



DATE: October 1, 2011

TO: DOMESTIC INSURERS USING THE NAIC HEALTH STATEMENT BLANK AND INSTRUCTIONS

SUBJECT: **REQUEST FOR EXEMPTION FROM FILING THE ACTUARIAL OPINION**  
[40 P. S. §§ 443(a) and 1561, 40 Pa. C.S.A §§ 6125 and 6331, and 31 Pa. Code §§ 152.21 and 301.81]

FROM: KAUSHIK K. PATEL, CHIEF  
FINANCIAL ANALYSIS DIVISION

Depending on the type of licensure, domestic health insurers filing financial condition information for the preceding calendar year must file in a format prescribed by the Commissioner pursuant to 40 P. S. §§ 443(a) and 1561, 40 Pa. C.S.A §§ 6125 and 6331, and 31 Pa. Code §§ 152.21 and 301.81. The Pennsylvania Insurance Department ("Department") requires insurers to adhere to the Annual and Quarterly Statement Instructions and the Accounting Practices and Procedures Manuals prescribed by the National Association of Insurance Commissioners ("NAIC").

The Department is requiring the submission of an "Actuarial Opinion" in the 2011 Annual Statements. This requirement is detailed in the NAIC's Annual Statement Instructions - Health ("Instructions") under the section captioned Actuarial Opinion starting on page 9.

Item 1B of the Instructions provides for an exemption from filing the "Actuarial Opinion". If a domestic health insurer wishes to file a request for any of the exemptions listed in Item 1B, it must submit a letter of intent to the Department no later than December 1, 2011. Requests shall include a description of which type of exemption applies to the insurer:

1. **Exemption for Small Companies**

If the insurer anticipates relying on the Exemption for Small Companies, the Department requires an affidavit under oath of an officer of the insurer that specifies:

- a. Total direct plus assumed written premium for the year ended December 31, 2010.
- b. Total direct plus assumed written premiums for the nine months ended September 30, 2011.
- c. A representation by a company officer that the insurer anticipates less than \$1,000,000 total direct plus assumed written premiums for the year ending December 31, 2011 and less than \$1,000,000 total direct plus assumed loss and loss adjustment expense reserves at December 31, 2011.

2. **Exemption for Nature of Business**

If the insurer anticipates relying on the Exemption for Nature of Business, the request must include a representation by a company officer of the nature of business written.

3. **Financial Hardship Exemption**

If the insurer anticipates relying on the Financial Hardship Exemption, the request must include information and calculations showing financial hardship. Financial hardship is presumed to exist if the projected reasonable cost of the Actuarial Opinion would exceed the lesser of:

- a. One percent of the capital and surplus reported in the quarterly statement as of September 30, 2011; or
- b. Three percent of direct plus assumed premiums written during 2011 as projected from the latest quarterly statement filed with the Department.

Please note that a request for exemption only applies to the 2011 Annual Statement. Each subsequent year the insurer must follow this same procedure to obtain an exemption from filing the "Actuarial Opinion" for the year's annual statement.

The Department recommends that the insurer submit its request as soon as possible, however no later than December 1, 2011, to:

Commonwealth of Pennsylvania  
Insurance Department  
Financial Analysis Division  
1345 Strawberry Square  
Harrisburg, PA 17120

The Department will notify the insurer no later than December 31, 2011 if such exemption has been approved or denied. Please note that if the exemption is approved, a copy of the approval must be filed with the Annual Statement.

Thank you for your prompt attention to this matter.