

10/21/2024

2024 Regulatory Guidance Document

REGULATORY GUIDANCE on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2024

Prepared by the NAIC Actuarial Opinion (C) Working Group
believes

Statement of Actuarial Opinion (SAO), Actuarial Opinion Summary (AOS), and Actuarial Report are the regulatory mission of protecting consumers. This regulatory guidance document supplements the Instructions—Property/Casualty (Instructions) to provide clarity and timely guidance to companies with regulatory expectations on the SAO, AOS, and Actuarial Report.

An Appointed Actuary has a responsibility to know and understand both the Instructions and the expectations of regulators. One expectation of regulators clearly presented in the Instructions is that the SAO, AOS, and Report and work papers be consistent with relevant Actuarial Standards of Practice (ASOPs) through the application of the Appointed Actuary to identify the applicable ASOPs, the Appointed Actuary may find it useful to refer to the Guidelines for Actuarial Standards of Practice published by the Actuarial Standards Board (ASB). The 2024 Instructions have been modified to require the Appointed Actuary provide qualification documentation of Director only at initial appointment and not annually thereafter.

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I. General Comments

A. Reconciliation Between Documents

If there are any differences between the values reported in the Statement of Actuarial (S/A), Actuarial Opinion Summary (AOS), Actuarial Report, and the annual statement, the Actuarial Opinion (C) Working Group expects Appointed Actuaries to include an explanation for these differences in the appropriate document, the S/A, AOS, or Actuarial Report. The use of a robust peer review process by the Appointed Actuary should reduce reporting errors and non-reconciling items.

One situation in which a legitimate difference might arise is in the case of tabular discounting, i.e., the direct and assumed loss reserves on line 3 of the S/A's Exhibit A come from Schedule P, Part 1, which is gross of tabular discounting, while the Actuarial Report and AOS might present the direct and assumed loss reserves on a net of discounting basis.

B. Role of Illustrative Language in the Instructions

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Actuary to make changes to the report. While state insurance regulators are interested in material disagreements regarding differences between the former Appointed Actuary's final estimates and the insurer's carried reserves, they do not expect

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Appointed Actuary to provide insight into the company-specific factors that caused the unusual value. Detailed documentation should be included in the Actuarial Report to support statements provided in the S

2. Comments on Persistent Adverse Development in the Actuarial Opinion Summary

The Appointed Actuary is required to comment on persistent adverse development in the AOS. Comments can reflect common questions state insurance regulators have, such as:

- x Is development concentrated in one or two exposure segments, or is it broad across all segments?
- x How does development in the carried reserve compare to the change in the Appointed Actuary's estimate?
- x Is development related to specific and identifiable situations that are unique to the company?
- x Does the development or the reasons for development differ depe(r)1.690lg the i(r)1.690v2 (nd i)u9.4 (

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often use cumulative loss and loss adjustment expense data, which may render insufficient testing of activity during the current calendar year alone.

Along similar lines, state insurance regulators encourage Appointed Actuaries to consider whether a reconciliation of incremental payments during the most recent calendar year for all accident/report years combined provides sufficient assurance of the integrity of the data used in the analysis, given that development factors are generally applied to cumulative paid losses by accident/report year.

2. Change in Estimates

The Working Group expects the Appointed Actuary to discuss any significant changes in estimates.

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2. Scope of Exhibit B, Item 12

Exhibit B, Item 12 requests information on extended loss and unearned premium reserves for all P/C business, not just medical professional liability. The Schedule P Interrogatories referenced in the parenthetical only address reserves associated with yet-to-be-issued extended reporting endorsements offered in the case of D&R individual insured under a medical professional liability claims policy.

3. Exhibit B, Item 13

The Working Group added disclosure item Exhibit B, Item 13 in 2018. This item requests information on reserves associated with accident and health (A&H) long-dur.2.8 (d)-71 Tc 002 Tm6

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the Appointed Actuary's treatment of long-duration contracts in the SO or the underlying analysis, but insurers and Appointed Actuaries may refer to SSAP No. 65, paragraphs 21 through 33, for a description of the three tests, a description of the types of contracts to which the tests apply, guidance on the minimum required reserves, and instructions on the SO and Actuarial Report.

III. Comments on the Actuarial Opinion Summary

A. Confidentiality

The AOS is a confidential document and it should be clearly labeled and identified per 32.4469a (a)4.2 (b) and 2.83.

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