Date: May 17, 2021

Virginia is submitting comments regarding the following exposure:

**APF 2019-34 (Clarify Responsibilities for Reinsurance)**

**Comments:**

1. There have been reports of companies neglecting to perform proper asset adequacy analysis of reported reserves for various reinsurance treaties, however, I believe the current requirements of Model 820, ASOP #22, and VM-30 are sufficient and adequate to handle these situations and APF 2019-34 should not be necessary. However, if it is really felt that additional guidance in VM-30 is necessary, then please consider the following comments 2-5 below.
2. The numbering is not consistent with VM-30. The subsections should not be numbered 1-4, but rather should be numbered A-D. Also, the subsections under Section 4.4 should be re-numbered 1. and 2., rather than (a) and (b). The paragraphs in the Guidance Note should follow a different numbering scheme as used in Section 4.4, so as to avoid confusion.
3. In Section 4 heading, I would suggest removing the words “treaties of” and just have “Section 4: Asset Adequacy Analysis for Reinsurance”
4. In Section 4.1, the phrase “currently in force” should be replaced with “in force as of the annual statement date” to be more consistent with the rest of VM-30. It is possible that appointed actuary may be performing analysis as of a date other than annual statement date (e.g., as of September 30), so in order to capture new treaties which may have been entered into during the 4th quarter, it is necessary to make this change. Note there are two places in Section 4.1 where this change needs to be made.
5. In the Guidance Note at the bottom of Section 4.4, the last sentence conflicts with Section 3.A.6 of VM-30, as well as Section 4.4 of ASOP #22. The last sentence reads as follows: “In relying on the work of another appointed actuary, an appointed actuary may not rely solely on the other actuary’s statement of actuarial opinion.” There are a couple of issues with this sentence. First, the appointed actuary does not have to rely on the work of another *appointed actuary*. The appointed actuary may rely on the work of an actuary who is not the appointed actuary or even a non-actuary. The sentence appears to imply that the appointed actuary is relying on the work of the appointed actuary of the reinsurance counterparty. The preceding sentence gives this as an example, that the appointed actuary may be relying on the appointed actuary of the reinsurance counterparty, but this may not be true in all instances. Therefore, I believe it is better that the first occurrence of the word “appointed” be removed. Second, by use of the word “solely” the wording implies that the appointed actuary may rely on the opinion of another actuary when establishing his own opinion. The implication is that the appointed actuary may rely in part on the other actuary’s statement of actuarial opinion, but not in whole. Section 3.A.6 of VM-30 is clear that in forming his opinion, the appointed actuary may rely on “other experts for data, assumptions, projections or analysis”, but there is no provision for the appointed actuary to rely on other actuaries’ opinions, in whole or in part. This is made clear in Section 4.4 of ASOP #22. In situations where more than one actuary contributes to forming an opinion, the following statement is made: “The actuary should then form an overall opinion without claiming reliance on the opinions of other actuaries.” The opinion of the appointed actuary must be solely his own opinion. Therefore, the last sentence should be removed or re-worded. If re-worded, one suggested wording would be as follows:

“When the other actuary has provided an opinion, the appointed actuary may consider the opinion of the other actuary in forming their own opinion, however, the appointed actuary shall not rely on the other actuary’s statement of actuarial opinion when forming their own overall opinion.”

Thank you for your consideration of these comments.

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