September 9, 2014

REGULATORY GUIDANCE
On Property and Casualty Statutory Statements of Actuarial Opinion
For the Year 2014

Prepared by the
NAIC's Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force (CASTF) of the NAIC believes that the Statement of Actuarial Opinion (Opinion) is a valuable tool in serving the regulatory mission of protecting consumers. This Regulatory Guidance document supplements the NAIC *Annual Statement Instructions – Property/Casualty* (*Instructions*) in an effort to provide clarity and timely guidance to companies and Appointed Actuaries regarding regulatory expectations with respect to the Opinion.

An Appointed Actuary has a responsibility to know and understand both the *Instructions* and the expectations of regulators. One expectation of regulators clearly presented in the *Instructions* is that the Opinion and the supporting Actuarial Report and workpapers should be consistent with appropriate Actuarial Standards of Practice (ASOP), including, *but not limited to,* ASOPs Nos. 23, 36, 41 and 43.

The CASTF consciously tries to avoid illustrative language in the *Instructions* and encourages all actuaries to use whatever language they feel is appropriate to clearly convey their opinion *and* thought processes in reaching conclusions on a company with reference to specific characteristics of that company in both the Opinion and the supporting Actuarial Report. Specific characteristics include relevant background information about the company, such as intercompany pooling percentages, recent mergers or acquisitions, significant changes in operations, product mix, reinsurance arrangements, etc.

Several changes were made to the 2014 *Instructions*.

Paragraph 1: Appointment, Definitions, Exemptions and Reporting Requirements for Pooled Companies

Paragraph 1 is directed to company management and was changed slightly in 2014 and 2012 as it relates to disclosure of disagreements with a prior Appointed Actuary. Regulators expanded on the types of disagreements that an insurer is required to report to the Insurance Department when there is a change in Appointed Actuary. Two additional types, "type of opinion issued" and "substantive wording of the opinion," were added and clarified. When such disagreements occur, regulators now request that a description of the disagreement and the nature of its resolution, or non-resolution, be included in the letter to the Insurance Department. Finally, the paragraph was amended to include a reference to ASOP No. 43.

Both company management and the Appointed Actuary should be mindful of the following:

- **Timely feedback** — The CASTF encourages management to seek feedback from a "qualified actuary" *prior to* management's decision on establishing carried reserves. This allows management to make an informed decision with the benefit of actuarial analysis. It also helps to avoid a difficult situation in which management is committed to a decision that results in pressure on the actuary to "stretch" the range of reasonable reserve estimates.

- **Reporting to the Board of Directors or Audit Committee** — The actuary is required to report to the Board of Directors (Board). This may be done in a form of the actuary's choosing, including, but not limited to, an executive summary or PowerPoint presentation. The entire Actuarial Report must still be made available to the Board upon request. The CASTF strongly encourages the Appointed Actuary to present his or her analysis in person so that the risks and uncertainties that underlie the exposures and the significance of the actuary's findings can be adequately conveyed and discussed. As the actuarial profession makes advances in reserve methodology, such as stochastic simulation, a single deterministic indication would not be appropriate for many companies.

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While management is limited to single values on lines 1 and 3 of the Liability Page, the Board should be made aware of the actuary's opinion regarding the risk of material adverse deviation, the sources of risk and what amount of adverse deviation the actuary judges to be material.

Paragraph 1A: Definitions

In 2011, the definition of the Actuarial Report was modified to include the Board of Directors as part of the intended audience in order to be consistent with Paragraph 1, which states that the Actuarial Report should be made available to the Board. In 2012, language was added to emphasize that this change in definition was not intended to change the content of the Actuarial Report as described in Paragraph 7. The actuary may still choose to present findings to the Board in any manner deemed suitable to such audience.

Paragraph 1B: Exemptions

Paragraph 1B is directed to company management, defines exemption requirements and does not generally apply to the work of appointed actuaries.

Paragraph 1C: Requirements for Pooled Companies

This section was modified in 2014 to expand the *Instructions* to apply to all companies that operate in an intercompany pooling agreement. The *Instructions* are no longer restricted only to the 100% lead insurer and 0% pooling member situations.

For each company in the pool, the Appointed Actuary shall provide in the Opinion a brief description of the pool, identify the lead insurer and list all pool members. The *Instructions* also require that the actuary provide the state of domicile and the respective pooling percentage with each pool member. The actuary may choose to provide this information in table or paragraph form; however, regulators would like to see this disclosure at the beginning of the Opinion to ensure the reader has a proper understanding of the contents within the Opinion and how they relate to the subject company. Regulators recognize that the same information is required in the Notes to Financial Statements, which company management prepares. Changes were made to provide additional clarity for readers of the Opinion, as many pooled company Opinions were silent on pooling arrangements.

In situations where there is an intercompany pooling agreement in which a member of the pool retains 0%, the Appointed Actuary is directed to prepare an Opinion that reads similar to that of the lead company ("pooled Opinion"), which is to be filed with the Annual Statement of each of the 0% pooled companies.

Exhibits A and B should reflect values specific to the individual company. For companies with 0% pool participation, the actuary should prepare Exhibits A and B of the lead company to be filed as an addendum to the 0% pooled companies Opinions. This will allow for proper data submission for each company in the pool while accommodating the greatest distribution of the relevant values for the pool. The *Instructions* include specific answers for the Exhibit B questions regarding materiality and the risk of material adverse deviation. Note the distinction between pooling with a 100% lead company with no retrocession and ceding 100% via a quota share agreement. The regulator must approve these affiliate agreements as either an intercompany pooling arrangement or a quota-share reinsurance agreement. The proper financial reporting is dependent on the approved filings, regardless of how company management regards their operating platform.

Paragraph 2: Structure of the Opinion

Paragraph 2 is unchanged for 2014. It succinctly presents the four primary sections of the Opinion.

Paragraph 3: Identification

Paragraph 3 is unchanged for 2014.

Paragraph 4: Scope

The suggested language for the Scope paragraph includes "… and reviewed information provided to me through XXX date." This is intended to capture the ASOP No. 36 requirement to disclose (within the scope) the date through which material information known to the actuary is included in forming the reserve opinion (review date), if it differs from the

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date the Opinion is signed. However, when the actuary is silent regarding the review date, this can indicate either a review date the same as the date the opinion is signed or that the actuary overlooked this disclosure requirement. In instances where the actuary's review date is the same date the opinion is signed, regulators suggest actuaries clarify such in the opinion. Suggested language may include "… and reviewed information provided to me through the date of this opinion."

Exhibit A provides a clear picture of what items are to be opined on by the actuary. Guidance for Exhibit B disclosure items is discussed in Paragraph 6.

The CASTF calls attention to two items of interest to regulators that pertain to the Scope of the Opinion:

1. **Exposure** - An Opinion on the reasonability of the carried reserves should reflect consideration and evaluation of more than just loss history. The CASTF expects the actuary to probe and understand the exposure associated with the company for which the Opinion is issued. Areas of particular interest to regulators include:

   - Coverage for Service Contracts: Due to wide variation in state laws, this type of product may or may not be regulated or treated as insurance. Insurance may only come into play as excess coverage for contractual liability.

   - Economic Conditions: With the current strains on the economy, regulators expect the Appointed Actuary of a company that faces such risks to attempt to quantify those risks in the analysis. Mere disclaimers are insufficient.

   These are examples of what regulators expect the actuary to address as "specific characteristics of the company."

2. **Prepaid loss adjustment expenses** - According to SSAP 55, Paragraph 5 of the NAIC's *Accounting Practices and Procedures Manual*, the liability for unpaid loss adjustment expenses shall be established regardless of any payments made to third-party administrators (TPA), management companies or other entities. The values should be recorded as loss adjustment expense reserves throughout the Annual Statement and not recorded as a write-in. Appointed Actuaries should be aware of any such arrangements, incorporate this consideration into their analysis, and include appropriate disclosures in the Opinion and the Actuarial Report.

The Scope paragraph also requires disclosure of the individual upon whom the Appointed Actuary relied for preparation of the data. In some cases, the Appointed Actuary, if a senior officer of the company, may be the individual who holds this responsibility. In these cases, it is acceptable for the actuary to identify himself/herself in this section. Regulators expect the Appointed Actuary's disclosure to always include the senior official(s) of the regulated entity responsible for integrity of the data.

The Appointed Actuary may receive data from a TPA, accounting firm or similar organization that provides service to the regulated entity. If such a relationship exists, it is informative to identify it in this section. However, any third party or firm is not the regulated entity, and regulators expect that a company official will always be identified.

Paragraph 5: Opinion

Paragraph 5 is meant to be consistent with ASOP No. 36 as it relates to making use of the work of another actuary. Regulators expect full compliance with additional disclosure requirements pursuant to ASOP No. 36. If material, the actuary should disclose if they have made use of the work of another actuary. Further, per ASOP No. 36, the Appointed Actuary should disclose whether he or she reviewed the other's underlying analysis and the extent of the review, including items such as the methods and assumptions used and the underlying arithmetic calculations. In most cases, this disclosure will result from the use of the work of another actuary for underwriting pools and associations.

The CASTF expects points C (unpaid loss and loss adjustment expense reserves) and D (unearned premium reserves for long duration contracts and/or other loss reserve items on which the Appointed Actuary is expressing an Opinion) of the Opinion paragraph to be the full and complete expression of the Appointed Actuary's conclusion on the type of opinion rendered. Regulators will presume that the conclusion will apply to both the Net and the Direct and Assumed reserves. If the actuary reaches different conclusions, the actuary should use whatever language is appropriate to clearly convey a complete opinion, but the actuary should prepare the response to Exhibit B, Item 4, to reflect the opinion on the Net reserves. The CASTF encourages the actuary to further include narrative comments to describe any differences with respect to the Direct and Assumed reserves.

The CASTF has outlined additional requirements for actuaries writing Opinions that fall into the Deficient/Inadequate, Redundant/Excessive or Qualified Opinion categories. In the Deficient/Inadequate situation, the actuary should disclose the minimum amount that the actuary believes is reasonable. Similarly, the actuary should disclose the maximum amount the actuary believes is reasonable for a Redundant/Excessive provision. Finally, regulators ask for additional information about Qualified Opinions, related to the item(s) to which the qualification relates, the reason(s) for qualification, and amounts, if disclosed by the company.

Exhibit A, Items 7 and 8 require disclosure of the amount of the reserve for unearned premium for long duration contracts, and the *Instructions* further require the actuary to include a paragraph (D) regarding the reasonableness of the unearned premium reserve in the Opinion paragraph when these reserves are ***material***. However, regulators have noted that some Opinions include paragraph (D) regardless of materiality. The CASTF expects that actuaries either add paragraph (D) if they can and are indeed expressing an opinion on the reasonableness of this reserve and/or add an explanatory paragraph about these unearned premium reserves in Relevant Comments and state whether the amounts are material or immaterial. With regard to "Other Premium Reserve items" in Exhibit A, Item 9, the actuary should also include an explanatory paragraph about these premium reserves in Relevant Comments and state whether the amounts are material or immaterial.

Paragraph 6: Relevant Comments

The CASTF considers the relevant comments of the Appointed Actuary to be the most valuable information in the Opinion. Relevant comments provide the context for the regulator to interpret the Opinion and to understand the actuary's reasoning and judgment. In addition to the required Relevant Comments, reinsurance with affiliates, mergers or acquisitions, long duration contracts, other premium reserves, catastrophe impact or risk, and other items the Appointed Actuary feels are relevant provide important information for the regulator.

Risk of Material Adverse Deviation (MAD or RMAD)

Regulators continue to improve upon risk-focused procedures in both the financial analysis and financial examination areas. In accordance with this approach, regulators expect company management and the actuarial specialists employed by management to identify and discuss company-specific risk factors. The Appointed Actuary's discussion in the Opinion is an increasingly important source of information in this regard. Therefore, the *Instructions* were enhanced in 2014 to require the Appointed Actuary to disclose and discuss risks in the body of the Opinion before making a statement and conclusion on RMAD.

The latest version of the *Instructions,* as modified in 2014, requires the Appointed Actuary to:

1) Identify the materiality standard in U.S. dollars, ensuring that such is consistent with the amount shown in Exhibit B: Disclosures.
2) Identify the basis, or rationale, for establishing this standard.
3) Describe the major factors, combination of factors or particular conditions underlying the significant risks and uncertainties that the actuary considers relevant to the statutory entity.
4) **Explicitly** state whether he or she believes that those significant risks and uncertainties could result in MAD.

Note that Item 3 now precedes Item 4; the Appointed Actuary is asked to discuss risks whether or not he or she believes the company is exposed to RMAD.

With the exception of intercompany pooling members that retain a 0% share, each statutory entity is required to have a separate Opinion with its own materiality standard. Where there are no unusual circumstances to consider, it may be acceptable to determine a standard for the entire pool and assign each member its proportionate share of the total. It is **not** appropriate to use the entire amount of the materiality threshold for the pool as the standard for each individual pool member. For those companies submitting a pooled Opinion (i.e., 0% pool companies only), the materiality standard should be $0, and the RMAD conclusion should be "Not Applicable," as per the *Instructions*.

If the actuary does not consider there to be ANY specific or unique risk factors to this company, the actuary should say that. If the risks have mitigated by certain company actions, those explanations will also be helpful.

The *Instructions* state that the RMAD explanatory paragraph should not include general broad statements about unspecified risks and uncertainties that could apply to nearly all companies in any situation. When considering the inclusion of risk disclosures in the Opinion, the actuary should take into account the likelihood of the event occurring. Risks and uncertainties may include items such as the uncertainty in the tail factors or the need to use industry benchmarks.

When considering significant risks and concluding if RMAD exists, the Appointed Actuary should consider the materiality standard in relation to the range of reasonable estimates and the carried reserves. For example, RMAD should likely exist when the sum of the materiality standard plus the carried reserves is within the range of reasonable estimates. Regardless, the actuary should support the conclusion.

IRIS Ratios

The CASTF considers it insufficient to attribute an unusual reserve development ratio to "reserve strengthening" or "adverse development" and expects relevant comments on an unusual ratio to provide reasonable insight as to the company-specific factors that caused the result. Detailed documentation should be included in the Actuarial Report to support statements provided in the Opinion.

Methods and Assumptions

The *Instructions* were modified in 2014 to recognize that when there is a change in Appointed Actuary, the newly Appointed Actuary may not be able to review the work of the prior actuary. If the Appointed Actuary has changed from the prior year and finds that no such comparison to methods and/or assumptions is practical or meaningful, the actuary should make such a disclosure.

Paragraph 7: The Actuarial Report

The CASTF believes that the *Instructions* provide the best guidance to actuaries regarding the Actuarial Report and supporting documentation.

The *Instructions* were recently revised to require the Actuarial Report to include additional components. The first four bullets were added recently; the latter two bullets have been requirements of the *Instructions* for many years.

- A description of the Appointed Actuary's relationship to the company with clear presentation of the actuary's role in advising the Board and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board and, where applicable, to the officer(s) of the company responsible for determining the carried reserves;

- An exhibit that ties to the Annual Statement and compares the actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The actuary's conclusions include the actuary's point estimates(s), range(s) of reasonable estimates or both;

- An exhibit that reconciles and maps the data used by the actuary, consistent with the segmentation of exposure or liability groupings used in their analysis, to the Annual Statement Schedule P line of business reporting;

- An exhibit or appendix showing the change in the actuary's estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes;

- Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation;

- Extended comments on factors that led to unusual IRIS ratios for One-Year Development to Surplus, Two-Year Reserve Development to Surplus or Estimated Current Reserve Deficiency to Surplus, and how these factors were addressed in prior and current analyses.

With regard to the first bullet, the CASTF believes that the American Academy of Actuary's Property/Casualty Practice Note, *Statements of Actuarial Opinion on Property and Casualty Loss Reserves*, provides germane sample illustrative wording covering regulators' expectations with regard to this disclosure.

The second bullet replaced the previous language: "An exhibit which ties to the Annual Statement and compares the actuary's conclusions to the carried amounts." The Actuarial Opinion Summary already provides this information at the highest level of aggregation; this information should still be presented in the Actuarial Report. However, the language added in 2012 was intended to capture the comparisons at a more detailed level consistent with how the reserves were analyzed, to the extent these comparisons are possible.

The third bullet further clarifies the requirement for a Schedule P reconciliation and replaces the previous language: "Documentation of the required reconciliation from the data used for analysis to the Annual Statement Schedule P." Regulators are at least looking for a mapping of the data groupings used in the analysis to Schedule P lines of business along with detailed reconciliations of the data at the finest level of segmentation that is possible and practical. If the data cannot be reconciled, the reasons should be clearly documented in the Actuarial Report. The actuary should reconcile all data elements to the extent used in the analysis such as claim counts and earned premium.

The CASTF recognizes that company line of business definitions are often more meaningful than Annual Statement line of business definitions when completing a reserve analysis. Such differences in data classification should be addressed and clearly documented within the Actuarial Report. The required reconciliation to Schedule P should illustrate differences between the data used in the actuary's analysis and the amounts presented in Schedule P of the Annual Statement. The actuary should address the reasons for any significant differences in order to reduce questions regarding data integrity.

The fourth bullet was added in response to the recommendation by the Casualty Actuarial Society's Task Force on Actuarial Credibility in an effort to improve the transparency of disclosures in actuarial work. The exhibit or appendix should at least illustrate the changes on a net basis, but should also include the changes on a gross basis, if relevant. The CASTF expects any significant total change to be discussed; however, an explanation should also be included for any significant fluctuations among accident years or segments. The regulator is interested in seeing what the Appointed Actuary judges to have contributed to any significant changes at any level of granularity the actuary feels is appropriate to put the current year's results in the context of the prior year's results. Thus, the actuary should judge at what level of aggregation the comparisons are meaningful. Further note that this exhibit or appendix is to show the change in the actuary's estimates, not the company's. If the Appointed Actuary has changed from the prior year and no such comparison is practical or meaningful, the actuary should make a disclosure consistent with that reported in the Opinion.

Exhibits alone rarely convey professional conclusions and recommendations or the significance of the actuary's opinion or findings. A narrative section should provide clearly worded information so that readers are able to appreciate the significance of the actuary's findings and conclusions, the uncertainty in the estimates, and any differences between the actuary's estimates and the carried reserves. Sources of assumptions should be clearly supported. The CASTF has identified the following notable weaknesses in the documentation of many Actuarial Reports:

1. **Expected Loss Ratios**. When using methodologies that rely on expected loss ratios, particularly in a long-tailed line or new business segment, the CASTF expects the documentation to include recognition of pricing and underwriting information in the recent years, loss costs and loss inflation. Historical loss ratio indications have little value if rate actions, credit adjustments or program revisions have affected premium adequacy or inadequacy.

2. **Actuarial Judgment**. The use of this phrase in an Actuarial Report, in either the narrative comments or in exhibit footnotes, is not considered to be proper explanation. A descriptive rationale is needed.

3. **Schedule P Reconciliation**. The CASTF believes that a summary reconciliation (all years and all lines combined) is an insufficient demonstration of data integrity. The risk of lack of data integrity is increased as companies cut data into finer pieces. A reconciliation should include enough detail to reflect the segmentation of exposure or liability groupings structure used in the reserve analysis, the accident years of loss activity and the methods used by the actuary. See more discussion on this topic above.

4. **Underwriting Pools and Associations**. The CASTF expects the Actuarial Report to include exhibits that reconcile with the net amount shown in Exhibit B Item 10, including a reconciliation to Schedule F or discussion if the amount cannot be reconciled to Schedule F, as well as a list of the pools and associations with the associated reserve amounts. If the actuary has made use of the work of another actuary for these pools and associations and the amounts are material to the total reserves, the Actuarial Report should include extended discussion of what the Appointed Actuary has done to review these reserves. Ideally, the regulators would also like to see support for pools and associations on a direct and assumed basis so differences from net to gross can be understood.

The CASTF recognizes that the majority of analysis supporting an Opinion may be done with data received prior to year-end and "rolled forward" to 12/31/20xx. By reviewing the Actuarial Report, the regulator should be able to clearly identify why the actuary made changes in the ultimate loss selections and how those changes were incorporated into the final estimates. A summary of final selections without supporting documentation is not sufficient.

The CASTF believes that regulators should be able to rely on the Actuarial Report as an alternative to developing their own independent estimates. A well-prepared and documented Actuarial Report that is consistent with the spirit of ASOP No. 41 can provide a foundation for efficient reserve evaluation within a statutory financial examination. This provides benefits to the examination process and potential cost-savings to the company.

Paragraph 8: Signature

Paragraph 8 is unchanged for 2014.

Paragraph 9: Notice Regarding Errors

Paragraph 9 of the *Instructions* outlines the requirements of company management to provide corrected actuarial documents to the domiciliary regulator when data errors occur. When an error is discovered by the Appointed Actuary, the company or the regulator, regulators expect to see a revised Opinion. Regardless of the reason for the change or re-filing of an Opinion, the revised Opinion document should be submitted in hard copy and electronically within 10 business days. The revised Opinion should clearly state that it is an amended filing, should contain or accompany an explanation for the revision, and should include the revised date.

Exhibits A and B

Note that Exhibit B, Item 12 includes extended loss and expense reserves for all P&C lines of business, not just Medical Professional Liability, which is addressed in the Schedule P Interrogatory.

The term "Data Capture Format" in the *Instructions* refers to an electronic submission of the data in a format usable for computer queries. This allows for mechanical queries on demographic information and financial data. Appointed Actuaries should refer to the *Instructions* and prepare exhibits to assist the company in accurately populating the electronic submission.

For those companies that participate in an intercompany pooling arrangement and retain a 0% share, Exhibits A and B of the lead company should be attached as an addendum to the PDF file and/or hard copy of the Opinion being filed for the non-lead companies.

Adopted by the Casualty Actuarial and Statistical (C) Task Force on September 9, 2014

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REGULATORY GUIDANCE
On the Property and Casualty Actuarial Opinion Summary
For the Year 2014
Prepared by the NAIC's
Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force (CASTF) of the NAIC believes that the Actuarial Opinion Summary (Summary) is a valuable tool in serving the regulatory mission of protecting consumers. This Regulatory Guidance document supplements the NAIC *Annual Statement Instructions – Property/Casualty* (*Instructions*) in an effort to provide clarity and timely guidance to Appointed Actuaries regarding regulatory expectations with respect to the Summary.

Changes were made to Paragraph 6 of the 2014 *Instructions*, related to intercompany pooling.

Form

The Summary is intended to be a **confidential** document separate from the Statement of Actuarial Opinion (Opinion). The CASTF advises the Appointed Actuary to provide the Summary to his or her company separately from the Opinion. The Summary should be clearly labeled and identified prominently as a confidential document.

The CASTF advises that, in order to avoid confusion, the Appointed Actuary should not attach the related Opinion to the Summary.

Not all states have adopted the Property and Casualty Actuarial Opinion Model Law that requires the Summary to be filed. Nevertheless, the CASTF recommends that the Appointed Actuary prepare the Summary regardless of the domiciliary state's requirements, so that the Summary will be ready for submission should a foreign state—having the appropriate confidentiality safeguards—request it. Most states provide the Annual Statement contact person with a checklist that addresses filing requirements. The CASTF advises the Appointed Actuary to work with the company in determining the requirements for each state.

The Summary is **not** submitted to the NAIC.

Regulators expect that when the Appointed Actuary, the company or the regulator discovers an error in the Summary, the revised Summary document be submitted only to the regulator within 10 business days. The revised Summary should clearly state it is an amended document, should contain or accompany an explanation for the revision, and should include the revised date.

Substance

The entire substance of the Summary rests in Paragraph 5. The required information for Parts A–D of Paragraph 5 is highlighted by the straightforward examples provided in the Summary section of the American Academy of Actuary's Property/Casualty Practice Note, *Statements of Actuarial Opinion on Property and Casualty Loss Reserves.*

The content of the Summary should reflect the analysis performed by the Appointed Actuary, because the Summary is a synopsis of the conclusions drawn in the Actuarial Report. Therefore, all of the actuary's calculated estimates, including actuarial central estimates and ranges, are to be presented in the Summary consistent with estimates presented in the Actuarial Report.

Regulators expect that point or range estimates reported in the Summary be clearly supported and documented in the Actuarial Report. Without clarity, the documentation fails to meet Actuarial Standards of Practice and the expectation that another actuary can evaluate the work.

Part E of Paragraph 5 of the *Instructions* addresses persistent adverse development. The Appointed Actuary is in a unique position to be able to comment on the nature of this development. This section requires the Appointed Actuary to do so. Comments can reflect common questions that regulators have, such as:

- Is development concentrated in one or two exposure segments, or is it broad across all segments?
- How does development in the carried reserve compare to the change in the actuary's estimate?
- Is development related to specific and identifiable situations that are unique to the company?
- Does the development or the reasons for development differ depending on the individual calendar or accident years?

Paragraph 6 is relevant to all pooling situations as defined in paragraph 1C of the *Instructions* for the Opinion and provides more relevant information to the domiciliary regulator of the pooled companies. For non-0% companies, regulators expect that carried values reported in the Summary can be tied back to values reported in the Annual Statement and the Opinion, and that actuarial estimates can be tied back to the Actuarial Report.

Regulators encourage the Appointed Actuary to display values on the pooled (or consolidated) basis in addition to the statutory entity basis. This can be accomplished by displaying two tables of information.

For 0% pooled companies, the information should be that of the lead company.

Adopted by the Casualty Actuarial and Statistical (C) Task Force on September 9, 2014

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