyst at (202) 223-8196 or at mahony@actuary.org.

Sincerely,



Laurel Kastrup
Chair
Health Practice Financial Reporting Committee