



REGULATORY GUIDANCE  
On the Property and Casualty Actuarial Opinion Summary  
For the Year 2008

Prepared by the NAIC's  
Casualty Actuarial and Statistical Task Force

The Casualty Actuarial and Statistical Task Force (CASTF) of the NAIC believes that the Actuarial Opinion Summary (Summary) is a valuable tool in serving the regulatory mission of protecting consumers. This Regulatory Guidance document supplements the NAIC's *Annual Statement Instructions Property and Casualty* (the *Instructions*) in an effort to provide clarity and timely guidance to Appointed Actuaries regarding regulatory expectations with respect to the Summary.

**Form**

The Summary is intended to be a **confidential** document separate from the Statement of Actuarial Opinion (Opinion). The CASTF advises the Appointed Actuary to provide the Summary to their company separately from their Opinion. The Summary should be clearly labeled and identified prominently as a confidential document. The CASTF suggests that the Appointed Actuary **not** attach the related Opinion to the Summary in order to avoid confusion. Instead, the *Instructions* suggest that the Summary can contain a statement that refers to the Opinion.

Not all states have adopted the Property and Casualty Actuarial Opinion Model Law that requires the Summary to be filed. Nevertheless, the CASTF recommends that the Summary be prepared regardless of the domiciliary state's requirements. This is so that the Summary will be ready for submission should a foreign state, having the appropriate confidentiality safeguards, request it. Most states provide the Annual Statement contact person with a checklist that addresses filing requirements. The CASTF advises the Appointed Actuary to work with the Company in determining the logistic requirements for each state. The Summary is **not** submitted to the NAIC.

**Substance**

The *Instructions* for the Summary have minimal changes for year-end 2008.

Paragraphs 1 – 4 and 7 of the *Instructions* are unchanged for 2008 and are self-explanatory. The entire substance of the Summary rests in paragraph 5. The required information for Parts A – D of Paragraph 5 is highlighted by the straightforward examples provided in the Summary section of the American Academy of Actuary's Property/Casualty Practice Note *Statements of Actuarial Opinion on P&C Loss Reserves*. The content of the Summary should reflect the analysis performed by the Appointed Actuary because the Summary is a synopsis of the conclusions drawn in the Actuarial Report.



Regulators expect that point or range estimates reported in the Summary are supported with clear documentation in the Actuarial Report. Without clarity the documentation fails to meet Actuarial Standards of Practice and the expectation that another actuary can evaluate the work. Part E of Paragraph 5 of the *Instructions* addresses persistent adverse development. The actuary is in a unique position to be able to comment on the nature of this development. This section requires the actuary to do so. Comments can reflect common questions that regulators have such as:

- Is development concentrated in one or two exposure segments or is it broad across all segments?
- How does development in the carried reserve compare to the change in the actuary's estimate?
- Is development related to specific and identifiable situations that are unique to the company?
- Does the development or the reasons for development differ depending on the individual calendar or accident years?

Paragraph 6 is new for 2008. It is relevant ONLY in pooling situations as defined in paragraph 1C of the *Instructions* for the Opinion and provides more relevant information to the domiciliary regulator of the 0% companies.