



2018 Fall National Meeting

Casualty Actuarial and Statistical (C) Task Force

November 15, 2018

San Francisco, California

Date: 10/30/18

2018 Fall National Meeting
San Francisco, California

CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE

Thursday, November 15, 2018

9:30 – 11:30 a.m.

Hilton San Francisco Union Square—Continental 7-9—Ballroom Level

ROLL CALL

James J. Donelon, Chair	Louisiana	Patrick M. McPharlin	Michigan
Jessica Looman, Vice Chair	Minnesota	Chlora Lindley-Myers	Missouri
Jim L. Ridling	Alabama	Barbara D. Richardson	Nevada
Lori K. Wing-Heier	Alaska	Marlene Caride	New Jersey
Dave Jones	California	Maria T. Vullo	New York
Michael Conway	Colorado	Mike Causey	North Carolina
Katharine L. Wade	Connecticut	Jillian Froment	Ohio
Stephen C. Taylor	District of Columbia	John D. Doak	Oklahoma
David Altmaier	Florida	Andrew Stolfi	Oregon
Gordon I. Ito	Hawaii	Jessica Altman	Pennsylvania
Jennifer Hammer	Illinois	Raymond G. Farmer	South Carolina
Doug Ommen	Iowa	Kent Sullivan	Texas
Ken Selzer	Kansas	Mike Kreidler	Washington
Eric A. Cioppa	Maine		

NAIC Support Staff: Kris DeFrain/Jennifer Gardner

AGENDA

1. Consider Adoption of its Oct. 9 and Summer National Meeting Minutes—*Rich Piazza (LA)* Attachment One
2. Consider Adoption of its Working Group Reports—*Rich Piazza (LA)* Attachment Two
 - Actuarial Opinion (C) Working Group—*Julie Lederer (MO)*
 - Statistical Data (C) Working Group—*Carl Sornson (NJ)*
3. Discuss Appointed Actuary Charges (Attestation and Three-Year Experience) and Comments Received—*Rich Piazza (LA)* Attachment Three
4. Discuss Predictive Analytics—*Rich Piazza (LA)* Attachment Four
 - Hear a Report on Activities of the Predictive Analytics Book Club—*Rich Piazza (LA)*
 - Discuss the Draft White Paper on Best Practices—*Rich Piazza (LA)*
5. Hear a Presentation on the Filing of Telematics Rate Models—*Sheri Scott (Milliman)*
6. Discuss NAIC Activities Relating to Casualty Actuarial Issues—*Rich Piazza (LA)*
7. Hear Reports from Actuarial Organizations
 - American Academy of Actuaries (Academy) Casualty Practice Council and Committee on Property and Liability Financial Reporting (COPLFR)—*Shawna Ackerman (Academy)*
 - Academy Council on Professionalism—*Mary D. Miller (Academy)*, *Godfrey Perrott (Actuarial Board for Counseling and Discipline)* and *Beth Fitzgerald (Actuarial Standards Board)*
 - Society of Actuaries (SOA) General Insurance Actuarial Research and Education Update—*Dale Hall (SOA)*
 - Casualty Actuarial Society (CAS) Property/Casualty Actuarial Research—*Ralph Blanchard (CAS)*

8. Discuss Any Other Matters Brought Before the Task Force—*Rich Piazza (LA)*

9. Adjournment

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Attachment One
Consider Adoption of its Oct. 9 and
Summer National Meeting Minutes

Draft: 10/31/18

Casualty Actuarial and Statistical (C) Task Force
Conference Call
October 9, 2018

The Casualty Actuarial and Statistical (C) Task Force met via conference call Oct. 9, 2018. The following Task Force members participated: James J. Donelon, Chair, represented by Rich Piazza and Larry Steinert (LA); Jessica Looman, Vice Chair, represented by Phillip Vigliaturo (MN); Lori K. Wing-Heier represented by Michael Ricker (AK); Jim L. Ridling represented by Daniel Davis (AL); Dave Jones represented by Mitra Sanandajifar (CA); Katharine L. Wade represented by Susan Gozzo Andrews, George Bradner, Wanchin Chou, Qing He and Thomas Henry (CT); David Altmaier represented by Virginia Christy (FL); Gordon I. Ito represented by Randy Jacobson (HI); Jennifer Hammer represented by Judy Mottar and Reid McClintock (IL); Doug Ommen represented by Travis Grassel (IA); Ken Selzer represented by Nicole Boyd (KS); Eric A. Cioppa represented by Sandra Darby (ME); Patrick M. McPharlin represented by Kevin Dyke (MI); Chlora Lindley-Myers represented by Julie Lederer (MO); Mike Causey represented by Kevin Conley (NC); Marlene Caride represented by Mark McGill and Carl Sornson (NJ); Barbara D. Richardson represented by Gennady Stolyarov II (NV); Jillian Froment represented by Tom Botsko and Laura Miller (OH); John D. Doak represented by Andy Schallhorn (OK); Andrew Stolfi represented by David Dahl (OR); Jessica Altman represented by Kevin Clark and Michael McKenney (PA); Raymond G. Farmer represented by Will Davis (SC); Kent Sullivan represented by J'ne Byckovski, Nicole Elliott, Miriam Fisk, Eric Hintikka and Jennifer Wu (TX); and Mike Kreidler represented by Eric Slavich (WA).

1. Received a Report from the Actuarial Opinion (C) Working Group

Ms. Lederer said the Working Group met Sept. 20 and Oct. 4. During these meetings, the Working Group adopted regulatory guidance for 2018.

2. Received a Report from the Statistical Data (C) Working Group

Mr. Sornson said the Working Group met Sept. 5 via conference call, in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to continue reviewing data checks. The *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report) and the *Auto Insurance Database Report* (Auto Report) should be distributed for wider review shortly.

Mr. Sornson said the Working Group discussed the *Report on Profitability by Line by State* (Profitability Report) formula issues and has not reached consensus. He said the 2017 report will be issued with the current formulas and it should be ready for review in October.

3. Discussed Revised Statement of Actuarial Opinion Instructions for the New Attestation and Three-Year Experience Requirements

Mr. Piazza said the changes proposed at the Summer National Meeting regarding the attestation requirements have been made to the draft actuarial opinion instructions. After reviewing the comments submitted by Aug. 12 on the three-year experience requirement proposal (Attachment __), Mr. Piazza proposed adding one sentence to the actuarial opinion instructions to satisfy the three-year experience requirement charge: "The qualification documentation should include specific actuarial experiences relevant to the company's structure and lines of business."

Mr. Piazza said the Task Force's appointed actuary work is being coordinated with what the Executive (EX) Committee is doing with the definition of "appointed actuary."

Kris DeFrain (NAIC) said the Task Force has three charges related to appointed actuaries: 1) continued competence; 2) three-year experience; and 3) attestation. She said the Executive (EX) Committee also has the project to redefine the definition of "qualified actuary" and the project feeding into that, the Educational Standards and Assessment Project. She said the educational standards and assessment guidance are currently exposed for a public comment period ending Oct. 12. They will next be finalized and presented to the Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA) so they can map their basic education syllabi and reading materials to them. Then the NAIC will assess the CAS and SOA submissions to

determine if the minimum standards are met. The answer to that question will feed back into the definition of “qualified actuary.”

Ms. DeFrain said the Executive (EX) Committee will likely expose the actuarial opinion instructions Dec. 15 with their work and the work of the Task Force, for a 60-day public comment period. After the exposure period, there will be a public hearing held March 22, 2019. She said the aim is to complete all of these projects for implementation in the 2019 instructions.

Mr. Stolyarov said the approach has been positive regarding the attestation and three-year experience requirement. He supports the experience reporting being a narrative by the actuary to describe qualifications, background, experience, and how the experience is relevant to the particular assignment. He said the flexibility allows for a narrative to differ for different companies. He said the Nevada Division of Insurance is a captive domicile and maintains a list of approved actuaries. The actuaries have to submit similar documents, such as resumes, to the department.

Mr. Stolyarov said the CAS and the SOA announced they are exploring a consolidation, but there will be separate actuarial tracks and credentials while the societies work on combining the educational tracks. He said this is an opportunity for the societies to develop an educational track in a way that maps to the resulting educational standards. He said there might be reluctance to dramatically change the syllabi of existing tracks prior to the consolidation and there is likely an issue with being able to make any changes by 2019. He suggested the NAIC issue transitional approval given there is a temporary state of affairs, recognizing the new track would comply with the new educational standards.

Mr. Davis said he is against speculating on what might happen. Mr. Piazza said there are several unknowns. He said the NAIC will address any issues with a merger as issues arise. He said the NAIC should continue on its current track at this time.

Mr. Dahl said there are between two and five candidates currently taking the SOA general insurance track. He said there are few people that would come under any transition plan. Ms. DeFrain added that the standards are also minimum standards, not challenges for future practice. Mr. Stolyarov suggested the NAIC not be firm in its effective date yet. Mr. Piazza said the timeline has a firm effective date and, until that date is changed, the Task Force will need to use that date.

Mr. Slavich asked whether evaluation of the exam systems would be a one-time event or if it would be repeated in the future. He said the societies make constant changes to their education. Mr. Piazza said new lines of business and technology are changing, so it will be incumbent on the NAIC to maintain the standards. He said it might be every three-to-five years.

Ms. DeFrain said the timeline includes a step that the NAIC needs to determine any ongoing educational standards and assessment process. She said that decision is due by May 31, 2019. She added that the standards are minimum standards, so she does not expect to see a lot of differences between what is in the standards and what the CAS and the SOA are doing today. She said that if the standards were established to look at what additional items an actuary needs to know in the future, more significant differences might be seen.

Jim McCreesh (INS Consultants) said the qualification document is slated to be available by Dec. 31 in the draft instructions. He said the American Academy of Actuaries would allow someone to earn continuing education (CE) in the following year prior to signing the opinion. He asked whether the deadline for the qualification document could be amended.

Ms. Mottar suggested the current language, because at any time during the year an actuary can be appointed by the board of directors. She said if the actuary is appointed in August, then the regulator would have the ability to request the documentation delivered to the board then. Then, the regulator would be able to review the documentation within two weeks of the appointment.

Mary Miller (Risk and Regulatory Consulting) said with the document being delivered to the board of directors and examined during financial examination, it seems unnecessary to include the documentation in the yearly actuarial report.

Mr. Piazza said the additional disclosure to company management and in the Actuarial Report does not seem that burdensome.

Ms. Miller asked how to get notified of Executive (EX) Committee discussions on this matter. Ms. DeFrain said there are no future calls scheduled. She said by the end of the year, she expects the ad hoc group of commissioners established by the Executive (EX) Committee will meet to determine the wording to expose for public comment during the Dec. 15 meeting. She said the interested parties will be involved at that time, as well as at the public hearing in March 2019.

Mr. Piazza expressed a plan to expose the revised instructions, along with the Executive Committee's exposure, on Dec. 15. No Task Force member objected. While not objecting to a Task Force exposure, Birny Birnbaum (Center for Economic Justice) objected to the Executive (EX) Committee exposing something for public comment. He said the Executive (EX) Committee rarely has stakeholder comment and the committee structure is intended for proposals to be fully vetted before getting to Executive (EX) Committee. He said it is unusual for the Executive (EX) Committee to expose something that has not been vetted by other groups.

Ms. DeFrain said the project plan has included an exposure by Executive (EX) Committee on Dec. 15 since the original release of the plan and timeline. She said she would ask whether this is as intended.

Mr. Piazza said the attestation and three-year experience requirements proposal (Attachment One-A) will be exposed for public comment until Nov. 2.

4. Considered Plan to Fulfill P/C Actuarial Continued Competence Charge

Mr. Dyke summarized the proposal from the joint CAS and SOA project (*see NAIC Proceedings – Summer 2018, Casualty Actuarial and Statistical (C) Task Force, Attachment Three-A*). He said the CAS and the SOA agreed to do the following:

- Adopt annual attestation requirements by Dec. 31, 2019, for members who are property/casualty (P/C) appointed actuaries and who have met specific qualification standards (including the required CE requirements directly relevant to the topics identified as applicable to the NAIC P/C Statement of Actuarial Opinion).
- Publicly disclose the names of members who attest to meeting the CE requirements for P/C appointed actuaries.
- Annually audit a percentage of the membership who attest.
- Annually submit a report to the NAIC regarding how the CE requirements were generally met and how the P/C appointed actuaries audited generally performed in the audit.
- Conduct ongoing work with the NAIC to identify whether the CE logs should contain any particular categorization; what types of learning actuaries are using to meet CE requirements today; and whether more specificity should be added to the CE requirements for P/C appointed Actuaries.

Mr. Dyke said the joint group discussed what is being measured by continuing competence and whether CE is an effective measure. The use of CE to measure continuing competence is an acceptable approach to meet international standards, according to the NAIC's consultant. The ability to attest mid-year, details of the summary and loss form, and the ability to accept attestations from non-members could be implemented. He said the work of the joint task force is completed. He said the group is ready to move to implementation. He said the charge would not be needed for 2019, but he suggested the charge be replaced with the plans for implementation.

5. Adopted its 2019 Proposed Charges

Mr. Piazza said most of the changes to the Task Force's charges are due to grouping of some charges for presentation purposes and do not impact the content of the charges. He said there is a new charge to reflect that there might need to be additional guidance in 2019 related to the completion of the new attestation and three-year experience requirement. Another change is to remove the continued competence charge given the plan is adopted and replace such with a new charge for implementation of identified actions.

Ms. Miller said the three-year experience charge is unchanged, even though the Task Force seemed to decide not to define the mentor's responsibility and other learning expectations. She suggested modification of the charge. Mr. Piazza agreed and suggested the Task Force strike the phrase "regarding the mentor's responsibilities and the learning expectations for the actuary." Mr. Stolyarov agreed with that change and suggested combining the attestation charge and remainder of the three-year experience charge into one charge, in line with the Task Force's proposal. Mr. Piazza said he is inclined to keep those separate just as initially received, but he sees no reason why the proposal cannot still be combined.

Mr. Dyke made a motion, seconded by Mr. Dahl, to adopt the Task Force's 2019 proposed charges (Attachment __). The motion passed unanimously.

6. Discussed a First Partial Draft of a Predictive Analytics White Paper

Mr. Piazza said a partial draft and an outline of a predictive analytics white paper were distributed for the call. He said the volunteers who are drafting the white paper still have a lot of work to do. He said the group has identified the knowledge to review a model and he expects the volunteers will have completed their work in the next few weeks. He said he is currently drafting some best practices and identifying related policy issues. He said the white paper will be discussed at the Fall National Meeting. Mr. Piazza answered a question from Mr. Birnbaum by saying the Task Force would accept comments on anything documented to date, but the official exposure will occur at the Fall National Meeting.

Mr. Bradner asked if there would be a regulator-to-regulator call to discuss the draft. Mr. Piazza said he would not object to having such a call if that is deemed necessary.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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Draft Pending Adoption

Draft: 8/17/18

Casualty Actuarial and Statistical (C) Task Force
Boston, Massachusetts
August 4, 2018

The Casualty Actuarial and Statistical (C) Task Force met in Boston, MA, Aug. 4, 2018. The following Task Force members participated: James J. Donelon, Chair, represented by Rich Piazza (LA); Jessica Looman, Vice Chair, represented by Phillip Vigliaturo (MN); Lori K. Wing-Heier represented by Joanne Bennett (AK); Dave Jones represented by Ronald A. Dahlquist (CA); Michael Conway represented by Rolf Kaumann (CO); Katharine L. Wade represented by Wanchin Chou (CT); Stephen C. Taylor represented by David Christhlf (DC); David Altmaier represented by Virginia Christy (FL); Gordon I. Ito represented by Kathleen Nakasone (HI); Doug Ommen represented by Andria Seip (IA); Jennifer Hammer represented by Judy Mottar (IL); Ken Selzer represented by Nicole Boyd (KS); Patrick M. McPharlin represented by Kevin Dyke (MI); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Causey represented by Tony Riddick (NC); Marlene Caride represented by Mark McGill (NJ); Jillian Froment represented by Thomas Botsko (OH); Andrew Stolfi represented by TK Keen (OR); Jessica Altman represented by Melissa L. Greiner (PA); Raymond G. Farmer represented by Joe Cregan (SC); Kent Sullivan represented by J'ne Byckovski (TX); and Mike Kreidler represented by Eric Slavich (WA).

1. Adopted its July 10, June 21-22, June 12, May 8, April 10 and Spring National Meeting Minutes

Mr. Piazza said the minutes include many exposure actions regarding the Appointed Actuary charges: 1) exposure and then re-exposure of the Property/Casualty (P/C) Appointed Actuary Attestation Proposal, 2) exposure of the Joint Casualty Actuarial Society (CAS)/Society of Actuaries (SOA) proposal to accomplish the charge on the Continued Competence proposal, and 3) exposure of the proposal on the Three-Year Experience Requirement for Qualifications.

Mr. Chou made a motion, seconded by Mr. Botsko, to adopt the Task Force's July 10 (Attachment One); June 21-22 (Attachment Two); June 12 (Attachment Three); May 8 (Attachment Four); April 10 (Attachment Five); and Dec. 13, 2017 (*see NAIC Proceedings – Spring 2018, Casualty Actuarial and Statistical (C) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Actuarial Opinion (C) Working Group's Report and its April 23 Minutes

Mr. Piazza said Julie Lederer (MO) provided a written report for the Actuarial Opinion (C) Working Group. The Working Group met April 23 and July 10.

During its April 23 conference call, the Working Group adopted responses to the American Academy of Actuaries' (Academy) Committee on Property and Liability Financial Reporting (COPLFR) questions about life and health products reported on a property and casualty blank. The questions arose because the Standard Valuation Law and the NAIC's *Valuation Manual* are written to apply to all life and health insurance products, independent of which financial blank is used for reporting.

During its July 10 conference call, the Working Group met in regulator-to-regulator session in accordance with paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings. The Task Force discussed regulatory review of the 2017 Statements of Actuarial Opinion.

Mr. Rehagen made a motion, seconded by Mr. Dyke, to adopt the Actuarial Opinion (C) Working Group's April 23 (Attachment Six) minutes. The motion passed unanimously.

3. Adopted the Statistical Data (C) Working Group's Report and its April 10, June 28 and Aug. 1 Minutes

Mr. McGill said the Statistical Data (C) Working Group discussed changes to the *Report on Profitability by Line by State* (Profitability Report) and *Competition Database Report* (Competition Report).

Although there may be a need for revisions to the Profitability Report, Mr. McGill said further investigation is needed to determine that the formulas and new sources within the annual statement are in fact the best options, and calculations are appropriate within the context of the report.

Draft Pending Adoption

The proposed revisions to the 2017 publication of the Competition Report include the following changes: 1) column 4 will be expanded to include single-company groups as well as groups consisting of more than one company; 2) the groups and companies included will be required to have written premiums greater than zero; and 3) the countrywide Herfindahl Hirschman Index (HHI) will be removed as the results may be misleading and not a true indicator of competition.

Mr. Rehagen made a motion, seconded by Mr. Dyke, to adopt the Statistical Data (C) Working Group's Aug. 1 (Attachment Seven), June 28 (Attachment Eight) and April 10 (Attachment Nine) minutes. The motion passed unanimously.

4. Heard a Report on the Standards and Assessment Project and Timeline

Mr. Piazza said the NAIC has been conducting an Appointed Actuary Education Standards and Assessment Project, overseen by an ad hoc group of commissioners from Alabama, Louisiana and Maine, all members of the Executive (EX) Committee. He said it is important for the Task Force to follow the work because the Task Force's assignments have to be coordinated appropriately with that work.

Kris DeFrain (NAIC) said the job analysis project was completed and now the NAIC is focused on the Education Standards and Assessment Project. Ms. DeFrain said the knowledge statements developed in the job analysis project provide the breadth of knowledge. The educational standards will expand upon the knowledge statements and provide the depth of knowledge. The NAIC will then assess the CAS's and SOA's basic education.

Ms. DeFrain introduced a revised timeline for the education and assessment project and the appointed actuary charges for the Task Force (Attachment Ten). She said the volunteers working on the project were nominated by the Academy, CAS and SOA. She said a group of five actuaries are part of a Focus Group that oversees the work of 13 Subgroups. The Focus Group will then propose the educational standards and the assessment results to the NAIC for final determination. Along the way, the timeline includes public exposure of the educational standards, public exposure and a public hearing of all of the results of the project and the results of the Task Force's appointed actuary charges, and the final Statement of Actuarial Opinion instructions for implementation for the 2019 opinions.

5. Discussed the Appointed Actuary Attestation of Qualification

Mr. Piazza said the charge is to "[d]evelop an attestation an actuary must complete and sign annually to verify the actuary is qualified to sign a statutory P/C Statement of Actuarial Opinion." He said the charge stems from the NAIC's consultant's recommendation to document clearly what an appointed actuary must know to be considered "qualified" to sign a P/C Statement Actuarial Opinion. He said the attestation proposal was exposed for comment and four comments were received (Attachment Eleven).

Mr. Piazza said the purpose of the NAIC's attestation is twofold: 1) require the Appointed Actuary to reflect on knowledge needed to provide an actuarial opinion for a specific company (i.e., the "look in the mirror" test); and 2) provide reassurance to state insurance regulators that the actuary can be relied upon for the specific actuarial opinion for a specific company (e.g., documentation of education, experience and continuing education).

Mr. Piazza asked the Task Force to first focus on four comments, before proceeding to discuss any other comments. He summarized the four items: 1) in the actuarial opinion instructions, no longer refer to detailed vs. summary documentation and instead utilize just the term "documentation" or "detailed documentation"; 2) in sub-paragraph 3, remove the added language between parentheses about the lines of business and business activities. The deleted text can then be provided in guidance to the appointed actuary, along with the expected content of the documentation; 3) revert back to the proposal to have the documentation included within the confidential Actuarial Report, rather than it being a separate document; and 4) if the Task Force chooses not to have the documentation in the Actuarial Report, then add language that the documentation should be maintained for as long as the individual remains the Appointed Actuary.

The Task Force agreed to revise the proposal to refer to "documentation" rather than to have one "summary of documentation" and "detailed documentation."

Mr. Dahlquist disagreed with removing the parenthetical discussing the knowledge needing to be appropriate for the lines of business and business activities. He said it is important to reinforce. The majority of the Task Force wanted to keep the parenthetical for emphasis.

Draft Pending Adoption

If the documentation gets included in the Actuarial Report, Mr. Piazza said the regulator can choose to ask for the Actuarial Report with or without the qualification documentation. Ms. Mottar said there is proprietary information in the documentation. She said regulators have the authority to keep the Actuarial Report confidential. She said authority is not clear if the documentation is not part of the Actuarial Report. She suggested the qualification documentation be a separate section of the report and regulators could ask for it or not. The Task Force agreed to move forward with Ms. Mottar's proposal to have the documentation be part of the Actuarial Report. Ms. Miller said the documentation would be confidential if requested from the minutes of the Board in a financial examination. The Task Force decided to require the documentation be included in the Actuarial Report in its own section, so it could be requested or not.

Ralph Blanchard (Travelers) asked about the timing of the documentation. Mr. Blanchard said the report is due May 1, yet the proposed instructions ask for the qualification documentation by the prior year's Dec. 31. Ms. Mottar said the documentation should be ready for the Board when appointed, so the documentation should be ready for inspection upon appointment and afterwards. Mr. Blanchard said the Task Force should focus on the initial appointment and not require documentation every year. Mr. Piazza said the Task Force would consider the timing issue in the next draft.

Ms. Miller said the only thing that would change each year would be the continuing education, so it is not clear why the full documentation needs to be included in the Actuarial Report every year. She guessed that the regulators would likely request the documentation for fewer than 10 actuaries. She said if more information is needed than what is in the Board minutes, the company can request the information from the company and the company can go back to the actuary if additional information is desired. Ms. Mottar said a warrant is needed to request the board minutes, but no warrant is needed to request the Actuarial Report.

Mr. Piazza asked for any additional oral comments. Ms. Miller asked that the reference to the Academy's attestation form be reinserted into the instructions. She said the Academy's attestation is closely worded to the qualification standards. Mr. Piazza said he preferred to include any reference to particular forms in the regulatory guidance documentation and not in the instructions. He did not want to show preference to any one form at this time. He said that if the Academy's form proves to be the best alternative over time, the statement could be added into the instructions. Mr. Dyke said guidance is necessary and the Academy developed the form for the purpose of showing qualifications. He said this is the only form that exists today. Mr. Piazza said it would be acceptable if the Actuarial Opinion (C) Working Group wishes to include that in the guidance. Ms. Mottar said the Regulatory Guidance document has been used as the initial place to put newer ideas. She said that suggestion could be added later to the instructions.

Mr. Piazza said the Attestation proposal will be revised as discussed and exposed for another public comment period.

6. Discussed the Appointed Actuary Continued Competence Project

Mr. Piazza said the charge to the Task Force is to "[w]ork with actuarial organizations to require P/C Appointed Actuaries participate in a continued competence process every one to three years." Mr. Dyke worked with a joint task force of the CAS and SOA and developed a framework to address continued competence and its documentation. That framework was exposed for comment period and three comments were received (Attachment Twelve).

Mr. Dyke said he would take the comments received and see what the joint task force might wish to do with those comments. He said the joint task force looked at other professional organizations' requirements. He said continuing education was the way to measure continued competence. He said it does not measure continued competence for an individual actuary, but does provide information about the continuing education. And the joint task force can further evaluate the continuing education being taken and decide whether changes in the process are needed over time. While it might be a lofty goal, improvements in continuing education might be a result of this project.

Mr. Piazza says continued competence assumes there is competence to start. He said that while this project is about solvency regulation, he questions some actuaries' competence with rate filings. He said he does not know how one would exhibit competence or continued competence without examinations. He said he is not suggesting examinations be required. He is satisfied with something simpler, but maybe more robust than just documenting continuing education by itself. He agrees with the framework for the joint task force to analyze current continuing education and look for improvements. Ms. Miller said it is important to note that appointed actuaries are usually more seasoned actuaries, as opposed to those on the rate filing side who can be much less experienced actuaries. Mr. Blanchard said if passing a test is all that it takes to prove competency, actuaries would be replaced by artificial intelligence. He said when organizations try to test competency, the resulting question often ends up not gradable. He said good judgment and experience are the keys to competence. He said there is no checklist process.

Draft Pending Adoption

Ms. Miller said one does not expect continued competence, but rather increasing competence over time. She said continuing education is not recertification, which is the term originally used by the NAIC's consultant. Ms. DeFraun said the initial report did call this "recertification." She said the report also specifically noted that most organizations use submitted logs of continuing education to satisfy the recertification requirement.

Mr. Vigliaturo said he is less concerned with competence and more concerned with actuaries' judgments. He said the education is a lot less important. Ms. Mottar said the reason we are doing this is because there is another society that wants to educate actuaries. So, there is another question to be tackled.

Mr. Dyke asked if the framework of using continuing education as a proxy for continued competence was acceptable by the Task Force. No Task Force member objected. Mr. Dyke said the joint task force would next review comments and come back with any suggested changes to the framework.

7. Discussed New Predictive Analytic Charges

As discussed during the July 10 call, the Big Data (EX) Working Group evaluated and concluded a need exists for the development of regulatory best practices to guide state insurance regulators in performing their essential regulatory role of reviewing and evaluating complex predictive models used in support of personal auto and homeowner insurance rate filings. Subsequently, the Property and Casualty Insurance (C) Committee adopted three additional charges for the Task Force: 1) draft and propose changes to the *Product Filing Review Handbook* to include best practices for review of predictive models and analytics filed by insurers to justify rates; 2) draft and propose state guidance (e.g., information, data) for rate filings that are based on complex predictive models; and 3) facilitate training and the sharing of expertise through predictive analytics webinars (aka "Book Club").

During its July 10 call, Task Force volunteers agreed to begin drafting. Mr. Piazza said he is hoping to have a first draft for Task Force discussion in the next couple of months.

8. Discussed the Predictive Analytics Book Club

Mr. Piazza said numerous presenters have provided significant training to the Predictive Analytics Book Club.

Presenters in 2018 were as follows: Commissioner Ommen, Sheri Scott (Milliman), Robert Curry (ISO), Michael Woods (Allstate), Dorothy Andrews (Merlinos), Don Closter and Caryn Carmean (Horace Mann), Arthur Schwartz (NC), and Bob Beuerlein (Academy). Presenters in 2017 were as follows: Conor Redmond (PCI), Ernesto Schirmacher (Liberty Mutual), Academy presenters Dorothy Andrews, Steve Armstrong, Rob Curry, Jim MacGinnitie, Roosevelt Mosley, John Pedrick, Emily Stoll, and Chet Szczepanski; Rachel Hemphill (CA), Daniel J. Davis (AL), and Birny Birnbaum (Center for Economic Justice—CEJ).

The next presenters are scheduled to be Mr. Birnbaum and Michael Niemerg (Milliman). Mr. Piazza invited additional ideas for topics and/or presenters.

9. Discussed NAIC Activities relating to Casualty Actuarial Issues

Mr. Chou said the ORSA Implementation (E) Subgroup said there are issues about the timing of the review and discussing whether 90 days is enough time to get all of the Own Risk and Solvency Assessments (ORSA) reviewed in a state.

10. Heard Reports from Actuarial Organizations

Kevin Ryan (Academy) said that along with the annual work and activities undertaken to support other NAIC groups, the Casualty Practice Council (CPC) and COPLFR published a practice note "Retained Property Casualty Insurance-Related Risk: Interaction of Actuarial Analysis and Accounting," which examines the interaction between the non-insurance business entity, the accountants and the actuaries.

Godfrey Perrott (Actuarial Board for Counseling and Discipline—ABCD) provided an overview of the ABCD's processes for receiving and investigating complaints concerning alleged material violations of the Code of Conduct and for responding to requests for guidance from individual actuaries.

Draft Pending Adoption

Beth Fitzgerald (Actuarial Standards Board—ASB) discussed actions taken on Actuarial Standards of Practice (ASOP), including the adoption of a revision of ASOP No. 17, Expert Testimony by Actuaries, which takes effect for all expert testimony provided by an actuary on or after Dec. 1, 2018, and ASOP No. 53, a new ASOP on Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention which took effect on Aug. 1, 2018.

Dale Hall (SOA) provided an update on the SOA's general insurance actuarial research and education and Mr. Blanchard presented on the CAS's P/C actuarial research.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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Attachment Two
Consider Adoption of its Working Group
Reports

Draft: 10/26/18

Actuarial Opinion (C) Working Group
Conference Call
October 18, 2018

The Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met via conference call Oct. 18, 2018. The following Working Group members participated: Julie Lederer, Chair (MO); Susan Gozzo Andrews (CT); David Christhlf (DC); Chantel Long and Judy Mottar (IL); Thomas Botsko (OH); Joel Sander (OK); Kevin Clark (PA); and Miriam Fisk and Jennifer Wu (TX). Also participating were: Robert Ballard (FL); Mark McGill (NJ); David Dahl and Ying Liu (OR); Tomasz Serbinowski (UT); and David Hippen (WA).

1. Adopted a Proposed Change to the Statement of Actuarial Opinion Instructions

Ms. Lederer said the 2018 Statement of Actuarial Opinion instructions includes this sentence: “*Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) in the NAIC *Accounting Practices and Procedures Manual* requires a company to perform a stand-alone asset adequacy analysis for its in force long-term care (LTC) contracts with more than 10,000 in force lives as of the valuation date.”

Ms. Lederer said Stephen Koca (Milliman) pointed out in a Sept. 14, 2018, letter that this falsely suggests that the applicability of AG 51 depends on the size of the LTC contracts, as opposed to the total lives covered by all the contracts. Ms. Lederer proposed changing the wording for 2019 as follows: “*Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) in the NAIC *Accounting Practices and Procedures Manual* requires a company with over 10,000 inforce lives covered by long-term care (LTC) insurance contracts as of the valuation date to perform a stand-alone asset adequacy analysis for its inforce LTC contracts.”

Mr. Botsko made a motion, seconded by Mr. Christhlf, to adopt a proposal to the Blanks (E) Working Group to change the actuarial opinion instructions regarding AG 51 as discussed. The motion passed unanimously.

Ms. Lederer said she is disinclined to propose other changes to the 2019 instructions because of the significant changes being proposed in the appointed actuary qualification projects underway at the Executive (EX) Committee and the Casualty Actuarial and Statistical (C) Task Force. Kris DeFrain (NAIC) explained the timing of that project (Attachment ____).

2. Discussed Annual Audited Financial Reports

Ms. DeFrain said an independent certified public accountant (“auditor”) is required to conduct an annual audit of the insurer. The auditor is also required to subject the data used by the appointed actuary to testing procedures. The annual financial statement instructions state the auditor must obtain an understanding of the data identified by the Appointed Actuary as significant “through inquiry of the Appointed Actuary.” While not specifically stated, the Appointed Actuary is expected to provide that information upon request.

Ms. DeFrain said the annual financial statement instructions are clear that it is the auditor’s responsibility to reach out to the appointed actuary. The appointed actuary is not required to send any information to the auditor without first being contacted. Once contacted, the actuary is bound by the Actuarial Standard of Practice No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations* (ASOP 21) to “be appropriately responsive to requests from the auditor...”

Ms. DeFrain said ASOP 21 also requires the responding actuary to be prepared to discuss numerous listed items with the auditor, so she would expect the appointed actuary to be prepared to answer the auditor’s request within a short period of time.

Ms. Lederer said the American Academy of Actuaries’ (Academy) practice note discussion is lengthy compared to the NAIC’s instructions. She said she believes the concern is that the practice note does not fully align with the actuarial requirements in the annual financial statement instructions.

Ms. Andrews said when this requirement started in 2004, the practice note included a discussion about the new data testing requirement in the frequently asked questions (FAQ). She said the information included the company, auditor and appointed actuary responsibilities. She said regulators regulate companies and some appointed actuaries are not company actuaries. She said that in an audit, external actuaries would go through the company first. She suggested the appointed actuary let the company know what the significant data items are. The auditor should report anything wrong with the company and the company should notify the appointed actuary, if needed. She said she checks that loop in financial examinations. She said she has found situations where the audit found issues that were never communicated to the appointed actuary.

Ms. Lederer said the current practice note, including the sample data letter, could probably remain in the practice note with some slight wording changes. Additionally, the appointed actuary should be ready to respond with either a letter or a list of the data elements.

Ms. Lederer said the significant data letter also helps in her actuarial opinion reviews. She said sometimes the data is not well labeled in the Actuarial Report and the significant data letter to the auditor helps her to do her work.

Mr. Hippen asked if regulators should fill in the gap of consultants and internal actuaries. He said a change in appointed actuary might also be a concern. He said the actuarial opinion might be a place to add this, but said he is not sure if that is the right place.

Ms. Andrews said the regulators should think about adding to the instructions that the significant data elements should be in the Actuarial Report. She said if the practice note is not going to include the former FAQ, then regulators should consider elaborating in the instructions or regulatory guidance.

She said the explanation about the difference between the Schedule P testing and data attribute testing should be made distinct. She would like to see a letter or list in the Actuarial Report eventually. She said the information is required, but the financial analysis and financial examination do not mention following up to make sure this happened.

Ralph Blanchard (Travelers) said a sample letter was in the practice note, but the practice note is not supposed to set standards for the actuary. He said given the instructions are to the auditor, the NAIC should be clearer on who is responsible for what regulators want to see. He said the former FAQ discussed the auditor's role rather than what the actuary should be doing. He said it is a requirement of the auditor (not the actuary) to reach out. The auditor might not want a letter from the appointed actuary.

Mr. Koca said the Academy decided not to reinsert the FAQ in the practice note, but will revisit that decision next year. The Academy is making some minor changes to the practice note on this subject to make sure the Academy practice note is not establishing requirements, but is only explaining how practice can relate to guidelines. The sample letter is still included.

Ms. Lederer said she is concerned about expanding the role of the appointed actuary. She said the only thing the actuary has to do is respond if the auditor reaches out. Her concern is heightened by the line between the actuaries' work and the financial regulators' responsibilities.

Ms. Andrews said it is not as simple as the auditor picking up the phone and calling the appointed actuary, especially when the actuary is a consultant. One example was given that an external actuary was contacted by the auditor to provide information and the company did not want to pay for that to be done.

Ms. DeFrain said it is not clear whether this is a subject that should be addressed by this Working Group or by a task force or working group of the Financial Condition (E) Committee.

Ms. Andrews said she would need another person to volunteer to help her take this forward to whatever group would have control over the auditing instructions.

Having no further business, the Actuarial Opinion (C) Working Group adjourned.

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Draft: 10/25/18

Actuarial Opinion (C) Working Group
Conference Call
October 4, 2018

The Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met via conference call Oct. 4, 2018. The following Working Group members participated: Julie Lederer, Chair (MO); Qing He (CT); Judy Mottar (IL); Thomas Botsko (OH); Kevin Clark and James DiSanto (PA); and Miriam Fisk and Jennifer Wu (TX). Also participating were: Nicole Altieri and Robert Ballard (FL); Joshua Ammerman (MS); Mark McGill (NJ); David Dahl and Ying Liu (OR); Will Davis (SC); and David Hippen (WA).

1. Adopted 2018 Regulatory Guidance

Ms. Lederer said the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion* (Regulatory Guidance) is an annual document that supplements the annual financial statement instructions and provides guidance to appointed actuaries and companies. She said the guidance is not binding unless it is incorporated by reference into a state's regulations.

Ms. Lederer said the revised draft included changes decided on the prior call and new changes drafted by Susan Gozzo Andrews (CT) regarding property/casualty (P/C) long-duration contracts. The Working Group made changes on the call to add clarity and improve readability.

Stephen J. Koca (Milliman) discussed his written comments. He said changes were made to the Regulatory Guidance to address his first and fourth comment. The Working Group agreed with the responses provided by Ms. Lederer, as shown as responses to Mr. Koca's questions (Attachment ____).

Ms. Mottar made a motion, seconded by Mr. Botsko, to adopt the 2018 Regulatory Guidance as revised on the call (Attachment ____). The motion passed unanimously.

Having no further business, the Actuarial Opinion (C) Working Group adjourned.

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Draft: 9/27/18

Actuarial Opinion (C) Working Group
Conference Call
September 20, 2018

The Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met via conference call Sept. 20, 2018. The following Working Group members participated: Julie Lederer, Chair (MO); Susan Andrews (CT); David Christhilf (DC); Judy Mottar and Chantel Long (IL); Gordon Hay (NE); Thomas Botsko (OH); Daniel Figueroa (OK); James DiSanto (PA); and Miriam Fisk and Jennifer Wu (TX). Also participating were: Mike Ricker (AK); Kevin Dyke (MI); Mark McGill (NJ); David Dahl and Ying Liu (OR); and Will Davis (SC).

1. Discussed 2018 Regulatory Guidance

Ms. Lederer said the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion* (Regulatory Guidance) is an annual document that supplements the annual statement instructions and provides guidance to appointed actuaries and companies. She said the guidance is not binding unless it is incorporated by reference into a state’s regulations.

Ms. Lederer said she received no proposed changes from any regulators, so the changes shown in the draft 2018 Regulatory Guidance were her proposed changes to the 2017 version. After the draft was distributed, Stephen J. Koca (Milliman) submitted some comments via email to the Working Group chair. Ms. Lederer said she would mention two of Mr. Koca’s proposed changes during the conference call and share all of his comments before the next call.

Ms. Lederer proposed adding a paragraph to the first page to describe the four main changes to the instructions for 2018, removing paragraphs about the 2017 changes to the Regulatory Guidance document, removing the phrase “significant risk of material adverse deviation” and instead using wording directly from the instructions (thereby also removing the acronym “MAD” since it is no longer used in the document—as suggested by Mr. Koca), and adding language to the Exhibit B guidance to better describe the Schedule P interrogatory.

Ms. Lederer suggested adding an explanation of why the accident & health reserves for long duration contracts was added to Exhibit B. Ms. Long said instructions for the reporting of accident and health (A&H) reserves tend to reference the need to be in compliance with *SSAP No. 54R—Individual and Group Accident and Health Contracts*. She suggested that the Regulatory Guidance document should contain similar wording. Ms. Lederer agreed.

Ms. Lederer said Mr. Koca proposed to change the wording about the asset adequacy analysis requirements in *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51). She said that while AG 51 applies to books of more than 10,000 in-force lives covered by long-term care (LTC) contracts, once that trigger is met, the stand-alone asset adequacy analysis is not limited to just “large blocks of” LTC business. She said the removal of the words “large blocks of” would add accuracy. Ms. Andrews suggested additional clarification to the description of reporting within the opinion. Ms. Lederer said the wording could be revised to clarify that reporting is required regardless of whether the company is subject to AG 51. Ms. Andrews and Ms. Mottar agreed. The Working Group decided to request permission to attach AG 51 to the Regulatory Guidance.

Ms. Andrews suggested adding language to explain why *SSAP No. 65—Property and Casualty Contracts* is now referenced in the instructions. Ms. Lederer said the Working Group can consider language to explain this.

Ms. Lederer will make changes to the draft for the Working Group’s next conference call.

Having no further business, the Actuarial Opinion (C) Working Group adjourned.

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Attachment Three
Discuss Appointed Actuary Charges
(Attestation and Three-Year Experience)
and Comments Received

NOTE:

The following are proposed changes to the Statement of Actuarial Opinion instructions to satisfy the “Attestation” and 3-Year Experience charges of the Casualty Actuarial and Statistical (C) Task Force. The items highlighted in Yellow are the changes made after the Task Force’s June 12 conference call.

ACTUARIAL OPINION

1. There is to be included with or attached to Page 1 of the Annual Statement the statement of a Qualified Actuary, entitled “Statement of Actuarial Opinion” (Actuarial Opinion), setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and required Exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Property and Casualty*.

Upon initial engagement, the Qualified Actuary must be appointed by the Board of Directors by Dec. 31 of the calendar year for which the opinion is rendered. The Company shall notify the domiciliary commissioner within five business days of the initial appointment with the following information:

- a. Name and title (and, in the case of a consulting actuary, the name of the firm).
- b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).
- c. A statement ~~that documentation was provided to the Board of Directors~~ that the person meets the requirements of a Qualified Actuary and that documentation was provided to the Board of Directors.

Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets the requirements of a Qualified Actuary.

The Board of Directors shall document annually the company’s review that the actuary meets the requirements to be a Qualified Actuary. The actuary shall provide ~~detailed~~ qualification documentation to company management annually and include ~~a summary of~~ such documentation in the subsequent Actuarial Report. All items in the definition of “Qualified Actuary” must shall be addressed in the ~~detailed and summary~~ qualification documentation. The qualification documentation should include specific actuarial experiences relevant to the company’s structure and lines of business. ~~KD11~~ The ~~detailed~~ qualification documentation, ~~not just a summary~~, shall be available for inspection upon regulator request or during a financial examination.

If an actuary who was the Appointed Actuary for the immediately preceding filed Actuarial Opinion is replaced by an action of the Board of Directors, the Insurer shall within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty-four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scope, procedures, type of opinion issued, substantive wording of the opinion or data quality. The disagreements required to be reported in response to this paragraph include both those resolved to the former Appointed Actuary’s satisfaction and those not resolved to the former Appointed Actuary’s satisfaction. The letter should include a description of the disagreement and the nature of its resolution (or that it was not resolved). Within this same ten (10) business days, the Insurer shall in writing also request such former Appointed Actuary to furnish a letter addressed to the Insurer stating whether the Appointed Actuary agrees with the statements contained in the Insurer’s letter and, if not, stating the reasons for which he or she does not agree. The former Appointed Actuary shall provide a written response to the insurer within ten (10) business days of such request, and the Insurer shall furnish such responsive letter from the former Appointed Actuary to the domiciliary commissioner together with its own responses.

The Appointed Actuary must report to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors and identify the manner of presentation (e.g., webinar, in-person presentation, written). A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

The Actuarial Opinion and the supporting Actuarial Report and workpapers should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including, but not limited to, ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board, and Statements of Principles adopted by the Casualty Actuarial Society.

1A. Definitions

Detail Eliminated To Conserve Space

“^[KD2]Qualified Actuary” is a person who:

- (i) meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards)*, promulgated by the American Academy of Actuaries (Academy); and
- (ii) has obtained an actuarial designation approved by the NAIC as meeting or exceeding the NAIC’s minimum property/casualty actuarial educational standards; and
- (iii) has sufficient experience and knowledge to understand reserving for the company’s lines of business and business activities; and
- (iv) is a member of a professional actuarial association subject to the same *Code of Conduct* promulgated by the Academy, the *U.S. Qualification Standards*, and the Actuarial Board for Counseling and Discipline when practicing in the U.S.

An exception to this definition would be a person evaluated by the Academy’s Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities. Should a person qualify under this alternate route, the actuary must attach a copy of the approval letter from the Academy to the Actuarial Opinion each year.

Detail Eliminated To Conserve Space

- 3. The IDENTIFICATION paragraph should indicate the Appointed Actuary’s relationship to the Company, qualifications for acting as Appointed Actuary (including having the sufficient experience and knowledge to understand reserving for the Company’s lines of business and business activities) and date of appointment, and specify that the appointment was made by the Board of Directors.

Detail Eliminated To Conserve Space

- 7. ^[KD3]The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for regulatory examination for seven (7) years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Actuarial Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

~~The Actuarial Opinion must include assurance that an Actuarial Report, underlying actuarial workpapers supporting the Actuarial Opinion, and the Appointed Actuary’s detailed qualification documentation will be maintained at the Company and available for regulatory examination for seven (7) years. The Actuarial Report and the Appointed~~

~~Actuary's detailed qualification documentation contain significant proprietary information. It is expected that the Actuarial Report and the Appointed Actuary's detailed qualification documentation be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Actuarial Opinion was rendered or within two (2) weeks after a request from an individual state commissioner. The Appointed Actuary's detailed qualification documentation must be available by Dec. 31 of the calendar year for which the opinion is rendered.~~

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components, as well as the Appointed Actuary's qualification documentation. The narrative component should provide sufficient detail to clearly explain to Company management, the Board of Directors, the regulator or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions. The section which includes the Appointed Actuary's qualification documentation must be available by December 31 of the calendar year for which the opinion is rendered or within two (2) weeks after a request from an individual state commissioner.

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AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™
Mary D. Miller, MAAA, FCAS
Academy Past President

November, 2018

Kris DeFrain
Director, Research and Actuarial
National Association of Insurance Commissioners (NAIC)
kdefrain@naic.org

Dear Kris:

I am pleased to once again have the opportunity to comment on the Casualty Actuarial Task Force's (CASTF) draft three-year experience proposal. While disappointed that the last round of comments has not been released for public viewing, it is obvious that the CASTF has taken many of those comments seriously and incorporated them in this most recent draft.

This Educational Standards and Assessment Project was initiated to assess the basic education content and processes of the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) to determine whether they are sufficient for educating an actuary who might someday sign a statutory opinion. That part of the project is proceeding according to plan, with many volunteers participating in the assessment.

The fourth paragraph of this three-year experience proposal addresses items that are not related to the original project. The actuary is instructed to provide documentation of his or her qualifications to the company's board of directors upon appointment and annually thereafter. The company is instructed to maintain that documentation and have it available to the regulator for review. This is worthwhile in assisting the board to appoint a qualified actuary and to exercise control as required by the Opinion Instructions. However, also requiring that documentation in the Actuarial Report serves no real purpose for solvency monitoring. For the few instances where a regulator might want to review this documentation, CASTF has already provided for that by requiring it to be maintained for regulatory review. Actuarial Reports are only submitted to the company, so the CASTF is effectively requiring double submission. This is a totally unnecessary duplication and should be stricken from the Instructions.

The changes to the last paragraph are also unnecessary. If you simply require the annual submission to the board to be made by December 31, CASTF will have access to it as indicated

in the fourth paragraph and CASTF can eliminate the references to it in the Actuarial Report paragraph.

As I indicated earlier, this is a much improved proposal. By making the few simple changes suggested, there will be no loss of information or access to it and CASTF will have eliminated unnecessary duplication of effort.

I note that this proposal only addresses the experience requirement, but the form the attestation should take is not yet clear in this draft.

Sincerely,

A handwritten signature in black ink that reads "Mary D. Miller". The signature is written in a cursive style with a large, looped "M" and "D".

Mary D. Miller, MAAA, FCAS
Past President
American Academy of Actuaries

Cc: Andrew J. Beal
COO and Chief Legal Officer
NAIC

Rich Piazza
Chair
NAIC CASTF



555 12th Street NW
Suite 550
Washington, DC 20004
(202) 828-7100
www.aiadc.org

November 2, 2018

NAIC Casualty Actuarial and Statistical Task Force
Attn: Ms. Kris DeFrain
Via email: kdefrain@naic.org

Re: Comments on the Revised Qualified Actuary Attestation Proposal

Dear Ms. DeFrain:

The American Insurance Association (AIA) appreciates the opportunity to provide comments on the Casualty Actuarial and Statistical Task Force's revised Qualified Actuary Attestation proposal dated October 2, 2018.

AIA is concerned with the implications of the last sentence of the revised Attestation proposal. This sentence states that the section of the Actuarial Report that includes the Appointed Actuary's qualification documentation "must be available by December 31 of the calendar year for which the opinion is rendered or within two (2) weeks after a request from an individual state commissioner."

We are concerned with how this timeframe for providing qualification documentation affects existing continuing education requirements. Under existing US Qualification Standards, an Appointed Actuary generally must obtain sufficient continuing education credits by the end of the calendar year for which an opinion is rendered. Therefore, the requirement in the final sentence of this proposal requiring qualification document to be available by December 31 would not interfere with the existing deadline for completing continuing education credits.

However, the requirement to provide qualification documentation within two weeks of a commissioner's request would interfere with the existing deadline for Appointed Actuaries to complete continuing education requirements. If a commissioner requests this documentation for a given year while that year is ongoing, then the commissioner would be requesting documentation of continuing education credits before this continuing education is required to take place.

To address this concern, we recommend deleting the portion of the last sentence that requires qualification documentation to be provided within two weeks of a commissioner's request.

Alternatively, the purpose and scope of the two-week requirement should be clarified. If the intent is for this requirement to apply beyond just the initial appointment, and assuming that it is not intended to interfere with the timing of continuing education requirements, then a documentation request prior to year-end should exclude the current year continuing education documentation. If the intent is for the requirement to just apply to the initial appointment, then we suggest moving this "two weeks upon request" requirement to paragraph 1 of the instructions where this documentation is first mentioned. In the latter case, additional confidentiality protections might be needed.

Thank you for the opportunity to comment, and please do not hesitate to contact us with any questions.

Sincerely,

Matthew Vece

American Insurance Association

(202) 828-7145

mvece@aiadc.org

From: Davis, Daniel [mailto:Daniel.Davis@insurance.alabama.gov]
Sent: Monday, October 15, 2018 10:22 AM
To: DeFrain, Kris
Cc: Piazza, Rich
Subject: RE: CASTF work on the Attestations of a (potential) AA and the Actuarial Opinion

Is there any mechanism for the Regulator, before the fact, to say – “we challenge the assertion of this actuary that he is suitable to be the AA for this particular company.”
How would a regulator do that??

Daniel J. Davis
Actuary, FCAS, MAAA
Alabama Department of Insurance
daniel.davis@insurance.alabama.gov
PH# 334-241-4190
Fax# 334-241-7940

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From: Lederer, Julie <Julie.Lederer@insurance.mo.gov>
Sent: Friday, November 2, 2018 12:13 PM
To: DeFrain, Kris <kdefrain@naic.org>
Subject: RE: Casualty Actuarial and Statistical (C) Task Force Exposure Draft - Comments Due Nov. 2, 2018

Dear Kris,

I appreciate the opportunity to comment on this exposure draft.

The exposed language says that the qualification documentation should be included in the Actuarial Report. I support this. This should allow most insurance departments to maintain the confidentiality* of the qualification documentation, even if the documentation is initially provided to the insurance department separately from the full Actuarial Report.

Thank you.

Julie

Julie Lederer, FCAS, MAAA
Property and Casualty Actuary
Missouri Department of Insurance, Financial Institutions and Professional Registration
816-889-2219
Julie.Lederer@insurance.mo.gov

*Section 3.B(1) of NAIC model law 745 discusses the confidentiality protection afforded the Actuarial Report, workpapers, Actuarial Opinion Summary, and material provided in support of the Actuarial Report, workpapers, and Actuarial Opinion Summary. (Note that not all states have adopted the model law and that a state's adopted language may differ from the language in the model.)



475 N. Martingale Road, Suite 600
Schaumburg, IL 60173
P +1-847-706-3500
F +1-847-706-3599
SOA.ORG

November 2, 2018

VIA E-MAIL

kdefrain@naic.org

Kris DeFrain
Director of Research and Actuarial Department
National Association of Insurance Commissioners

SOA Comments RE: Experience Verification Addition to P/C Annual Statement Instruction

Dear Kris:

Thank you for the opportunity to provide CASTF feedback on the addition of the Qualified Actuary's experience documentation in the P/C Statement of Actuarial Opinion Instructions. The Society of Actuary's (SOA) NAIC volunteer team* reviewing the draft language appreciates the hard work and thoughtful deliberations on how best to complete the pending experience charge.

SOA's volunteer team offers two points for consideration:

SUGGESTED SENTENCE REVISION TO ALIGN WITH US QUALIFICATION STANDARDS

The draft sentence reads:

"The qualification documentation should include specific actuarial experiences relevant to the company's structure and lines of business."

We appreciate that the NAIC wants to understand the actuary's experience that may have gone beyond his or her initial qualification, and understand specifically those experiences that are relevant to the opinion being offered. However, the language does not align with the language in Section 3 of the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (U.S. Qualification Standard). The topics covered in Section 3.1.1.2 are related to processes not products or company structures ("(a) policy forms and coverages, underwriting, and marketing; (b) principles of ratemaking; (c) statutory insurance accounting and expense analysis (d) premium, loss, and expense reserves; and (e) reinsurance"). Section 3.2, Experience Requirement, defines experience as related to the "subject of the Statement of Actuarial Opinion."

We therefore suggest the language in red be added to the sentence as follows:

“The qualification documentation should include specific actuarial experiences relevant to the **subject of the Actuarial Opinion, including but not limited to the nature of the attestation and products and services covered. This may include consideration of how those experiences are relevant to** the company’s structure and lines of business.”

SAMPLE DISCLOSURES PER CAREER EXPERIENCE

We know there has been discussion about how to balance experience early in the actuary’s career (when first qualifying) with more recent experience that may be more relevant to reviewers of the attestation. We suggest that the CASTF may want to create “sample” disclosures, one for an actuary signing their first Actuarial Opinion and one for an actuary who has signed opinions for a number of decades. The former could emphasize working under others qualified to issue Actuarial Opinions and the actuary’s contributions to those opinions (signed by others), while the latter could focus on depth and breadth of experience. We could provide sample language if the taskforce would find that helpful.

We hope CASTF finds this feedback helpful. Please do not hesitate to let us know if you have any questions on our suggestions. In closing, we note that these comments reflect the views of SOA’s volunteer team* and are not an official statement by the SOA.

Sincerely,



Ann Weber

Director Government Affairs

*SOA volunteer NAIC Commentary Assist Response Team (N-CART): Vince Bodnar, Janet Duncan, Greg Gurlik, Terry Long, Andy Rarus, Achille Sime

Attachment Four
Discuss the Draft White Paper on Best
Practices