
MEMORANDUM

TO: Anna Krylova, Chair, Actuarial Opinion (C) Working Group

FROM: Judy Weaver, Chair, Financial Analysis (E) Working Group

DATE: May 9, 2022

RE: Enhanced Regulatory Guidance

As you may be aware, the Financial Analysis (E) Working Group (FAWG) meets annually in Kansas City to discuss among other things, potentially troubled insurers and insurance groups. During this meeting, FAWG also discusses issues and industry trends, including identifying any that are potentially adverse or might warrant communication and coordination with other NAIC groups. As a result of the issues and trends discussed, FAWG would like to refer the following items to the attention of your group.

1. **Use of Predictive Analytics in Reserve Setting** – In conducting “post-mortem” analysis of a recently failed insurer, we discussed whether the insurer's use of "predictive analytical models" could have been a contributing factor. We would like you to a) discuss the use of predictive analytical models in setting reserves and b) recommend whether additional guidance should be offered to regulators who are reviewing predictive models in reserving.

In considering these issues, FAWG recommends consideration of additional guidance for regulatory actuaries and/or financial analysts/examiners to ensure these concerns are adequately addressed. If necessary and appropriate, the Working Group should consider working with the Financial Analysis Solvency Tools (E) Working Group and/or the Financial Examiners Handbook (E) Technical Group to address. If there are any questions regarding the proposed recommendation, please contact me or NAIC staff (Bruce Jensen at bjensen@naic.org) for clarification.

Thank you for your consideration.

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