AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

July 21, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE.
Washington, DC 20549–1090
Via email: rule-comments@sec.gov

RE: File Number S7-06-16
(Business and Financial Disclosure Required by Regulation S-K)

Dear Mr. Fields:

The Committee on Property and Liability Financial Reporting (COPLFR) and the Financial Reporting Committee (FRC) of the American Academy of Actuaries[1] are providing comments on the SEC's request for input on the modernization of certain disclosure requirements in Regulation S-K. Our comments specifically address Securities Act Industry Guide 6, *Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property-Casualty Insurance Underwriters*, and whether to codify the Guide 6 disclosures regarding investment and voting decisions in Regulation S-K.

In the request for comment, the SEC has identified 11 specific questions that address the usefulness of the disclosure, the associated instructions, and the need to update existing guidance. In our comments below, we offer general observations on each of the questions, as well as specific answers to the questions as applicable to Guide 6.

General Observations

The current Guide 6 loss development table is a basic disclosure that illustrates an insurer's loss development in the aggregate. Investors and other stakeholders most often use this information after reformatting it from a calendar year to an accident year basis, to assist in understanding the reasonability of a particular insurer's loss reserves. Reformatting the Guide 6 information tends to conform to the formats of loss development information disclosed within the National Association of Insurance Commissioner's (NAIC) statutory filings for property casualty insurers (Schedule P) and the format described within the Financial Accounting Standards Board (FASB)

[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. For more than 50 years, the Academy has assisted public policy makers 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.

Accounting Standards Update (ASU) 2015-9. When FASB developed the loss development disclosures in ASU 2015-9, it gathered information about various existing disclosures and elected not to adopt the Guide 6 format. The FASB stated that the disaggregated information by accident year would be more useful in understanding reserve estimate changes than the existing Guide 6 disclosures.

The formats within ASU 2015-9 and NAIC Schedule P provide additional disaggregated detail. Given that ASU 2015-9 and Schedule P already organize data by accident year and include disaggregated data, retention of the Guide 6 loss development requirement and instructions is no longer necessary in order to obtain this information. In fact, including two different sets of disclosures on two different bases (calendar year versus accident year) within the same financial document may create confusion for less sophisticated users.

Guide 6 is prepared using a rules-based approach that results in a standard definition that incorporates a company's total property casualty loss reserves, thereby reconciling to total loss reserves. This is in contrast to the ASU 2015-9 disclosures that provide flexibility to the preparer of the financial statements regarding which portions of the reserves to include in 10-year loss development detail. An important consideration is whether the standardization outweighs the additional cost and redundancy of the disclosures.

Various stakeholders, analysts, investors and competitors will likely use the ASU 2015-9 loss development disclosures more frequently than the Guide 6 disclosures in developing a view of a particular company's loss reserve reasonability and variability and for comparing that among multiple companies. Companies do not use the Guide 6 aggregate format within their loss reserve analysis process; they prepare it at the end of the process for disclosure purposes only. The ASU 2015-9 disclosures, while also not used directly by insurers within the internal loss analysis and reserve determination process, are much closer in form to the data format used internally and developed for statutory reporting purposes than are the Guide 6 disclosures.

Beyond loss development, ASU 2015-9 has addressed other parts of Guide 6, making Guide 6 duplicative of the ASU 2015-9. This duplication occurs in the reconciliation of the beginning of the year loss reserve to the end of the year loss reserve and discounting.

To the extent that Guide 6 is retained, we suggest the requirements conform to the language and approach that is set forth in ASU 2015-9. This will facilitate a streamlined approach to preparing this disclosure and improve the usability of the results.

Specific Responses related to Guide 6
205*. Do the Industry Guides result in disclosure that is important to investors that registrants might not otherwise disclose under Regulation S-K or Regulation S-X? If so, what are examples of this type of disclosure?*

Response: The disclosures set forth within Guide 6 historically have been important for investors in property-casualty insurers. With the introduction of ASU 2015-9 disclosures that provide more detailed and useful information, the Guide 6 disclosures may not need to be retained.

206*. Do registrants find the Industry Guides useful in preparing disclosure for periodic reports?*

Response: Guide 6 provides a rules-based approach to the particular disclosures that the SEC is currently requesting. By providing a rules-based approach, the industry guide for insurance is useful in preparing the subject disclosures in a manner consistent among all property-casualty insurers.

***207**. To the extent that the Industry Guides call for information that registrants would not otherwise disclose but for the Industry Guides, what are the challenges of providing this disclosure?*

Response: The challenges of continuing the Guide 6 disclosures include preparation of a loss development disclosure that is not comparable with the disclosure prepared in response to ASU 2015-9 as well as additional cost.

***208**. Should we include additional industry-specific disclosure requirements in Regulation S-K by codifying all or portions of the Industry Guides? What are the advantages and disadvantages of including industry-specific disclosure requirements in Regulation S-K versus retaining the Industry Guides?*

Response: We have no opinion on the location of the Guide 6 rules.

***209**. Should some or all of the Industry Guides be updated? If so, which ones? Should additional Industry Guides or industry-specific rules for other industries be developed? If so, which industries would benefit from such guidance? Should industry-specific disclosure in Regulation S-K or staff guidance be limited to certain industries? If so, what criteria should be used to identify those industries?*

Response: Please see the general observations above.

***210**. What additional costs or costs savings, including the administrative and compliance costs of preparing and disseminating disclosure, do registrants experience because of the Industry Guides? Would registrants' disclosure costs be higher, lower or the same if the disclosures currently detailed in Industry Guides were incorporated into Regulation S-K or Regulation S-X? Please provide quantitative estimates if possible.*

Response: The preparation and completion of both Guide 6 and ASU 2015-9 disclosures is more costly than preparing just one set of disclosures. The additional cost will vary from company to company. Whether the Guide 6 is incorporated into Regulation S-K or Regulation S-X has no impact on the costs associated with preparing the disclosures.

***211**. The Industry Guides originally were intended to assist registrants, their counsel and accountants in the preparation of disclosure by publishing staff policies and practices related to staff review of registrant filings. Does the public release of the staff's comment letters and increased availability of tools that aggregate information about disclosure included in Commission filings and comment letters reduce the need for the Industry Guides as guidance for registrants?*

Response: (No response provided.)

***212**. Does the status of the Industry Guides as staff policy rather than Commission rules have any impact on the extent to which registrants provide disclosure consistent with the Industry Guides?*

Response: No.

***213**. Regulations S-K and S-X include some industry specific disclosures. For example, Form S-11658 and Schedules III and IV prescribed by Articles 12-28 and 12-29 of Regulation S-X, respectively, include industry specific disclosure requirements for certain real estate companies. If we update and codify the Industry Guides in Regulation S-K, should we also move and consolidate other industry-specific disclosure requirements currently located elsewhere to Regulation S-K at the same time? If so, how should we identify those disclosure requirements? Are any of these other industry-specific disclosure requirements already substantially addressed by non-industry-specific required disclosures either in Regulation S-K or by U.S. GAAP?*

Response: The disclosures in Guide 6, while different than those in ASU 2015-9, may be substantially covered by the disclosures in ASU 2015-9 and in a format preferred by users.

***214**. Should industry-specific disclosure requirements apply to every registrant in a particular industry or should they be limited to certain categories of registrants? If they should be limited, to which registrants should they apply?*

Response: The disclosure requirements should apply to every registrant.

***215**. What types of investors or audiences are most likely to value the information that registrants would not disclose but for the Industry Guides?*

Response: Until the introduction of ASU 2015-9 disclosure, the Guide 6 disclosures did provide information related to loss development that was not provided elsewhere. Now, more detailed and usable information will already be disclosed.

*****

COPLFR and the FRC appreciate this opportunity to provide input to the SEC. We hope these observations are helpful, and we welcome any further discussion or review that may assist the SEC in this process. If you have any questions about our comments, please contact Nikhail Nigam (nigam@actuary.org), policy analyst for risk management and financial reporting, or Marc Rosenberg (rosenberg@actuary.org), senior policy analyst for casualty, at the Academy at 202-223-8196.

Sincerely,

Lisa Slotznick, MAAA, FCAS	Leonard Reback, MAAA, FSA
Chairperson, COPLFR	Chairperson, Financial Reporting Committee
Casualty Practice Council	Risk Management and Financial Reporting Council
American Academy of Actuaries	American Academy of Actuaries