

CASUALTY · LOSS · RESERVE · SEMINAR

# CLRS

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# Coffee Klatch for Opinion Writers

September 2021

# CAS antitrust notice

- The Casualty Actuarial Society (CAS) is committed to adhering strictly to the letter and spirit of the antitrust laws.
  - Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.
- Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding – expressed or implied – that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition.
- It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy

# Outline of roundtable

- Introduction of panelists
- Changes to NAIC Statement of Actuarial Opinion (SAO) requirements
- Ground rules for roundtable
- Possible issues to discuss
- Resources

# Panelists

- Kathleen (“Kathy”) C. Odomirok

- Principal at EY
- Chair of COPLFR
- Lead author of the main textbook for CAS Exam 6
- Member of the CAS Board of Directors

- Joseph (“Joe”) A. Herbers

- Managing Principal at Pinnacle Actuarial Resources
- Former long-serving member of COPLFR
- Two scholarly papers on topic of SAOs

- Michael (“Mike”) L. Toothman

- Past President of CAS and Board of Directors
- ABCD, Discipline Committee and much, much more volunteerism

- Miriam Fisk

- TX DOI P&C Actuary
- Team Leader

# Changes to NAIC SAO requirements in 2021

- No changes to NAIC Instructions (yet), but we understand regulators are working to codify when BOD needs to be notified about the AA's qualifications
- Regulatory Guidance Memo – most changes related to Sch P Reconciliation; Regulators want:
  - Assurance that data was neither created or destroyed
  - Clear mapping from AA exhibits to actuarial data showed in Sch P reconciliation (i.e., aggregation of liability groupings) before reconciliation
  - If some data elements are not included in Sch P reconciliation (i.e., claim counts) the regulator expected to see, Actuarial Report should state why not, in order to satisfy regulator that data item was not inadvertently omitted

# Changes from Regulatory Guidance in 2021

- Sch P reconciliation may be provided on either a D&A or a Net basis, subject to the discretion of the AA; rationale should be provide in Report
- Differences in the Sch P reconciliation that are not minimal should be addressed in the Actuarial Report – even if immaterial to the analysis – in order to assure regulators the AA is aware of the differences and sought an explanation for such differences
- Note: While there is no explicit requirement to reconcile claim counts, the Regulatory Guidance memo has had this guidance since at least 2015 “The AA should reconcile all data material to the analysis, including claim counts and Earned Premium, if appropriate.”

# Ground rules

- Open forum on SAO issues
  - Focus on U.S. domiciled P/C carriers and Risk Retention Groups
- Panelists provide perspectives
- COPLFR perspectives
- Your perspectives



# Possible issues for discussion

- Type of opinion (Reasonable, Inadequate, Excessive, Qualified, No Opinion)
- Gross/net
- RMAD/materiality threshold
- Recoveries (deductibles, salvage/subrogation, reinsurance, other)
- UPR for long duration contracts
- Discounting
- Pools/associations
- Qualified actuary documentation
- Death, disability and retirement (DD&R)
- Schedule P reconciliation/roll forward
- Catastrophes, pandemic, special issues
- Unusual IRIS Test results
- Reliance on another
- Changes in methods/assumptions
- Regulatory Guidance Memo
- Actuarial Opinion Summary
- Actuarial Report
- Presentation to Board of Directors

# More issues

- Board appointment
- Evaluation date/accounting date / review date
- Name of company representative providing data
- Nature of LAE reserves being opined upon
- Accounting standard (SAP, GAAP IFRS)
- Intended users of SAO
- Material assumptions prescribed by law/regulation
- California Workers' Compensation Schedule P
- Risk transfer in reinsurance contracts
- Premium deficiency reserves
- Asbestos & environmental
- Reinsurance recoverables/A.M. Best's ratings
- Claims-made extended loss and expense reserves
  - Recorded as loss & LAE
  - Recorded as UPR

# Resources

- NAIC Annual Statement Instructions
- Domiciliary regulator
- Department of Insurance websites
- COPLFR Practice Note
- AAA Law Manual
- Financial Analysis Handbook – P/C SAO Checklist
  - [www.naic.org/prod\\_serv/FAH-ZU-16-01.pdf](http://www.naic.org/prod_serv/FAH-ZU-16-01.pdf)
  - [www.naic.org/prod\\_serv/FAH-ZU-16-02.pdf](http://www.naic.org/prod_serv/FAH-ZU-16-02.pdf)
- COPLFR Opinion Writer's Seminar
- Statements of Statutory Accounting Principles (SSAPs)
- ASOPs
- Sessions at CLRS, other professional meetings
- CAS & AAA publications
- Publicly-available SAOs (A.M. Best's, SNL, internet search)
- COPLFR members
- ABCD

# Thank You!

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