

Captive
“Company Name”
Statement of Actuarial Opinion
As of December 31, 20__

Part 1- Identification

This paragraph must specifically indicate the Appointed Actuary's:

- Name and title (and, in the case of a consulting actuary, the name of the firm).
- Relationship to the company.
- A statement that the person meets the requirements of a Qualified Actuary
- Date of appointment
- Specify that the appointment was made by the Board of Directors.

Example:

I, John Doe, am associated with ABC Consulting. I am a Fellow and a member in good standing of the Casualty Actuarial Society and meet the American Academy of Actuaries qualification standards for issuing Statements of Actuarial Opinion. I was appointed by the Board of Directors of “the company” on December 31, 20__ to render this opinion.

Part 2- Scope

Paragraphs 1 & 2 must include:

- Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.
- Include the “review date” (the date through which material information known to the actuary is included in forming the reserve opinion).
- Items listed in Exhibit A reflect the Disclosure items (8 through 13) in Exhibit B.
- A paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion.

Example: (paragraph #1)

I have examined the actuarial assumptions and methods used in determining the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with the state regulatory officials, as of December 31, 20__, and reviewed information

provided to me through XXX date. The reserves listed in Exhibit A, where applicable, include provisions for Disclosure items (disclosures 8 through 13) in Exhibit B.

Example: (paragraph #2)

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by _____ (officer name and title at the company). I evaluated that data used directly in my analysis for reasonableness and consistency. I also reconciled that data to the company's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary.

Paragraph #3 must include:

- Statement regarding reconcile data/schedule P.

Example: (paragraph #3)

I did not reconcile data relied upon in the analysis underlying the opinion to Schedule P of the company's Annual Statement as the captive annual statement format does not include a Schedule P.

Part 3- Expression of Opinion

Paragraph should include a sentence that at least covers the points listed in the following illustration:

- In my opinion, the amounts carried in Exhibit A on account of the items identified
 - i. Meet the requirements of the insurance laws of (state of domicile).
 - ii. Are computed in accordance with accepted actuarial standards and principles.
 - iii. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

Part 4- Relevant Comments

Paragraph must address the following topics of regulatory importance:

- Company-Specific Risk Factors
 - i. The Appointed Actuary should include an explanatory paragraph to describe the major factors, combination of factors or particular conditions underlying the risks and uncertainties the Appointed Actuary considers relevant. The explanatory paragraph should not include general, broad statements about risks

and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the Appointed Actuary required to include an exhaustive list of all potential sources of risks and uncertainties.

- Risk of Material Adverse Deviation
 - i. The Appointed Actuary must provide specific RELEVANT COMMENT paragraphs to address the risk of material adverse deviation. The Appointed Actuary must identify the materiality standard and the basis for establishing this standard. The materiality standard must also be disclosed in U.S. dollars in Exhibit B: Disclosures. The Appointed Actuary should explicitly state whether or not he or she reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation. This determination is also to be disclosed in Exhibit B.

- Other Disclosures in Exhibit B
 - i. RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

- Reinsurance
 - i. RELEVANT COMMENT paragraphs should address retroactive reinsurance, financial reinsurance and reinsurance collectability. Before commenting on reinsurance collectability, the Appointed Actuary should solicit information from management on any actual collectability problems, review ratings given to reinsurers by a recognized rating service, and examine Schedule F for the current year for indications of regulatory action or reinsurance recoverable on paid losses over ninety (90) days past due. The comment should also reflect any other information the Appointed Actuary has received from management or that is publicly available about the capability or willingness of reinsurers to pay claims. The Appointed Actuary's comments do not imply an opinion on the financial condition of any reinsurer.
 - ii. Retroactive reinsurance refers to agreements referenced in SSAP No. 62R—Property and Casualty Reinsurance of the NAIC Accounting Practices and Procedures Manual.
 - iii. Financial reinsurance refers to contracts referenced in SSAP No. 62R in which credit is not allowed for the ceding insurer because the arrangements do not include a transfer of both timing and underwriting risk that the reinsurer undertakes in fact to indemnify the ceding insurer against loss or liability by reason of the original insurance.

- Methods and Assumptions
 - i. If there has been any significant change in the actuarial assumptions and/or methods from those previously employed, that change should be described in a RELEVANT COMMENT paragraph. If the Appointed Actuary is unable to review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.
- Signature
 - i. Both the Actuarial Opinion and the Actuarial Report should conclude with the signature of the Appointed Actuary responsible for providing the Actuarial Opinion and the respective dates when the Actuarial Opinion was rendered and the Actuarial Report finalized. The signature and date should appear in the following format:
 - Signature of Appointed Actuary
 - Printed name of Appointed Actuary
 - Employer's name
 - Address of Appointed Actuary
 - Telephone number of Appointed Actuary
 - Email address of Appointed Actuary
 - Date opinion was rendered

Exhibit A: SCOPE
DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMATS

<u>Loss and Loss Adjustment Expense Reserves:</u>	<u>Amount</u>
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	\$ _____
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	\$ _____
3. Reserve for Unpaid Losses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 13 and 15, Line 12 * 1000)	\$ _____
4. Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 17, 19 and 21, Line 12 * 1000)	\$ _____
5. The Page 3 write-in item reserve, “Retroactive Reinsurance Reserve Assumed”	\$ _____
6. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$ _____
 <u>Premium Reserves:</u>	
7. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$ _____
8. Reserve for Net Unearned Premiums for Long Duration Contracts	\$ _____
9. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$ _____

Exhibit B: DISCLOSURES
DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMATS

NOTE: Exhibit B should be completed for Net dollar amounts included in the SCOPE. If an answer would be different for Direct and Assumed amounts, identify and discuss the difference within RELEVANT COMMENTS.

1. Name of the Appointed Actuary Last _____ First _____ Mid _____
2. The Appointed Actuary's relationship to the company.
 Enter E or C based upon the following:
 E if an Employee of the company or group
 C if a Consultant _____
3. The Appointed Actuary's NAIC-Accepted Actuarial Designation (indicated by the letter code):
 F if a Fellow of the Casualty Actuarial Society (FCAS)
 A if an Associate of the Casualty Actuarial Society (ACAS)
 S if a Fellow of the Society of Actuaries (FSA) through the General Insurance track
 M if the actuary does not have an NAIC-Accepted Actuarial Designation, but is approved by the Academy's Casualty Practice Council
 O for Other _____
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following:
 R if Reasonable
 I if Inadequate or Deficient Provision
 E if Excessive or Redundant Provision
 Q if Qualified. Use Q when part of the OPINION is Qualified.
 N if No Opinion _____
5. Materiality Standard expressed in U.S. dollars (used to Answer Question #6) \$ _____
6. Are there significant risks that could result in Material Adverse Deviation? Yes [] No [] Not Applicable []
7. Statutory Surplus (Liabilities, Col 1, Line 37) \$ _____
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12 * 1000) \$ _____
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P
 - 9.1 Nontabular Discount [Notes, Line 32B23, \$ _____

- (Amounts 1, 2, 3 & 4)], Electronic Filing Cols 1, 2, 3, & 4,
- 9.2 Tabular Discount [Notes, Line 32A23, (Amounts 1 & 2)], Electronic Filing Col 1 & 2. \$ _____
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. \$ _____
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. *
- 11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D, ending net asbestos reserves for current year) Electronic Filing Col 5 \$ _____
- 11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D, ending net environmental reserves for current year), Electronic Filing Col 5 \$ _____
12. The total claims made extended loss and expense reserve (Greater than or equal to Schedule P Interrogatories).
- 12.1 Amount reported as loss reserves \$ _____
- 12.2 Amount reported as unearned premium reserves \$ _____
13. The net reserves for the A&H Long Duration Contracts that the Company carries on the following lines on the Liabilities, Surplus and Other Funds page:
- 13.1 Losses \$ _____
- 13.2 Loss Adjustment Expenses \$ _____
- 13.3 Unearned Premium \$ _____
- 13.4 Write-In (list separately, adding additional lines as needed, and identify (e.g., "Premium Deficiency Reserves", "Contract Reserves other than Premium Deficiency Reserves" or "AG 51 Reserves")) \$ _____
14. Other items on which the Appointed Actuary is providing relevant comment (list separately) \$ _____

- * The reserves disclosed in item 11 above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.