

DATE: October 1, 2011

TO: DOMESTIC CASUALTY, FIRE AND MARINE INSURANCE COMPANIES,

RECIPROCALS AND INTER-INSURANCE EXCHANGES

SUBJECT: REQUEST FOR EXEMPTION FROM FILING THE STATEMENT

OF ACTUARIAL OPINION [40 P. S. §§ 443(a)(1) and (2)]

FROM: KAUSHIK K. PATEL, CHIEF

FINANCIAL ANALYSIS DIVISION

Section 320 of The Insurance Company Law, as amended, 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").

Under Section 320, the Pennsylvania Insurance Department ("Department") is requiring the submission of a "Statement of Actuarial Opinion" in the 2011 Annual Statements. This requirement is detailed in the NAIC's <u>Annual Statement Instructions – Property/Casualty</u> ("Instructions") under the section captioned Actuarial Opinion starting on page 9.

Item 1.B. of the Instructions provides for an exemption from filing the "Statement of Actuarial Opinion". If any insurance company wishes to file a request for any of the exemptions listed in Item 1.B., 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. <u>Exemption for Small Companies</u>

If the insurance company 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 insurance company anticipates relying on the Exemption for Nature of Business, the request must include a representation by a company officer that the insurance company only writes property lines.

3. Financial Hardship Exemption

If the insurance company 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 insurance company must follow this same procedure to obtain an exemption from filing the "Statement of Actuarial Opinion" for the year's annual statement.

The Department recommends that the insurance company 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 insurance company 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.