P&C Actuarial Issues Associated With Implementation of NAIC Accounting Practices and Procedures

November 2000

Developed by the
Committee on Property and Liability Financial Reporting
of the American Academy of Actuaries

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Associated With Implementation Of
NAIC Accounting Practices and Procedures (Codification)

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Introduction

This document was prepared by the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries. It has not been promulgated by the Actuarial Standards Board, nor is it binding on any actuary.

It is intended to assist property and casualty actuaries by providing a condensed reference on actuarial issues associated with implementation of the *National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual*, effective January 1, 2001. It is not intended to provide authoritative accounting guidance, nor is it intended to substitute for the actuary's detailed review of the NAIC Accounting Practices and Procedures. The *NAIC Accounting Practices and Procedures Manual* can be ordered from the NAIC (www.naic.org).

The adoption of the *NAIC Accounting Practices and Procedures Manual*, effective January 1, 2001, culminates a multi-year effort of the NAIC Accounting Policies and Procedures Task Force to "codify" statutory accounting policies. This statutory accounting framework, embodied in a series of Statements of Statutory Accounting Principles (SSAPs), introduces some significant changes in the statutory accounting practices for many property/casualty insurance companies.

The American Academy of Actuaries followed the development of the NAIC Accounting Practices and Procedures closely and testified on issues of interest to actuaries on several occasions. With this document, the Committee on Property Liability Financial Reporting (COPLFR) summarizes the key provisions of the Statements of Statutory Accounting Principles that have an impact either on the reserving process of property and casualty insurance companies or the Statements of Actuarial Opinion (SAO) on Property and Casualty Loss Reserves prescribed by the NAIC. The exhibits display, by SSAP Number, the major provisions of relevant SSAPs, a comparison of the “codified” accounting treatment with the pre-codification statutory accounting guidance, and a brief discussion of the likely implications of these changes on reserving practices and Statements of Actuarial Opinion.

The exhibits in this document are intended to be used by actuaries as a general overview of the statutory accounting policies and principles. In practice, the actuary should rely on the NAIC *Accounting Practices and Procedures Manua*l for guidance.

Individual State Deviations

Individual states may authorize deviations from the NAIC “codified” statutory accounting principles. In the event that a deviation from codification is allowed by a state, the NAIC Accounting Practices and Procedures require companies following the allowed deviation to prepare an exhibit or exhibits reconciling the amounts recorded following the state deviation to those that would have been recorded using the NAIC “codified” principles.

Future Changes to the NAIC Accounting Policies and Procedures

The NAIC process for evaluating its accounting practices and procedures is ongoing. Changes to the NAIC Accounting Practices and Procedures Manual may occur each year, as new SSAPs are adopted, interpretations of the existing SSAPs are issued, or modifications to the SSAPs are made. The Committee on Property Liability Financial Reporting is currently evaluating alternative approaches for informing actuaries of these changes, including the possible incorporation of an NAIC Accounting Policies and Procedures section in its Property/Casualty Loss Reserves Law Manual.

The committee would welcome any comments on this document. Comments may be sent to Patricia A. Teufel, Chairperson of the Committee on Property and Liability Financial Reporting through the American Academy of Actuaries.

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SSAP 5: Liabilities, Contingencies, and Impairment of Assets

Item	Pre-Codification Treatment	Codification Treatment - SSAP 5 Provides:
1. Definition of the terms liability, loss contingency and impairment of assets	Not defined in statutory accounting.	A liability has three essential characteristics: - Present duty or responsibility, - That obligates a particular entity, - The transaction or other event obligating the entity has already happened. The fact that an estimate is involved does not of itself constitute a loss contingency. A loss contingency or impairment of an asset is defined as an existing condition, situation or set or circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future event(s) occur or fail to occur.
2. Recording of liabilities and estimated losses from a loss contingency or the impairment of an asset		Liabilities are to be recorded when incurred. An estimated loss from a loss contingency or impairment of an asset is to be recorded by a charge to operations if BOTH of the following conditions are met: - Information available prior to issuance of the financial statements indicates that it is probable (likely) that a liability has been incurred at the date of the financial statements, AND - The amount of the loss can be reasonably estimated.

Item	Pre-Codification Treatment	Codification Treatment - SSAP 5 Provides:
4. Range of reasonable estimates	Statutory guidance is silent when a range of estimates exists and no estimate is better than any other within the range. GAAP guidance states that companies should accrue to the lowest estimate in the range in this situation.	When no estimate within the range is better than any other, management shall accrue the midpoint of the range. This assumes there is a continuous range of possible values and that the high end of the range can be quantified.
5. Required disclosures		If a loss contingency is NOT recorded because only one of the conditions is met, or if exposure to a loss exists in excess of the amount accrued, but there is at least a reasonable possibility that a loss or an additional loss may have been incurred, disclosure is required. The disclosure shall indicate the nature of the contingency and shall give an estimate of the possible loss or range of loss or state that such an estimate cannot be made.

Item	SSAP 5 Considerations in Reserving	SSAP 5 Considerations in Actuarial Opinion
1. Definition of the terms liability, loss contingency and impairment of assets	Clarifies characteristics of liabilities, loss contingencies and impairment of assets.	<u>Should not impact</u> the Scope or Opinion paragraphs.
2. Recording of liabilities and estimated losses from a loss contingency or the impairment of an asset	Clarifies the conditions under which liabilities, loss contingencies or impairment of assets must be recorded. Information available prior to the issuance of the financial statements must be considered in determining whether an estimated loss from a loss contingency is to be recorded.	<u>Should not impact</u> the Scope or Opinion paragraphs.
3. Amounts to be recorded	Requires that management's best estimate be recorded. This amount may or may not equal the actuary's best estimate.	No change. Actuary opines on the reasonableness of the recorded reserves in the aggregate. In reaching a conclusion that the reserves meet the requirements of state of domicile, the actuary may wish to obtain management's representation that the reserves reflect its best estimate.

Item	SSAP 5 Considerations in Reserving	SSAP 5 Considerations in Actuarial Opinion
4. Required disclosures		In considering whether there is significant risk of material adverse deviation, the actuary may wish to review disclosures made by management with respect to loss contingencies.

Additional Notes / Issues / Circumstances:
Under SSAP 5, the use of the midpoint by management will be applicable only in the rare instance where there is a continuous range of possible values and management considers no amount within the range any more probable than any other.

SSAP 9: Subsequent Events

Item	Pre-Codification Treatment	Codification Treatment – SSAP 9 Provides:
1. Accounting treatment for Type I events	Not defined in statutory accounting.	Information shall be used to determine a related accounting estimate and reflected in financial statements unless prohibited.
2. Accounting treatment for Type II events	Not defined in statutory accounting.	Type II events are not to be recorded in financial statements, but shall be disclosed in notes to financial statements.

Item	SSAP 9 Considerations in Reserving	SSAP 9 Considerations in Actuarial Opinion
1. Accounting treatment for Type I events	Type I subsequent events need to be considered in reserve analysis.	Awareness of Type I events and their materiality is a necessary consideration in evaluating the overall recorded reserves and needed disclosures.
2. Accounting treatment for Type II events	Type II events would not be directly considered in the recorded reserves.	Disclosure of Type II events may be appropriate, especially if the opinion could be considered misleading without it. In evaluating whether there is significant risk of material adverse deviation, the actuary may wish to consider and possibly disclose Type II events.

Additional Notes / Issues / Circumstances:

- Type I subsequent event: Material events related to conditions that existed at the date of the balance sheet.
- Type II subsequent event: Material events related to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

SSAP 53: P/C Contracts – Premiums

Item	Pre-Codification Treatment	Codification Treatment - SSAP 53 Provides:
1. Booked as billed vs. booked as written	Premium for workers' compensation, general liability, or commercial auto liability policies *can* be booked as billed.	Only premium for workers' compensation policies may be booked as billed. Premium for all other lines must be booked as written, but not prior to the effective date.
2. Premium earning pattern	Reference is made only to a pro-rata earning method, with certain exceptions (e.g., warranty, long duration contracts).	Policies whose insurance risk varies significantly over the policy period *may* reflect an earning pattern that is consistent with the risk exposure.
3. Earned but unbilled (EBUB) premium	Audit premium *can* be reflected through an EBUB asset. If established, EBUB is accounted for through an adjustment to written premium. If EBUB exceeds the collateral held for EBUB, 10% of the excess is non-admitted.	An estimate of audit premium *must* be made and an EBUB asset established. Companies must also establish corresponding liabilities for associated expenses, such as underwriting, acquisition, or premium tax. The EBUB can be accounted for either through an adjustment to written or earned premium. If EBUB exceeds collateral held for EBUB, 10% of the excess is non-admitted. Any amounts in addition to this 10% not expected to be collected must also be written off.
4. Advance premiums	Statutory guidance is silent.	Advance premiums must be reported as a liability. Income cannot be considered until the policy becomes effective. Advance premiums are not to be included in the written premium or unearned premium reserves (UPR).

Item	Pre-Codification Treatment	Codification Treatment - SSAP 53 Provides:
5A. Business grouping for determination of PDR	Not applicable.	In determining the need for a premium deficiency reserve, business is to be grouped in a manner consistent with how policies are marketed, serviced, and measured. Deficiencies from one grouping shall not be offset by anticipated profits from another.
5B. Consideration of investment income in determining PDR	Not applicable.	If anticipated investment income is utilized in determining whether a PDR is required, disclosure shall be made in the financial statements.

SSAP 53: P/C Contracts – Premiums (continued)

Item	SSAP 53 Considerations in Reserving	SSAP 53 Considerations in Actuarial Opinion
1. Booked as billed vs. booked as written	The level of earned and unearned premium reserves on a company's books likely will change.	No significant change from current practice is anticipated. Exposure measures used in reserve estimates may be affected.
2. Premium earning pattern	The level of earned and unearned premium reserves on a company's books likely will change.	No significant change from current practice is anticipated. Exposure measures used in reserve estimates may be affected.
3. Earned but unbilled (EBUB) premium EBUB	Ultimate loss projections should reflect the anticipated level of ultimate premium. EBUB may be determined using actuarially or statistically supported calculations or per policy calculations.	Range of reasonable reserves should reflect the anticipated level of ultimate premium/exposure.
4. Advance premiums	None.	None.
5. Premium deficiency reserve (PDR)	PDR represents a new reserve requirement for statutory accounting. Decisions regarding business grouping and consideration of investment income must be made, and likely will have significant impact on the company's recorded PDR. Consistency of GAAP and statutory reserve methodologies should be considered.	Except as may already be contemplated in the unearned premium reserves on long duration contracts and the Extended loss and expense reserves, the scope of the actuarial opinion does not extend to the premium deficiency reserve.

SSAP 55: Unpaid Claims, Losses, and Loss Adjustment Expenses

Item	Pre-Codification Treatment	Codification Treatment – SSAP 55 Provides:
1. Management's estimate	Statutory guidance is silent.	Management shall record its best estimate of its liabilities for unpaid claims, unpaid losses and loss/claim adjustment expenses for each line of business and for all lines of business in the aggregate.
2. Ranges of estimates	Statutory guidance is silent when a range of estimates exists and no estimate is better than any other. GAAP guidance states the company should accrue the lowest estimate in the range in this case.	Management may consider a range of reserve estimates; the range shall not include the set of all possible outcomes but only those outcomes that are considered reasonable. When no estimate within the range is better than any other, the midpoint of the range is to be accrued. This assumes there is a continuous range of possible values and that the high end of the range can be quantified.
3. Reserves by line of business	Excess of statutory over statement reserves is required for certain lines of business.	Management is to accrue its best estimate by line of business and in the aggregate.
4. Estimation process	No comments or disclosure are required.	Various analytical techniques can be used to estimate the liability for IBNR claims, future development on reported losses/claims and loss/claim adjustment expenses. No single projection method is inherently better than any other in all circumstances. The results of more than one method should be considered.
5. Permissibility of discounting reserves	Determined by state of domicile.	Reserves can not be discounted except as permitted for specific types of claims by other SSAPs.

SSAP 55: Unpaid Claims, Losses, and Loss Adjustment Expenses (continued)

Item	Pre-Codification Treatment	Codification Treatment – SSAP 55 Provides:
6. Anticipated subrogation and salvage recoverables	The reserves for unpaid losses may be reduced by the amount of anticipated salvage and subrogation recoverable.	Salvage and subrogation recoverables (including amounts recoverable from second injury funds, other governmental agencies, or quasi-governmental agencies) may be anticipated and deducted from the liability for unpaid claims or losses.
7. Changes in estimates, disclosures	Reasons for changes in management's estimates need not be disclosed.	Reasons for changes in management's estimates need to be disclosed. Disclosure should indicate whether additional premium or return premium has been accrued as a result of the prior-year effects.

SSAP 55: Unpaid Claims, Losses, and Loss Adjustment Expenses (continued)

Item	SSAP 55 Considerations in Reserving	SSAP 55 Considerations in Actuarial Opinion
1. Management's estimates	Management's best estimate of its liability is to be recorded. This amount may or may not equal the actuary's best estimate.	No change. Actuary opines on the reasonableness of the recorded reserves in the aggregate. In reaching a conclusion that the reserves meet the requirements of state of domicile, the actuary may wish to obtain management's representation that the reserves reflect its best estimate.
2. Ranges of Estimates	When management believes no estimate is better than any other within the range, management should accrue the midpoint. If a range can't be determined, management should accrue the best estimate. Management's range may or may not equal the actuary's range. This new treatment could create GAAP/Statutory reserve differences.	No change. Actuary opines on the reasonableness of the recorded reserves in the aggregate.
3. Reserves by line of business	Management should accrue its best estimate by line of business and in the aggregate. Recognized redundancies in one line of business cannot be used to offset recognized deficiencies in another line of business.	No change. Actuary opines on the reasonableness of the recorded reserves in the aggregate. In reaching a conclusion that the reserves meet the requirements of state of domicile, the actuary may wish to obtain management's representation that the reserves reflect its best estimate.
4. Estimation process	Various analytical techniques should be used by management to estimate its liabilities. The results of more than one method should be considered.	No change.

Item	SSAP 55 Considerations in Reserving	SSAP 55 Considerations in Actuarial Opinion
5. Anticipated subrogation and salvage recoverables	No change.	No change. Where the reserves carried by the company anticipate subrogation and salvage recoverable, disclosures are required.
6. Changes in estimates	Actuary should be aware of the impact that changes in estimates of loss reserves have on certain unearned premium reserve accruals.	No change. Current considerations still apply.

Additional Notes / Issues/Circumstances:

- Line of Business is not defined in this SSAP.
- Best Estimate is not defined in this SSAP.
- Any reallocation or reserves by statutory line may disrupt Schedule P tests, profit measurements, and other internal and external reporting elements.

SSAP 57: Title Insurance

Item	Pre-Codification Treatment	Codification Treatment – SSAP 57 Provides
1. Liability established for all known unpaid claims and LAE	Same as codification treatment.	Reserves are to be established sufficient to settle known unpaid claims and loss adjustment expenses.
2. Premium deficiency reserve	Not required.	A PDR must be established if anticipated losses, LAE and maintenance costs exceed the recorded unearned premium reserves and contingency reserve.
3. Supplemental reserve	Same as codification treatment.	The supplemental reserve reflects the amount necessary to cover all known, IBNR and LAE liabilities in excess of Items 1 and 2.
4. Salvage & subrogation	Same as codification treatment.	Case basis reserves shall not be reduced for anticipated salvage and subrogation. IBNR may reflect expected value of salvage and subrogation recoveries on open or IBNR claims.

Item	SSAP 57 Considerations in Reserving	SSAP 57 Considerations in Actuarial Opinion
1. Liability established for all known unpaid claims and LAE	Known and IBNR reserves are to be established utilizing actuarial techniques and consistent with SSAP 55.	No change. Actuary opines on the reasonableness of the recorded reserves (including the supplemental reserve) in the aggregate. In reaching a conclusion that the reserves meet the requirements of state of domicile, the actuary may wish to obtain management's representation that the reserves reflect its best estimate.
2. Premium deficiency reserve	PDR represents a new reserve requirement for statutory accounting. Decisions regarding business grouping and consideration of investment income must be made, and likely will have significant impact on the company's recorded PDR. Consistency of GAAP and statutory reserve methodologies should be considered.	The scope of the actuarial opinion does not currently extend to the premium deficiency reserve.

Additional Notes / Issues/Circumstances:
Appendix A-628 of the NAIC Accounting Practices and Procedures Manual displays mechanics of the statutory reserves.

SSAP 58: Mortgage Guaranty Insurance

Item	Pre-Codification Treatment	Codification Treatment – SSAP 58 Provides:
1. Premium revenue recognition	Distinguishes premiums for high-risk policies from other policies.	Written premium recorded in accordance with rules in SSAP 53, with no distinction between types of policies. Requirement to earn revenues in relation to the expiration of risk.
2. Premium deficiency reserve	Not required.	A PDR must be established if anticipated losses, LAE, expenses and maintenance costs exceed the recorded UPR plus contingency reserve plus estimated future renewal premium on renewal policies.
3. Contingency reserve	Required in addition to the unearned premium reserve. Changes in reserves may be recorded through income or directly to surplus.	Requires changes in the reserve to be recorded through surplus.
4. Loss reserves	Losses shall be recognized when they occur.	Defines the occurrence date as the date of default of a loan.

Item	SSAP 58 Considerations in Reserving	SSAP 58 Considerations in Actuarial Opinion
2. Premium deficiency reserve	New reserve to be established.	Currently not an opinion item.
3. Contingency reserve	Required to be set up by statute.	Annual additions to the reserve are prescribed by statute. Release of reserves requires commissioner approval and may vary by state statute.
4. Loss reserves	Clarification of occurrence date definition may result in a change from historical loss data.	No change. Actuary shall opine on the reasonableness of the recorded reserves in the aggregate.

SSAP 60: Financial Guaranty Insurance

Item	Pre-Codification Treatment	Codification Treatment – SSAP 60 Provides:
1. Premium revenue recognition	Same as codification treatment.	Record in accordance with rules in SSAP 53.
2. Premium deficiency reserve	PDR represents a new reserve requirement for statutory accounting. Decisions regarding business grouping and consideration of investment income must be made, and likely will have significant impact on the company's recorded PDR. Consistency of GAAP and statutory reserve methodologies should be considered.	The scope of the actuarial opinion does not currently extend to the premium deficiency reserve.
3. Loss reserves	A reserve for reported but unpaid claims is to be established, on a net of collateral basis.	SSAP 55 applies. In addition to reserves for reported but unpaid claims, a reserve for IBNR claims must also be established.
4. Discounting of loss reserves	Allowed. Can use a rate equal to the average rate of return on admitted assets.	No change from current practice.
5. Contingency reserve	Required. Terms, including reserve takedown provisions, are listed in the Financial Guaranty Model Law.	Required. Terms, including reserve takedown provisions, are listed in SSAP 60. The charge for each category of financial guarantees has been reduced from what is in the Model Law.

SSAP 60: Financial Guaranty Insurance (continued)

Item	SSAP Considerations in Reserving	SSAP 60 Considerations in Actuarial Opinion
1. Premium revenue recognition	May impact amount of loss reserve estimates as this will influence exposure measures.	Actuary shall opine on the reasonableness of the recorded reserves, in the aggregate. Changes in exposure measures may change reserve estimates
2. Premium deficiency reserve	PDR represents a new reserve requirement for statutory accounting. Decisions regarding business grouping and consideration of investment income must be made, and likely will have significant impact on the company's recorded PDR. Consistency of GAAP and statutory reserve methodologies should be considered.	The scope of the actuarial opinion does not currently extend to the premium deficiency reserve.
3. Loss reserves	Companies may need to set up an IBNR reserve in addition to the contingency reserve and reserve for reported but unpaid claims	No change. Actuary opines on the reasonableness of the recorded reserves, in the aggregate.
4. Discounting of loss reserves	Reserves can be held at a discounted basis, in accordance with statute.	If reserves are held on a discounted basis, the opinion must note the amount of discount.
5. Contingency reserve	Required by statute.	The contingency reserve is not currently within the scope of items for which an actuarial opinion is required, although some actuaries may, at their option, include it within the scope of the opinion.

SSAP 62: P&C Reinsurance

Item	Pre-Codification Treatment	Codification Treatment – SSAP 62 Provides:
1. Uncollectible reinsurance	Amounts in excess of minimum Schedule F provision are charged to surplus through establishment of additional uncollectible provision.	Amounts in excess of minimum Schedule F provision are written off and charged to operations, through the accounts, exhibits and schedules in which they were originally recorded.
2. Ceded reinsurance premiums payable	Ceded reinsurance premiums payable are deducted from agents' balances and uncollected premium.	A reserve for ceded reinsurance premiums payable is established as a liability, in accordance with SSAP 5.

Item	SSAP 62 Considerations in Reserving	SSAP 62 Considerations in Actuarial Opinion
1. Uncollectible reinsurance	None noted.	None noted.
2. Ceded reinsurance premiums payable	None noted.	None noted.

Additional Notes/Issues/Circumstances:

1. Contracts written before 1/1/94 or expiring before 1/1/95 are exempt.
2. Prescribes methodology to evaluate risk transfer.
3. Doesn't mention financial reinsurance but criteria are equivalent for "deposits".
4. Prescribes methodology to evaluate whether reinsurance is prospective or retroactive.
5. Prescribes methods to account for novations, retroactive reinsurance, and deposits.
6. Assumes that reinsurers must estimate EBNR premiums.

SSAP 63: Underwriting Pools and Associations Including Intercompany Pools

Item	Pre-Codification Treatment	Codification Treatment – SSAP 63 Provides:
1. Basis of reporting pool results	Current instructions do not require, but imply that results of pools should be reported on a gross basis, net of reinsurance.	Makes explicit that premiums, losses, and expenses of pools should not be netted against each other. Additionally, they should be reported as direct, assumed, or ceded as appropriate.
2. Basis of accounting for pool results	Does not address whether participation should be recorded on accrual or cash basis.	SSAP 5 is adopted for pools, so accrual basis is required.

Item	SSAP 63 Considerations in Reserving	SSAP 63 Considerations in Actuarial Opinion
1. Basis of reporting pool results	Must now analyze gross vs. net reserves; reserves vs. net profit/loss accrual. May need additional data not previously provided and require additional estimates.	Opinion on gross reserves will include gross reserves for pools. Disclosures regarding net reserves held for pools may be altered by NAIC.
2. Basis of accounting for pool results	Must consider all liabilities incurred through reserve evaluation date. May need additional data or require additional estimates.	May change disclosure regarding lag in reports from pools and associations.

SSAP 65: P&C Contracts

Item	Pre-Codification Treatment	Codification Treatment – SSAP 65 Provides:
1. Unearned premium reserve and loss reserve liabilities for claims made policies with extended reporting endorsements (EREs)	Can be recorded as UPR or loss reserves regardless of whether ERE extends for a fixed or unlimited period.	For fixed period, UPR is established for unexpired portion of period and losses are reported as recorded. For unlimited period, premium is fully earned and loss reserve associated for unreported claims is recognized immediately.
2. Premium deficiency reserves for EREs	Not required.	Required in accordance with SSAP 53 if anticipated loss plus expenses exceed UPR.
3. Statutory excess reserves (Schedule P penalty)	Required for certain lines of business.	No longer required.
4. High deductibles policies	Statutory guidance is silent.	Requires that reimbursement of the deductibles shall be accrued and recorded as a reduction of paid losses simultaneously with the recording of the paid losses by the reporting entity.
5. Permissibility of discounting reserves	Determined by state of domicile.	Prohibits discounting of loss reserves with the exception of those reflecting fixed and reasonably determinable payments, such as those emanating from workers' compensation tabular indemnity reserves or long term disability claims. Indicates that tabular reserves shall not include medical loss or loss adjustment expense reserves.

SSAP 65: P&C Contract (continued)

Item	Pre-Codification Treatment	Codification Treatment – SSAP 65 Provides
6. Rate to be used for discounting	Limited to the rate permitted by the domicilary state.	Directs that discount rates be determined in accordance with Actuarial Standard of Practice 20. Tabular: No specific discount rate is named. SSAP 65 notes that "discounts are determined with reference to actuarial tables which incorporate interest and contingencies such as mortality, remarriage, inflation or recovery from disability…" Non-tabular: The rate to be used shall be less than or equal to the lesser of: a. If the company's statutory invested assets are at least equal to the total of all policyholder reserves, the company's net rate of return on statutory invested assets less 1.5%. If the company's statutory invested assets are less than the total of all policyholder reserves, the company's average net portfolio yield rate less 1.5%. b. The current yield to maturity on a United States Treasury debt instrument with maturities consistent with the expected payout of the liabilities.
7. Change in discount rate	Statutory guidance is silent.	Treated as a change in estimate in accordance with SSAP 3. The impact of a change in discount rate from the prior period must be disclosed.

SSAP 65: P&C Contract (continued)

Item	SSAP 65 Considerations in Reserving	SSAP 65 Considerations in Actuarial Opinion
1. Unearned premium reserve and loss reserve liabilities for claims made policies with extended reporting endorsements (EREs)	Directs whether provision for EREs is established in the unearned premium reserve or loss reserves.	No change from current instructions. Reserve estimates may be affected changes in exposure measures.
2. Premium deficiency reserves for EREs	New reserve to be established.	Currently not an opinion item.
3. Statutory excess reserves (Schedule P penalty)	No need to calculate statutory excess reserves.	No need to separate out statutory excess from other reserves in rendering an opinion.
4. High deductibles	May change paid loss data underlying reserves.	None noted.
5. Permissibility of discounting reserves	May no longer be allowed to discount certain reserves that were discounted in the past.	Disclosure may need to discuss changes in reserves being discounted.
6. Rate to be used for discounting	Must follow Actuarial Standard of Practice 20, and restrictions in SSAP 65.	None noted.
7. Change in discount rate	Will need to calculate the impact of any change in the discount rate.	None noted.

Additional Notes / Issues/Circumstances:

- Prescribes accounting for structured settlements.
- Prescribes accounting and actuarial opinion for long-duration contracts.
- Prescribes disclosures for asbestos and environmental claims.
- Will likely change disclosures regarding ERE provisions in UPR and loss reserves.