

UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division
185 Asylum Street, CityPlace I • Hartford, CT 06103

February 24, 2022

Mr. Paul Lombardo, Chair
Health Actuarial (B) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via electronic mail to Eric King.

Re: Proposed changes to the Health Annual Statement instructions for the Actuarial Opinion.

Dear Mr. Lombardo:

I am writing on behalf of UnitedHealth Group with regard to the proposed changes to the Health Annual Statement instructions for the Actuarial Opinion, as exposed for comment by your Task Force on February 9, 2022. We appreciate the opportunity to offer our comments.

We have some concerns about the newly added Sections 7.E and 7.F in the proposal. To begin with, we do not believe that the Appointed Actuary should be made to address the provision for assets (7.E) separately from the provision for liabilities (7.D). The Appointed Actuary's concern should be the "actuarial balance sheet" (i.e., the actuarial assets and liabilities) as a whole; it is all of those items in combination that affect the reporting entity's capital and surplus. There does not seem to be any valid reason to have the Appointed Actuary attest to various pieces of the actuarial balance sheet in isolation. Furthermore, it is unclear what a "reasonable provision" for the actuarial assets would be, outside of the context of the actuarial liabilities and the desired degree of conservatism in those liabilities. Therefore, we do not believe that the proposed Section 7.E is appropriate.

We have two concerns about Section 7.F. First, we are concerned that the phrase "on a combined basis" does not add clarity as to exactly what the Appointed Actuary is attesting to. Second, as just noted, we do not believe that the actuarial balance sheet should be segmented for purposes of attestation. Adding Section 7.F as proposed would still leave a separate attestation for the liabilities only (7.D).

We suggest, therefore, that the proposed Sections 7.E and 7.F be deleted, and that Section 7.D be revised to address the actuarial balance sheet in its totality. For example, the revised Section 7.D might read:

- D. Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements, when the actuarial liabilities are reduced by any overstatement (or increased by any understatement) of the actuarial assets; [added material underlined]

We believe that this would make the nature of the Appointed Actuary's attestation much more explicit. We note two further points about this suggested language.

- The objection raised on the February 1 call to the word "overstatement" does not apply here. Then, the concern was the amount of overstatement: it would not be reasonable to require an adverse opinion if the overstatement were only \$1. Here, that concern would not occur, because reducing the liabilities by \$1 would be entirely appropriate, and presumably would not affect the Appointed Actuary's ability to issue an unqualified opinion.
- We feel it is entirely appropriate to recognize an understatement of the actuarial assets as an additional source of conservatism. We understand that regulators prefer, from a financial reporting perspective, that deficiencies in any one line item should not be made up by excesses in another line item; each line item should be reported appropriately. However, it should not be the Appointed Actuary's role to police the company's reporting. That is much better dealt with by the auditors who must sign off on the audited financial statements, and by the insurance department financial analysts and financial examiners who review the financial statements. As we have indicated above, the Statement of Actuarial Opinion should address the actuarial liabilities and assets from an overall perspective, not piecemeal.

We would be happy to discuss these comments with you and the Task Force.



James R. Braue
Senior Director, Actuarial Services
UnitedHealth Group

cc: Eric King, NAIC
Randi Reichel, UnitedHealth Group