

**ACTUARIAL COMPLIANCE  
GUIDELINE  
NO. 4**

**STATUTORY STATEMENTS OF OPINION  
NOT INCLUDING AN  
ASSET ADEQUACY ANALYSIS  
BY APPOINTED ACTUARIES  
FOR LIFE OR HEALTH INSURERS**

**Developed by the Life Committee and  
an Ad Hoc Task Force of the  
Actuarial Standards Board**

**Adopted by the  
Actuarial Standards Board  
October 1993**

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## TABLE OF CONTENTS

|                        |   |
|------------------------|---|
| Transmittal Memorandum | v |
|------------------------|---|

### PREAMBLE

|   |   |
|---|---|
| Section 1. Purpose, Scope, and Effective Date | 1 |
| 1.1 Purpose                                   | 1 |
| 1.2 Scope                                     | 1 |
| 1.3 Effective Date                            | 2 |
| Section 2. Definitions                        | 2 |
| 2.1 Appointed Actuary                         | 2 |
| 2.2 Asset Adequacy Analysis                   | 2 |
| 2.3 Formula Reserves                          | 2 |
| Section 3. Background and Historical Issues   | 2 |
| Section 4. Current Practices and Alternatives | 3 |

### COMPLIANCE GUIDELINE

|  |   |
|--|---|
| Section 5. Analysis of Issues and Recommended Compliance                 | 5 |
| 5.1 Technical Requirements and Professional Qualifications               | 5 |
| 5.1.1 Standard Valuation Law and <i>Model Regulation</i>                 | 5 |
| 5.1.2 State Valuation Requirements                                       | 5 |
| 5.1.3 NAIC <i>Actuarial Guidelines</i>                                   | 5 |
| 5.2 Appointment as Appointed Actuary                                     | 5 |
| 5.3 Statement of Act'l. Opinion Not Including an Asset Adequacy Analysis | 5 |
| 5.3.1 Statutory Reserve Requirements                                     | 6 |
| 5.3.2 Policy Provisions Affecting Formula Reserves                       | 6 |
| 5.3.3 Change in Assumptions or Methods                                   | 7 |
| 5.3.4 Items Covered by the Opinion                                       | 7 |
| 5.4 Reinsurance  | 8 |
| Section 6. Communications and Disclosures                                | 8 |
| 6.1 Required Communications  | 8 |
| 6.2 Format and Content of Statement                                      | 8 |
| 6.3 Reliance on Others for Data and Supporting Analysis                  | 8 |

|     |                             |   |
|-----|-----------------------------|---|
| 6.4 | Opinions of Other Actuaries | 8 |
| 6.5 | Additional Documentation    | 9 |
| 6.6 | Deviation from Standard     | 9 |

October 1993

**TO:** Members of Actuarial Organizations Governed by the Standards of the Actuarial Standards Board and Other Persons Interested in Statutory Statements of Opinion by Appointed Actuaries for Life or Health Insurers

**FROM:** Actuarial Standards Board (ASB)

**SUBJ:** Actuarial Compliance Guideline No. 4

This booklet contains the final version of Actuarial Compliance Guideline (ACG) No. 4, *Statutory Statements of Opinion Not Including an Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers*, for statutory statements of actuarial opinion (statutory opinions) required under the model Standard Valuation Law (SVL) promulgated by the National Association of Insurance Commissioners (NAIC), as amended in 1990, and under Section 7 of the NAIC's model *Actuarial Opinion and Memorandum Regulation* (the *Model Regulation*). Opinions required under Section 7 (Section 7 opinions) do not include an asset adequacy analysis, nor do they require an opinion as to reserve adequacy.

This compliance guideline will replace Financial Reporting Recommendation (FRR) 7 of the American Academy of Actuaries (AAA), *Statement of Actuarial Opinion for Life Insurance Company Annual Statements*, and its related Interpretations as guidance for Section 7 opinions by appointed actuaries which are filed in states that have enacted the 1990 amendments to the Standard Valuation Law and promulgated the *Model Regulation*.

In those states, ACG No. 4 will also replace AAA Financial Reporting Recommendation 11, *Statement of Actuarial Opinion for Interest-Indexed Universal Life Insurance Contracts*. FRR 11 was a special version of FRR 7 for a single type of business, which is now covered by this compliance guideline.

For statutory opinions filed in states that have not enacted the 1990 amendments to the SVL and have not promulgated the *Model Regulation*, actuaries should continue to be guided by FRR 7 and by FRR 11.

## Types of Actuarial Standards

The ASB has established two types of actuarial standards to guide actuaries in different types of professional engagements. The actuarial standard of practice (ASOP) provides guidance in the application of generally accepted actuarial principles and practices.

The actuarial compliance guideline (ACG) provides guidance in “situations where actuarial work is done in response to controlling regulatory bodies or other professional organizations that have established rules or requirements that are not in accordance with generally accepted actuarial principles and practices, or that prevent an actuary from applying professional judgment” (*Preface to Actuarial Standards of Practice*, p. 5).

ACGs and ASOPs are both standards and have been given equal standing by the ASB. The actuary should apply them accordingly.

## Background

The ASB voted in April 1992 to expose a proposed actuarial standard of practice titled *Statutory Statements of Opinion by Appointed Actuaries for Life or Health Insurers*. The exposure draft covered both types of actuarial opinions required by the Standard Valuation Law and the *Model Regulation*: (1) the opinion under Section 8 of the *Model Regulation*, which requires an analysis of and an opinion as to adequacy of those assets that support the reserves to mature the company's obligations; and (2) the opinion under Section 7, which requires neither an asset adequacy analysis nor an opinion as to whether the reserves are adequate.

Letters of comment received, and discussions at an ASB public hearing on the draft in June 1992, focused largely on the issue of whether the proposed standard appeared to impose an asset adequacy analysis or cash flow testing on the smaller companies exempted from such analysis under Section 7. Some commentators expressed the view that such analyses could be imposed on the appointed actuaries for the exempted companies because of ASOP No. 14, *When to Do Cash Flow Testing for Life and Health Insurance Companies*.

The debate led the ASB, at its October 1992 meeting, to replace the proposed standard with two separate standards. A second exposure draft limiting application of the proposed standard of practice to statutory statements based on asset adequacy analysis, for companies covered by Section 8 of the *Model Regulation*, was drafted by an Ad Hoc Task Force, exposed to the profession, and adopted as ASOP No. 22,

*Statutory Statements of Opinion Based on Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers.*

Statutory statements not including asset adequacy analysis would be covered, the board decided, by an actuarial compliance guideline instead of an actuarial standard of practice. The lack of a statutory requirement for an opinion as to reserve adequacy led the ASB to take this actuarial compliance guideline approach.

During the revision of this standard, minor differences from ASOP No. 22 were noted. It is the ASB's intention to have ASOP No. 22 conform to this standard in those areas when and if ASOP No. 22 is reissued.

Written Comments on the Exposure Draft and Committee's Responses

Numbers and headings before the comments refer to sections of the exposure draft. Where the comments are quoted or summarized, they are in ordinary type. Responses of the Life Committee are in **boldface**.

Because only minor changes have been made to this standard, further exposure was deemed unnecessary.

p. v Types of Actuarial Standards—One commentator suggested that the two types of actuarial standards be revised to better differentiate between standards and guidelines. **The committee reviewed the wording in this section and felt that the definitions were distinct.**

1.2 Scope—One commentator noted that, strictly speaking, the requirement for an opinion is not found in Section 7 of the *Model Regulation*. **The committee agreed with this comment but noted that the profession usually refers to actuarial opinions as either *Section 7 opinions* or *Section 8 opinions*. However, in order to be more consistent with the structure of the *Model Regulation*, any references in this proposed standard to opinions being required by Section 7, subject to Section 7, or required under Section 7 were changed to phrases such as *eligible for Section 7* or *specified in Section 7*. Accordingly, in the first sentence of this section, the phrase *as required by Section 7* was changed to *as specified in Section 7*.**

**Wording was added to make clear that references in this document to *Section 7* refer to Section 7 of the NAIC *Model Regulation*, that this standard applies to state laws and regulations to the extent that they are**

**substantially similar to the *Model Regulation*, and that this standard does not apply to state laws and regulations that differ substantively from the *Model Regulation*.**

- 1.3 Effective Date—It was suggested that the term *compliance guideline* was inconsistent with the term *standard* in sections 1.1 and 1.2. **The term *compliance guideline* was replaced with the term *standard*.**
- 2.3 Formula Reserves—This term is used in section 5.3.1. One respondent noted that, without further definition, the term *formula reserves* may appear to refer to purely a mechanical process of meeting statutory requirements. **This definition was expanded to make clear that *formula reserves* has a broader meaning.**
- 3 Background and Historical Issues—One commentator noted that the third paragraph discussed the actuarial standards of practice applicable to cash flow testing. This reference is not relevant to *Model Regulation* Section 7 opinions since such opinions are not based on asset adequacy analyses. **This discussion was left unchanged since the committee believes that this historical perspective is worth documenting in this standard.**

**In the last paragraph, the phrase *subject to Section 7* was changed to be consistent with section 1.2.**

One commentator mentioned that the last paragraph states that Section 7 does not require an opinion as to reserve adequacy. However, certain NAIC reserve standards impose a requirement of adequacy for health reserves. **The committee agrees and encourages the actuary to test the adequacy of some blocks when appropriate or required to meet statutory requirements. However, such testing does not have to be disclosed in a Section 7 opinion. Section 6.2 notes that such disclosure is voluntary.**

- 4 Current Practices and Alternatives—**The phrases *required by Section 7* and *required under Section 7* were changed to be consistent with section 1.2.**
- 5.1.1 Standard Valuation Law and *Model Regulation*—One respondent suggested that the minimum reserve requirements for health contracts be specifically noted. **The committee believed that this point was adequately covered in section 5.1.1 by the reference to “any other NAIC model laws and regulations that bear on valuation.”**



- 5.2 Appointment as Appointed Actuary—Concern was expressed as to whether the appointment from the board of directors had to include the specific sections and subsections in the appropriate law and regulation for all states in which the company is licensed. **This standard does not require that the specific sections of the law and regulation of each state be cited. However, it is appropriate in this context to refer to the Standard Valuation Law by name to clarify the reason for the appointment. The regulation can be referred to simply as the regulation supporting the appropriate law.**
- 5.3 Statement of Actuarial Opinion Not Including an Asset Adequacy Analysis—Concern was expressed that the actuary may have difficulty in determining that the eligibility criteria have been met. Also, one commentator noted that it may not be feasible for the actuary to determine whether or not an asset adequacy analysis has been specifically requested by any insurance commissioner. **The committee clarified this section. The appointed actuary should determine that the eligibility criteria that can be derived from statutory annual statement data have been met. In addition, the committee added language that allows the actuary to use reasonable efforts in determining whether an asset adequacy opinion has been specifically requested by any insurance commissioner or whether the insurance company is an NAIC priority company.**
- 5.3.1 Statutory Reserve Requirements—One commentator noted that this section could be read to imply that the formula reserve requirements are the only basis for minimums. **The committee addressed this concern by expanding the definition of *formula reserves* in section 2.3.**

Another commentator noted the difficulty in meeting the requirement that the amounts carried on the balance sheet on account of identified actuarial items meet the requirements of the insurance laws and regulations of the state of domicile and are at least as great as the minimum aggregate amounts required by the state in which the statement is filed. There is a practical difficulty in knowing the requirements of each state and computing each state's reserves differently. **The committee recognized the difficulty in compliance but notes that this is a statutory requirement and cannot be dealt with in this standard. Over time, materials covering these details are expected to be available to the appointed actuary in this area.**

The same commentator also noted that the situation may arise where the annual statement is filed in a state where the company is not licensed in order to obtain admission to the new state. However, the actuary's opinion would not include

this new state. **Since the actuarial opinion is for a specific point in time, it would not be applicable to states where the insurer was not then licensed.**

It was noted that the wording as to the actuary being familiar with requirements of insurance laws, taking into consideration policy and contract provisions affecting reserves, and the disclosure of the effect of a change in basis or a change in methods was different between ASOP No. 22 and this proposed standard. **These differences will be addressed in any revision of ASOP No. 22.**

- 5.3.2 Assumption Bases—**The title of this section was changed to Policy Provisions Affecting Formula Reserves, to better reflect the content of this section. The end of the second sentence was expanded to reference formula reserves in order to be consistent with other sections in this proposed standard.**

Several commentators suggested that the list of policy provision examples be expanded. Other commentators suggested expanding the list of items under the second paragraph in section 5.3.4. **After reviewing the comments, the committee decided to combine the appropriate items from both lists under this section. Several additional examples were added.**

- 5.3.4 Items Covered by the Opinion—**In the interest of completeness, the committee added “deposit-type contract liabilities” and “other similar items for which reserves are required by regulatory authorities” to the list of items under the first paragraph. The heading of this section was also changed.**

**As noted in section 5.3.2 above, the remainder of this section was merged into section 5.3.4.**

- 6.2 Format and Content of Statement—One respondent questioned the meaning of the words *if appropriate*. **The words *if appropriate* at the beginning of the third sentence were deleted as unnecessary.**
- 6.3 Reliance on Others for Data and Supporting Analysis—**A recommendation that the actuary refer to ASOP No. 23 for guidance on data quality was added to this paragraph.**

- 6.4 Opinions of Other Actuaries—One respondent noted that there is no disclosure requirement when more than one actuary contributes to forming an opinion. **The committee believes that maintaining the contributions of the other actuaries as supporting documentation was sufficient. There is no actuarial memorandum required under Section 7, and there is no requirement that the actuarial opinion has to contain this disclosure.**
- 6.5 Additional Documentation—One commentator noted that it was not clear whether noncompliance with the generally distributed interpretations or NAIC *Actuarial Guidelines* should be disclosed in the actuarial opinion. **Since an actuarial memorandum is not required, the actuary should maintain documentation of such noncompliance. However, there is no requirement that this noncompliance be disclosed in the actuarial opinion.**
- 6.6 Deviation from Standard—**The wording of this paragraph was changed to conform with standard wording approved by the ASB at its July 1993 meeting.**

This standard, as revised, was approved by the Life Committee in September 1993 for submission to the ASB for adoption. The board adopted it on October 13, 1993.

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## ACTUARIAL COMPLIANCE GUIDELINE NO. 4

# STATUTORY STATEMENTS OF OPINION NOT INCLUDING AN ASSET ADEQUACY ANALYSIS BY APPOINTED ACTUARIES FOR LIFE OR HEALTH INSURERS

### PREAMBLE

#### Section 1. Purpose, Scope, and Effective Date

- 1.1 Purpose—This standard delineates the responsibilities of the appointed actuary (see definition in section 2.1) in providing a statement of actuarial opinion relating to reserves and other actuarial items, when such opinion is (1) prepared in accordance with the model Standard Valuation Law as amended by the National Association of Insurance Commissioners (NAIC) in 1990 and with Section 7 of the model *Actuarial Opinion and Memorandum Regulation* (the *Model Regulation*) adopted by the NAIC in 1991, and subsequently amended; and (2) is included in the financial statement of a company to a state regulatory authority, i.e., the *annual statement*.
- 1.2 Scope—This standard applies to appointed actuaries providing statements of opinion, as specified in Section 7 of the *Model Regulation*, on reserves and related actuarial items contained in the annual statements of life or health insurers—specifically, life or health insurance companies or fraternal benefit societies. This standard also applies to appointed actuaries providing statements as required by individual state regulations to the extent that such regulations are consistent with the *Model Regulation*. It does not apply to state laws and regulations that differ substantively from the *Model Regulation*.

References in this standard to *Section 7* refer to Section 7 of the *Model Regulation*.

This standard does not apply to actuaries when rendering an actuarial opinion under Section 8 of the *Model Regulation*; actuarial practice with respect to those opinions is addressed in Actuarial Standard of Practice (ASOP) No. 22, *Statutory Statements of Opinion Based on Asset Adequacy Analysis by Appointed Actuaries for Life or Health Insurers*.

- 1.3 Effective Date—This standard is effective for all applicable statements of actuarial opinion provided for annual statements prepared for fiscal periods ending after December 15, 1993.

## Section 2. Definitions

- 2.1 Appointed Actuary—Any individual who is appointed or retained in accordance with the requirements set forth in the model *Actuarial Opinion and Memorandum Regulation* of the NAIC.
- 2.2 Asset Adequacy Analysis—An analysis of the adequacy of reserves and related items, in light of the assets supporting such reserves and related items, to meet the obligations of an insurer.
- 2.3 Formula Reserves—Amounts required under section B.6(e) of Section 7. However, *formula reserves* required by Section 7 do not include any additional reserves established as a result of an asset adequacy analysis.

## Section 3. Background and Historical Issues

In 1975, the NAIC began requiring that a statement of actuarial opinion as to reserves and related actuarial items be included in the annual statement filed by life and health insurance companies. In response to this requirement, the American Academy of Actuaries promulgated Financial Reporting Recommendation 7, *Statement of Actuarial Opinion for Life Insurance Company Annual Statements*, setting forth the actuary's professional responsibilities in providing such an opinion.

The form and content of this actuarial opinion, as specified in the instructions to the annual statement, dealt specifically with reserves and did not explicitly address the adequacy of the assets supporting these reserves to meet the obligations of the company. Although not explicitly required to do so by the opinion or by existing professional standards, some actuaries began to analyze the adequacy of assets in forming their opinions. In addition, when the state of New York adopted the 1980 amendments to the Standard Valuation

Law, it established an optional valuation basis for annuities, permitting lower reserves provided that an asset adequacy analysis supported the actuarial opinion with respect to such reserves.

The type of asset adequacy analysis most widely used by actuaries is multiscenario cash flow testing. To guide actuaries choosing to use this technique, the Actuarial Standards Board (ASB) adopted ASOP No. 7, *Performing Cash Flow Testing for Insurers*, in October 1988 (revised July 1991). In addition, in July 1990, the ASB adopted ASOP No. 14, *When to Do Cash Flow Testing for Life and Health Insurance Companies*, to provide guidance in determining whether or not to do cash flow testing in forming a professional opinion or recommendation.

In December 1990, the NAIC amended the Standard Valuation Law and, in June 1991, the NAIC adopted the *Model Regulation*. These actions had the effect of moving the requirement for the statement of actuarial opinion from the annual statement instructions into the model law itself, and provided detailed instructions for the form and content of both the opinion and the newly required supporting memorandum. The most significant changes made by the NAIC were that companies are now required to name an appointed actuary and that, for companies subject to Section 8 of the *Model Regulation*, statements of actuarial opinion as to reserve adequacy are required to be based on an asset adequacy analysis described in the supporting memorandum. The asset adequacy analysis required by the regulation must conform to the standards of practice promulgated from time to time by the ASB.

For companies eligible for Section 7 opinions, the *Model Regulation* requires an actuarial opinion that the reserves and related items have been calculated in accordance with the Standard Valuation Law and supporting regulations. Section 7 does not require an opinion as to reserve adequacy. The criteria by which companies are eligible for Section 7 opinions, as opposed to Section 8 opinions, are set forth in Section 6 of the *Model Regulation*.

#### Section 4. Current Practices and Alternatives

Statements of actuarial opinion as to reserves and related items have been generally required since 1975, and practice as regards the basic elements of the opinion is well established.

The statement of actuarial opinion specified in Section 7 of the 1991 *Model Regulation* differs from the statement of actuarial opinion required prior to the effective date of the 1990 amendments to the Standard Valuation Law. In the statement of actuarial opinion

specified in Section 7 of the *Model Regulation*, the actuary is required to state (1) that the amounts “are computed in accordance with those presently accepted actuarial standards which specifically relate to the opinion required under this section . . .” and (2) that the amounts “are at least as great as the minimum aggregate amounts required by the state in which this statement is filed.” Before the 1990 amendments, the valuation actuary was required to state whether the amounts “are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles . . .”. In addition, the actuary was formerly required to opine as to whether the reserves made “good and sufficient provision for all unmatured obligations of the company guaranteed under the terms of its policies.”



## COMPLIANCE GUIDELINE

### Section 5. Analysis of Issues and Recommended Compliance

- 5.1 Technical Requirements and Professional Qualifications—The *Model Regulation* contains explicitly detailed instructions and technical requirements regarding many aspects of the statement of actuarial opinion.
- 5.1.1 Standard Valuation Law and Model Regulation—The appointed actuary should be familiar with the Standard Valuation Law, the *Model Regulation*, and any other NAIC model laws and regulations that bear on valuation.
- 5.1.2 State Valuation Requirements—The appointed actuary should be aware of the valuation requirements of the regulatory authorities to whom the opinion is to be expressed and should be satisfied that the requirements of duly adopted laws and regulations have been met.
- 5.1.3 NAIC Actuarial Guidelines—The appointed actuary should also be aware of the *Actuarial Guidelines* published in the NAIC's *Examiners Handbook*, and make a reasonable effort to be aware of generally distributed interpretations of each regulatory authority.
- 5.2 Appointment as Appointed Actuary—Before accepting an appointment as a company's appointed actuary, the actuary should determine that he or she meets the qualifications described in *Qualification Standards for Public Statements of Actuarial Opinion*, adopted by the American Academy of Actuaries. The appointment should be in writing, from the board of directors or its designee, citing the appropriate law and regulation. Acceptance of or withdrawal from the position should be in writing.
- 5.3 Statement of Actuarial Opinion Not Including an Asset Adequacy Analysis—Eligibility for an exemption from submitting a statement of actuarial opinion based on an asset adequacy analysis is based on criteria specified in Section 6 of the *Model Regulation*. The appointed actuary should determine that the eligibility criteria that can be derived from statutory annual statement data have been met and should maintain appropriate documentation indicating eligibility for the exemption. In addition, the actuary should make reasonable efforts to determine that no requirement for an asset adequacy analysis has been triggered by Section 6 criteria or by a specific request from an insurance commissioner. A letter from

a responsible officer of the company stating that no such requirement exists will be deemed to satisfy this latter obligation.

- 5.3.1 Statutory Reserve Requirements—The statement of actuarial opinion not including an asset adequacy analysis does include a statement that the amounts carried on the balance sheet on account of identified actuarial items “meet the requirements of the insurance laws and regulations of the State of [state of domicile] and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed.”

The appointed actuary should be familiar with the formula reserve requirements of the insurance laws and regulations of each state in which the opinion is filed. Documentation concerning compliance with the requirements of the state of domicile and the minimum aggregate amounts required by each state in which the opinion is filed should be maintained by the appointed actuary.

- 5.3.2 Policy Provisions Affecting Formula Reserves—A significant element in the examination of actuarial assumptions and methods is consideration of the policy and contract provisions affecting the reserves or other actuarial items. The following is a list—not intended to be complete—of policy provisions that should be considered in determining formula reserves:

- a. the contractual treatment of fractional premiums paid beyond the date of death,
- b. provision for the immediate payment of claims,
- c. interest guarantees,
- d. conversion rights under renewable and convertible term policies,
- e. rate guarantees under premium and settlement provisions,
- f. guaranteed insurability,
- g. group conversion privileges,
- h. life-contingent benefits in separate-account contracts,
- i. optional nonforfeiture benefits,

- j. optional modes of settlement at maturity,
- k. extended benefits under group policies,
- l. maternity benefits, and
- m. return of premium.

5.3.3 Change in Assumptions or Methods—If there is a change in the actuarial assumptions or methods from those previously employed, the change should be mentioned in the actuarial statement of opinion. The adoption for new issues of actuarial assumptions or methods that differ from those used for prior issues is not, however, a change in assumptions or methods within the meaning of this paragraph. Similarly, when the determination of reserves or claim liabilities is based on periodic updating of experience data, such periodic updating is not a change in actuarial assumptions or methods within the meaning of this paragraph; examples could include reserves or claim liabilities for recently incurred claims under disability and accident and health benefits (e.g., claims incurred within the last two years or less).

5.3.4 Items Covered by the Opinion—The statement of actuarial opinion should list the items and amounts on which the actuary expresses an opinion. The list should include the following:

- a. aggregate reserve and deposit funds for policies and contracts (Exhibit 8 of the statutory annual statement);
- b. aggregate reserve and deposit funds for accident and health policies (Exhibit 9);
- c. premium and other deposit funds, dividend and coupon accumulations, and supplementary contracts without life contingencies (Exhibit 10);
- d. net premiums and annuity considerations deferred and uncollected (Exhibit 13);
- e. policy and contract claims liability (Exhibit 11, Part 1);

- f. deposit-type contract liabilities (page 3 of the statutory annual statement); and
  - g. other similar items for which reserves are required by regulatory authorities.
- 5.4 Reinsurance—For guidance with respect to the effect of reinsurance on the statement of actuarial opinion, the appointed actuary is directed to ASOP No. 11, *The Treatment of Reinsurance Transactions in Life and Health Insurance Company Financial Statements*. However, for purposes of this standard, section 5.7 of ASOP No. 11 may be disregarded. Even in the case where a company has ceded all of a particular block of business, the appointed actuary should consider the need to establish provisions for any residual or contingent obligations of the ceding company.

## Section 6. Communications and Disclosures

- 6.1 Required Communications—The appointed actuary should provide annually to the board of directors of the company or the board's designee a statement of actuarial opinion as to reserves and related items.
- 6.2 Format and Content of Statement—Detailed specifications for the statement of actuarial opinion are contained in the *Model Regulation*. These specifications require the disclosure that the Section 7 opinion is not based on an asset adequacy analysis. The actuary may disclose whether the reserves have been tested for adequacy, but such testing is not required.
- If the appointed actuary departs significantly from the recommended language or gives an adverse opinion, such departure or adverse opinion should be clearly disclosed in the opinion.
- 6.3 Reliance on Others for Data and Supporting Analysis—Reliance on another person or firm for any aspect of the data or analysis supporting the appointed actuary's opinion should be disclosed. Such disclosure should be in the manner prescribed in the *Model Regulation*. The actuary should refer to ASOP No. 23, *Data Quality*, for guidance on the subject.
- 6.4 Opinions of Other Actuaries—When more than one actuary contributes to forming an opinion, statements of actuarial opinion from the contributing actuaries should be maintained by the appointed actuary as part of the documentation of

compliance with this actuarial compliance guideline. The appointed actuary should review and comprehend the contributions of other actuaries. The appointed actuary should then form an overall opinion without claiming reliance on the opinions of other actuaries.

- 6.5 Additional Documentation—Section 5.1.3 indicates that an appointed actuary should make a reasonable effort to be aware of generally distributed interpretations of each regulatory authority and also be aware of the *Actuarial Guidelines* published in the NAIC's *Examiners Handbook*. To the extent that an appointed actuary is aware of any such generally distributed interpretations or *Actuarial Guidelines*, and the reserves on which the appointed actuary is rendering an opinion do not comply with such interpretations or *Actuarial Guidelines*, the appointed actuary should document the extent of noncompliance.
- 6.6 Deviation from Standard—An actuary must be prepared to justify the use of any procedures that depart materially from those set forth in this standard and must include, in any actuarial communication disclosing the results of the procedures, an appropriate statement with respect to the nature, rationale, and effect of such departures.