



February 23, 2023

Paul Lombardo, Co-Chair  
Fred Andersen, Co-Chair  
Long-Term Care Actuarial (B) Working Group  
National Association of Insurance Commissioners (NAIC)

Re: Accounting Interpretation Request: Interaction Between *Actuarial Guideline LI* (AG 51) and Appendix A-010

Dear Mr. Lombardo and Mr. Andersen,

On behalf of the Financial Reporting and Solvency Committee (“the committee”) of the Health Practice Council of the American Academy of Actuaries,<sup>1</sup> we are reaching out to you to ascertain whether the Long-Term Care Actuarial (B) Working Group might issue an accounting interpretation for the interaction between *Actuarial Guideline LI* (AG 51) and Appendix A-010.

In 2017, the National Association of Insurance Commissioners (NAIC) adopted AG 51, “The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves.” Subsequent to the adoption of AG 51, the committee has observed some diversity in practice across issuers of long-term care insurance with regard to how the new guidance in AG 51, and specifically Section 4.C thereof, interacts with existing guidance on accident & health insurance reserve adequacy, as found in paragraph 24 of the Statement of Statutory Accounting Principles (SSAP) No. 54R, “Individual and Group Accident and Health Contracts,” and paragraph 26 of Appendix A-010, “Minimum Reserve Standards for Individual and Group Accident and Health Insurance Contracts.”

To our knowledge, the Long-Term Care Actuarial (B) Working Group has not previously been made aware that a diversity of practice has developed, subsequent to the adoption of AG 51, regarding how AG 51 interacts with Appendix A-010.

It would be helpful for Long-Term Care Actuarial (B) Working Group to review the attached Form A, and issue an interpretation to clarify the intended interaction between AG 51 and Appendix A-010, along the lines of one of the suggested interpretation statement wording options contained in the form. Note that we are not advocating for one of these options over the other; instead, our interest is in having the NAIC provide greater clarity to actuaries to understand its underlying intent.

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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We appreciate the opportunity to reach out to you on an accounting interpretation request for the interaction between *Actuarial Guideline LI* and Appendix A-010. We would welcome the opportunity to speak with you to provide more detail regarding these comments or on other issues. If you have any questions or would like to discuss further, please contact Matthew Williams, the American Academy of Actuaries senior health policy analyst, at [williams@actuary.org](mailto:williams@actuary.org).

Sincerely,

David Hutchins, MAAA, FSA  
Chairperson, Financial Reporting and Solvency Committee  
American Academy of Actuaries

CC: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group (SAPWG), Accounting Practices and Procedures (E) Task Force; Fred Andersen, Chair, Valuation Analysis (E) Working Group, Financial Condition (E) Committee. NAIC Support Staff: Eric King/Julie Gann/Patricia Allison

Attachment: Statutory Accounting Principles (E) Working Group Maintenance Agenda  
Submission Form—Form A