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January 19, 2016

Mr. Dave Keleher
Sr. P/C Insurance Specialist
National Association of Insurance Commissioners
Via e-mail

Dear Mr. Keleher:

On behalf of the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries,[1] I appreciate the opportunity to provide comments to the NAIC/IAIABC Joint (C) Working Group on the draft *2015 Workers' Compensation Large Deductible Study*, dated December 15, 2015.

Throughout the paper there are a few references to actuaries and their roles in preparing the valuation of the liability under the deductibles. At any given point in time, the value of the losses comprising the total losses under a deductible policy and the amount above the deductible is the insurer's responsibility until the claim is fully paid. An actuary is often involved in the process of the valuation for financial reporting purposes of these unpaid claim estimates both for the insurer and the insured, as well as the valuation of the collateral that is negotiated between the insurer and the employer. COPLFR strongly recommends that the role of the actuary in this estimation process be considered and addressed in the discussion of the issues with which this paper is concerned (see, for example, page 22).

In addition, several descriptions in the paper are unclear to us; we suggest that they be clarified:

1.The American Academy of Actuaries is an 18,500+ 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.

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- In several sections, the paper describes the way that claims are handled for large deductible policies; the reader may be left with the impression that claims under large deductible policies are only handled by third party administrators. However, sometimes these claims are handled by the insurer of the deductible policy. We suggest that the working group consider expanding the description of the claims handling to encompass claims handled by the insurer's claims department. (See pages 16 and 17 of the paper as an example.)
- On page 13, the paper suggests that disclosures in the financial statements of an insurer include a listing by insured of the collateral held by the insurer. This is likely to compromise confidentiality concerns of the individual insureds and also inappropriately make a customer list of the insurer public.
- On page 22, a description of the determination of collateral and the estimation process involved is an example where there is no reference to the role of the actuary in this estimation process.

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We appreciate this opportunity to provide input to this study and welcome any further discussion or review that may be helpful to this process. If you have questions about our comments, please contact senior casualty policy analyst Marc Rosenberg (rosenberg@actuary.org; 202-223-8196).

Sincerely,

Lisa Slotznick, MAAA, FCAS
Chairperson
COPLFR
American Academy of Actuaries