

MEMORANDUM

TO: Life Actuarial (A) Task Force

FROM: Director Lori K. Wing-Heier, Chair of the Financial Regulation Standards and Accreditation (F) Committee

DATE: October 13, 2022

RE: Re-evaluation of Model #822 as an Accreditation Standard

Both the *Standard Valuation Law* (#820), and the *Actuarial Opinion and Memorandum Regulation* (#822), which set forth requirements for statements of actuarial opinion, the appointed actuary, and adequacy of reserves, are part of the NAIC Accreditation Standards (the Standards) that each jurisdiction must adopt to be accredited. In 2020, substantial revisions to Model #820 became effective for accreditation. The required revisions include use of the *Valuation Manual*, which contains VM-30, "Actuarial Opinion and Memorandum Requirements."

There is overlap between the *Valuation Manual* and Model #822 and the question is raised whether Model #822 is still necessary to require as part of the Standards. The Standards operate as a minimum baseline and generally do not restrict the ability of a state to have additional laws or regulations that do not conflict with the Standard. Therefore removing #822 as a Standard would not require states to repeal the regulation, rather it would allow states to choose to repeal if deemed appropriate in their state.

The Committee requests that the Life Actuarial (A) Task Force review the Standard for Model #822 and the requirements in the *Valuation Manual* to determine if the *Valuation Manual* meets the necessary actuarial requirements and Model #822 can be removed from the Standards. The complete Liabilities and Reserves accreditation standard is attached for reference, with references to Model #822 highlighted for your review.

The Committee appreciates the Task Force's assistance on this issue and looks forward to the response.

9. Liabilities and Reserves

State statute should prescribe minimum standards for the establishment of liabilities and reserves resulting from insurance contracts issued by an insurer; including life reserves, active life reserves and unearned premium reserves, and liabilities for claims and losses unpaid and incurred but not reported claims. The NAIC’s *Standard Valuation Law* (#820), *Actuarial Opinion and Memorandum Regulation* (#822) and *Property and Casualty Actuarial Opinion Model Law* (#745) or substantially similar provisions shall be in place.

REFERENCE

a. Prescribe minimum standards for establishment of:

- Life reserves?
- Active life reserves?
- Unearned premium reserves?
- Claims liabilities?
- Loss reserves?

Standard Valuation Law (#820)

b. The following definitions under Section 1B apply on or after the operative date of the *Valuation Manual*: appointed actuary; company; policyholder behavior; principle-based valuation; qualified actuary; and *Valuation Manual*?

c. Policies and contracts issued prior to the operative date of the *Valuation Manual* are annually valued in accordance with Section 2A?

d. Policies and contracts issued on or after the operative date of the *Valuation Manual* are annually valued in accordance with Section 2B?

e. Prior to the operative date of the *Valuation Manual*, every life insurance company doing business in this state shall annually submit an actuarial opinion on reserves in accordance with Section 3A?

f. After the operative date of the *Valuation Manual*, every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state shall annually submit the opinion of a qualified actuary in accordance with Section 3B(1)?

g. After the operative date of the *Valuation Manual*, every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state, except as exempted by the *Valuation Manual*, shall annually submit an opinion of the qualified actuary with respect to the Actuarial Analysis of Reserves and Assets Supporting Reserves in accordance with Section 3B(2)?

h. After the operative date of the *Valuation Manual*, a memorandum in form and substance acceptable to the commissioner shall be prepared to support each actuarial opinion in accordance with Section 3B(3)(a)?

i. After the operative date of the *Valuation Manual*, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting memorandum required by the commissioner in accordance with Section 3B(3)(b)?

j. Every opinion after the operative date of the *Valuation Manual* shall be governed by the requirements of the provisions of Section 3B(4)(a) through Section 3B(4)(d)?

k. Prescribe computation of minimum standard for reserves similar to Section 4?

l. With respect to accident and health insurance contracts issued on or after the operative date of the *Valuation Manual*, the standard prescribed in the *Valuation Manual* is the minimum standard of valuation required in accordance with Section 10?

m. The *Valuation Manual* should be adopted by the states uniformly, utilizing the version effective Jan. 1, 2017, and all subsequent revisions adopted by the NAIC membership (including any provisions with respect to fraternal benefit societies). For policies issued on or after the operative date of the *Valuation Manual*, the standard prescribed in the *Valuation Manual* is the minimum standard of valuation in accordance with Section 11A?

n. Any changes to the *Valuation Manual* are made in accordance with Section 11C?

o. The *Valuation Manual* is required to specify all the requirements described in Section 11D?

Property and Casualty Actuarial Opinion Model Law (#745)

bb. Requires annual submission of a Statement of Actuarial Opinion similar to Section 2A of the model?

cc. Requires annual submission of an Actuarial Opinion Summary similar to Section 2B of the model?

dd. Requires that the Statement of Actuarial Opinion is provided with the Annual Statement and is treated as a public document similar to Section 3A of the model?

ee. Includes requirements that various documents related to the Actuarial Report or Actuarial Opinion Summary are confidential by law and privileged similar to Section 3B(1) of the model?
