REGULATORY GUIDANCE on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year2024

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

Statement of Actuarial OpinionS(AO), Actuarial Opinion Summary (AOS), and Actuarial Report a the regulatory mission of protecting consumers. The instructions—Property/Casualty(Instructions) to provide clarity and timely guidance to companies with regulatory expectations on the S, AOS, and Actuarial Report.

An Appointed Actuary has a responsibility to know and understand bolthsthections and the expect regulators. One expectation of regulators clearly presented in the Instrusction the So, AoS, an Report and work papebæ consistent with relevant Actuarial Standards of Practice (ASOFTS) ugh of the Appointed Actuary to identify the application of Practice (AsoFTS) ugh Guidelines for Actuarial Standards of Practice (Bo).

The 2024 Instructions have been modified aurirethe Appointed Actuary provide qualification do of Directorsonly at initial appointment and not annually thereafter.

| | 1 | Data Capture Format1 | 0 |
|------|----|--|----|
| | 2 | 2. Scope of Exhibit B, Item 121 | 1 |
| | 3 | 3. Exhibit B, Item 131 | .1 |
| III. | Со | omments on the Actuarial Opinion Summary | 12 |
| | A. | Confidentiality | 12 |
| | В. | Different Requirements by State | 12 |
| | C. | Format | 12 |
| IV. | Gu | uidance on Qualification Documentation | 12 |
| | A. | Brief Biographical Information | 12 |
| | В. | "Qualified Actuary" Definition | 13 |

I. GeneralComments

A. ReconciliationBetweenDocuments

If there are any differences between the values reported in the Statement of Actuarial (\$\text{SpAO})\), Actuarial Opinion Summary (AOS), Actuarial Report, and thennual statement, the Actuarial Opinion (C) Working Group expects Appointed Actuaries to include an explanation for these differences in the appropriate document \$\text{AO}\$, 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 <code>dabolar</code> discountingi.e., the direct and assumed loss reserves on linef3the \$AO'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 IlustrativeLanguage in the Instructions

Whi Tc lu

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

Appointed Actuary to provide insight into the companyecific factors that aused the unusual value. Detailed documentation should be included in the Actuarial Report to support statements provided AiO. the S

2. Comments on PrsistentAdverseDevelopment 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 insuraregulators 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 (

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 Etimates

The Working Group expects the Appointed Actuary to discuss any si157 TD [(e)4.2 (xSh6d.6 (i))4.2 (ge)0idi datB1 (p)1

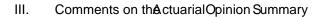
2. Scope of Exhibit B, Item 12

Exhibit B, Item 12 requests information on extended loss and unearned premium reserves folinates Cousiness, not just medical professional liability. The Schedule P Interrogator essenced in the parenthetically address reserves associated with tetbe issued extended reporting endorsements offered in the case of Dod R individual insured under a medical professional liability claimed e policy

3. Exhibit B, Item 13

The Working Group added disclosure item Exhibit B, Itemin 22018. This item requests information on reserves associated with acident and health (A&H) long-dur 2.8 (d)-71 Tc 002 Tm6

the Appointed Actuary's treatment of Plong-duration contracts in the SO or the underlying analysis but insurers and Appointed Actuaries may refer to SSAP No. 65, paragraphs 21 through 30 description of the three tests, a description of the types of P contracts to which the tests apply, guidance on the minimum required reserves, and instructions on the SO and Actuarial Report.



A. Confidentiality

The AOS is a confidential documental should be clearly labeled and identified p -32.4469a (a)4.2 (be)n abel06 Tcw 2.83

crucnts on .1 (b1.7 (y Tc 0 Tw (S)Tj 0.002 TTc 0.001 Tw 0.831 06Td ()Tj /.1 (lity)]TteTc 0 Tw 14.747 0.