

Knowledge Statements for Appointed Actuary for Health Blank

These knowledge statements apply to the Appointed Actuary for Health and apply to the Health Annual Statement, also known as the Health Blank or Orange Blank.

These knowledge statements apply to the Appointed Actuary signing the Actuarial Opinion to the extent that the filed blank includes the item listed in the Knowledge Statement. As best practice, the Appointed Actuary is encouraged to keep records of the relevant knowledge statements and how they have met these knowledge statements.

This is intended to be a living document that may be updated as new products and features are introduced.

As stated within the Health Blank instructions, the requirements for an actuary to qualify as the Appointed Actuary and be permitted to sign the Actuarial Opinion are that the actuary must be “a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation.” Being a member in good standing implies, among other things, that an actuary adheres to the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” (USQS).

The USQS were revised from prior editions of the qualification standards and therefore specifically apply to actuaries issuing Statements of Actuarial Opinion (SAOs) starting on January 1, 2023. Furthermore, such actuaries need to meet the continuing education (CE) requirements before issuing any SAOs.

Section 2.1 of the [USQS](#) specifies the Basic Education and Experience Requirements, stating that an actuary should have achieved the following:

- Through education or mutual recognition, received a Fellow or Associate designation from either the Society of Actuaries (SOA) or the Casualty Actuarial Society (CAS), or be a member of the American Academy of Actuaries (Academy) through its approval process. It is important to note that this would most likely be the SOA for an actuary issuing an opinion related to the Health/Orange Blank.
- Three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems.
- Be knowledgeable, through education or documented professional development, of
 1. U.S. Law, including statutes, regulations, judicial decisions, and other statements having legally binding authority, applicable to the SAO, and
 2. U.S. actuarial practices and principles.
- Have either
 1. Obtained Fellowship in the CAS or SOA. In addition to obtaining this fellowship, the actuary must:
 - i. Have completed education relevant to the subject of the SAO. Such education may have been obtained in attaining the fellowship designation or highest possible designation of a non-U.S. actuarial organization, or by

- ii. completing additional education relevant to the subject of the SAO; or
- ii. Have a minimum of one year of responsible actuarial experience in the particular subject relevant to the SAO, under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at the time.

OR

- 2. Have a minimum of three years of responsible actuarial experience in the particular subject relevant to the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time.

Section 3. of the [USQS](#) specifies the Specific Qualification Standards beyond those required to satisfy the General or Basic Education and Experience requirements. For issuing Health SAOs, this includes examinations administered by either the Academy, CAS, or SOA covering

- a) Principles of insurance and underwriting;
- b) Principles of ratemaking;
- c) Statutory insurance accounting and expense analysis;
- d) Premium, loss, expense and contingency reserves; and
- e) Social insurance.

Alternatively, this education may be acquired through responsible work or self-study if another qualified actuary familiar with the work is willing to attest to the knowledge of the opining actuary. To meet the experience requirement, an actuary is required to have at least three years of responsible experience relevant to the Opinion under the review of another actuary who was qualified to issue the Opinion at the time the review took place.

Principles of Insurance and Underwriting

- 1. **Insurable Risk Concepts:** Comprehensive knowledge of the dynamic between moral hazard and insurable risks, including recognizing the increased risks associated with moral hazards as insurable risks diminish.
- 2. **Health Insurance Products:** Comprehensive knowledge of various health insurance products and their unique features, including:
 - Medical Insurance: Individual, small group, large group, self-funded, Medicare Advantage, Medicare Part D, Medicare Supplement, Managed Medicaid, and short-term medical plans.
 - Dental and Vision Insurance: Characteristics and coverage details.
 - Group Term Life and AD&D Insurance: Key aspects and insurance parameters.
 - Disability Insurance: Short-term, individual, and long-term disability insurance.
 - Long-Term Care Insurance: Coverage scope and policy features.
 - Specialized Health Insurance: Cancer/critical illness and hospital indemnity insurance.
- 3. **Distribution Methods:** Comprehensive knowledge of distribution channels for each type of coverage.

4. **Underwriting Processes:** Comprehensive knowledge of underwriting procedures for each coverage type and strategies to address selection risks.
5. **Behavioral Underwriting Factors:** Comprehensive knowledge of behavioral underwriting factors, such as the following:
 - Effects of network and coverage limitations.
 - Impact of healthy lifestyle incentives on consumer choices.
 - The correlation between individual choices and funding sources.
6. **Seasonal Claim Patterns:** Comprehensive knowledge of seasonal claim patterns, including recognizing and analyzing seasonal trends in claim incidences for different products.

Principles of Ratemaking

1. **Premium Rate Components:** Understanding the constituents of premium rates, including benefit costs, expenses, and risk charges.
2. **Medical Insurance Contract Elements:** Comprehensive knowledge of medical insurance contracts including risk assumption, provider network access, care management/wellness programs, and claims management/adjudication.
3. **Risk Levels of Different Products:** Expertise in evaluating risk for diverse products, including self-funded plans, dental/vision plans, retrospective experience rated plans, fully insured plans, specific and aggregate stop loss, disability insurance, and long-term care (LTC) coverage.
4. **Renewal Rate Change Rules:** Understanding renewal rate change regulations for each product.
5. **Rating Restrictions:** Understanding the rating limitations for products such as those under the Patient Protection and Affordable Care Act (ACA).
6. **Risk Adjustment in ACA and Medicare Advantage:** Understanding the impact of risk adjustment on premium amounts and payment timings, including risk adjustment data validation (RADV) issues.

Statutory Insurance Accounting and Expense Analysis

1. **Statutory Accounting Principles:** Comprehensive knowledge of statutory accounting principles and guidance sources.
2. **Statutory Accounting Blanks and SSAPs:** Understanding statutory accounting blanks and associated Statements of Statutory Accounting Principles (SSAPs).
3. **Conservatism in Financial Statements:** Understanding the treatment of conservatism in statutory financial statements.
4. **Reserves vs. Liabilities:** Distinguishing between reserves and liabilities (*e.g., what is included in Underwriting and Investment Exhibit Part 2A vs. Part 2D*).
5. **Covered and Uncovered Expenses/Liabilities:** Understanding the differences and implications.
6. **Reinsurance:** Comprehensive knowledge of reinsurance in statutory accounting, including issues related to risk transfer.
7. **Expenses:** Comprehensive knowledge of expense components, such as claim adjustment expenses and variable versus fixed costs.
8. **Appointed Actuary Requirements:** Understanding the appointed actuary's roles and

responsibilities.

9. **Actuarial Opinion and Memorandum Components:** Understanding the different types of opinions, prescribed language, and scope.
10. **Timing of Actuarial Opinions and Memorandums:** Understanding the appropriate timing for these documents.
11. **Risk-Based Capital (RBC) Formula Elements:** Comprehensive knowledge of the components of the risk-based capital formula and its regulatory impacts.
12. **Testing of Prior Period Liabilities and Assets:** Expertise in evaluating the accuracy and adequacy of prior period liabilities and actuarial assets.

Premium, Loss, Expense, and Contingency Reserves (and Actuarial Assets)

1. **Premium Reserves:** Understanding assets and liabilities typically found in health products, calculation methods, and their documentation. Premium reserves include items such as:
 - Due and uncollected premium
 - Premium paid in advance
 - Unearned premium
 - Gross premium reserves, including prescribed assumptions
 - Retrospective premium receivable or payable (receivables under contracts subject to redetermination)
 - Risk adjustment receivable or payable
 - Minimum loss ratio (MLR) refund liability
 - Risk corridor assets and liabilities
2. **Loss Reserves:** Expertise in calculating loss reserves, including segmentation and consideration of various factors affecting reserves. Loss reserves include items such as:
 - Unpaid claim reserves and liabilities, including segmentation into not reported, in course of settlement, due and unpaid, and present value of amounts not yet due.
 - Contract reserves, including prescribed assumptions.
 - Provider assets and liabilities, including the types of contractual provisions that give rise to such assets/liabilities.
 - Reserves for future contingent benefits.
3. **Claim Adjustment Expense Liability:** Expertise in determining claim adjustment expense liabilities.
4. **Premium Deficiency Reserves:** Expertise in calculating premium deficiency reserves (PDR) and reserves for insufficient administrative fees for self-insured contracts, including considerations for grouping, projection time periods, expense reallocation, treatment of investment income, and tax implications.
5. **Asset Adequacy Analysis:** Expertise in conducting asset adequacy analysis and determining additional reserve requirements.

6. **Capitations and Provider Insolvency Risks:** Understanding capitations and the associated risks of provider insolvency.
7. **Other Actuarial Assets:** Expertise in estimating and documenting other actuarial assets specific to health insurance products. Other actuarial assets include items such as:
 - Provider risk sharing receivables
 - Loans and advances to providers
 - Capitation arrangement receivables
 - Pharmacy rebate receivables
 - Claim overpayment receivables

Social Insurance

1. **Medicare Program:** Comprehensive knowledge of the components, coverages, and funding mechanisms of the Medicare program.
2. **Medicaid and CHIP:** Comprehensive knowledge of Medicaid and the Children's Health Insurance Program (CHIP), including their components, coverages, and funding.
3. **Disability Insurance and Social Security:** Understanding the components and coverages of the Disability Insurance (DI) portion of Social Security and its interactions with other disability income coverages.

Professionalism and Business Skills

The Appointed Actuary must have professional and business skills to enable the Appointed Actuary to perform the required actuarial services in an ethical manner that upholds the reputation of the actuarial profession. The Appointed Actuary must know and adhere to the Code of Professional Conduct, as well as relevant ASOPs and must meet the USQS. The Appointed Actuary must have the professional and business skills to manage the tasks, make informed decisions, communicate effectively with users of the actuary's work products, resolve disagreements, and seek guidance as necessary.

2. **Code of Conduct:** Familiarity with the Code of Conduct and its application in professional scenarios.
3. **US Qualification Standards:** Profound understanding of the USQS.
4. **Actuarial Standards of Practice (ASOPs) and Applicability:** Mastery of applicable ASOPs and guidelines for their application. The actuary should refer to the Academy's Applicability Guidelines to determine applicable ASOPs.
5. **Documentation:** Understanding the importance of documentation of work as discussed in many ASOPs and as required by the Laws and Regulations applicable to the SAO.

In addition to these knowledge statements, Section 2.1.c of the USQS requires the actuary to be knowledgeable of the U.S. law applicable to the SAO. For a health blank actuarial opinion signed by the Appointed Actuary, this would include knowledge of:

- Health Insurance Reserves Model Regulation.
- NAIC Health Reserve Guidance Manual.

- NAIC Annual Statement Instructions, specifically as it relates to Health and the SAO.
- Applicable provisions of Health Insurance Portability and Accountability Act (HIPAA)
- Applicable SSAPs including:
 - SSAP 54
 - SSAP 55
 - SSAP 84
- Individual state laws and regulations applicable to the actuarial opinion and assets and liabilities within the scope of the opinion.
- Other applicable laws and regulations related to specific products referenced in the specific SAO.

Familiarity with the relevant Practice Notes from the Academy is also a valuable component of professionalism.