

A&H Working Group

As part of normal maintenance of the Accounting Practices and Procedures Manual (APPM), the Statutory Accounting Principles Working Group (SAPWG) is looking at updating Appendix A-010 for changes in Model Law 10, Minimum Reserve Standards for Individual Accident and Health Insurance Contracts. The exposure of proposed changes to A-010 elicited comments and the SAPWG asked the Accident and Health Working Group to review the language for consistency and to insure that substantive changes were not made.

The purpose of this call was to look at preliminary issues prior to discussing changes to A-010 at the September NAIC meeting. Mark Peavy of the NAIC had prepared a letter with 4 points:

- 1) At the March NAIC meeting, paragraphs 7 and 20 of SSAP59 were changed to make note of new single premium credit A&H reserve requirements in the Model Law. Paragraph 11 was not changed, resulting in a perceived contradiction. After discussion, Mark was asked to work with Bill Weller and others to propose new language for SSAP59 paragraph 11 for the September meeting.
- 2) This point also dealt with SSAP59 and the use of the term "Policy Reserves" that is not used in the Model Law. Part of "Policy Reserves" is defined as "a reserve based on assumed risks using morbidity factors." Mark proposed inserting that this reserve is commonly referred to as a "contract reserve." Discussion followed on trying to make SSAP59 more consistent with other actuarial documents. Mark was given the task to draft something for review in September.
- 3) There was discussion on deleting the word "commissioner" from the Model Law prior to incorporating into A-010. This has been done in the APPM to insure a single standard for all insurance companies from which deviations as required by commissioners are described in the notes to the annual statement. Julia Phillips, Chair of the A&H Working Group, suggested that this issue should be dealt with by the SAPWG.
- 4) The model law requires "reasonable margins" and "provisions for moderately adverse deviations." Interpretation 01-28 in the APPM allows for but does not require margins in the preparation of best estimate reserves. Reconciliation of these two presentations in A-010 will be further discussed in September.

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21 July 2005

