



DATE: January 24, 2013

TO: DOMESTIC FRATERNAL BENEFIT SOCIETIES

SUBJECT: **APPOINTED ACTUARY AND CHANGES IN APPOINTED ACTUARY**
[31 PA Code § 84b and 40 P.S. §§ 991.2452 (a) and (b)]

FROM: FINANCIAL ANALYSIS DIVISION

Under 31 PA Code § 84b, the Pennsylvania Insurance Department (“Department”) is requiring the submission of a “Statement of Actuarial Opinion” for the 2012 Annual Statements. In addition to the Regulation and Department policy, this requirement is reinforced in the National Association of Insurance Commissioner’s (NAIC) Annual Statement Instructions – Fraternal (“Instructions”) under the section captioned Actuarial Opinion starting on page 7.

Appointed Actuary

Under the Regulation, the Statement of Actuarial Opinion (“Actuarial Opinion”) must be prepared by an Appointed Actuary which is defined as:

A qualified actuary who is appointed or retained either directly by the board of directors or by the authority of the board of directors through an executive officer of the company, provided that the executive officer is not the qualified actuary of the company, to prepare the statement of actuarial opinion and supporting memorandum as required by 301(g) of the act (40 P. S. § 71(g)).

A “Qualified Actuary” is an individual who:

1. Is a member in good standing of the American Academy of Actuaries.
2. Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing these statements.
3. Is familiar with the valuation requirements applicable to life and health insurance companies.
4. Has not been found by the Commissioner (or if so found has subsequently been reinstated as a qualified actuary), following appropriate notice and hearing, to have done one or more of the following:
 - a. Violated any provision of, or any obligation imposed by, the insurance laws or other law in the course of the individual’s dealings as a qualified actuary.
 - b. Been found guilty of fraudulent or dishonest practices.
 - c. Demonstrated incompetence, lack of cooperation or untrustworthiness to act as a qualified actuary.
 - d. Submitted to the Commissioner during the past 5 years, under this chapter, an actuarial opinion or memorandum that the Commissioner

rejected because it did not meet the provisions of this chapter including standards set by the Actuarial Standards Board.

- e. Resigned or been removed as an actuary within the past 5 years as a result of acts or omissions indicated in an adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards.
5. Has not failed to notify the Commissioner of any action taken by the insurance regulatory authority of another state similar to that under paragraph (4).

Appointment of Qualified Actuary

The actuary providing an Actuarial Opinion must be a Qualified Actuary appointed by the Board of Directors or by authority of the Board of Directors.

The Regulation requires that upon initial appointment of a Qualified Actuary, the insurer shall notify the Department in writing with the following information:

1. Name and title (and, in the case of a consulting actuary, the name of the firm),
2. Manner of appointment of the Appointed Actuary (who made the appointment and when), and
3. A statement that the person meets the requirements applicable to a Qualified Actuary (as defined above).

The Department requires the information enumerated above be filed within five (5) business days of the appointment of a Qualified Actuary.

Once this notification is furnished, no further notice is required with respect to this person unless the actuary ceases to be appointed or retained, or ceases to meet the requirements applicable to a Qualified Actuary.

Change in Appointed Actuary

In accordance with the Regulation and Department policy, if an actuary ceases to be retained as an Appointed Actuary, the insurer shall:

1. Notify the Department of this event,
2. Disclose the reasons for the termination, and
3. In writing, request that the former Appointed Actuary furnish a letter addressed to the Department and to the insurer with a description of valuation reserve issues that the actuary considered as material at the time of termination or a statement that no material issues exist.

The letter from the former Appointed Actuary regarding any material valuation reserve issues shall include a description of issues concerning valuation requirements, reserve adequacy, asset adequacy analysis assumptions or methodology and internal controls on the valuation system. This letter shall be filed in a timely manner.

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The Department requires the notification, described in items 1 and 2 above, be filed within five (5) business days of the date an actuary ceases to be retained as an Appointed Actuary.

Filing Requirements

Filings required under the criteria enumerated above must be filed within the stipulated timeframes to:

Appointed Actuary and Changes to Appointed Actuary
Pennsylvania Insurance Department
Office of Corporate and Financial Regulation
Financial Analysis Division
1345 Strawberry Square
Harrisburg, PA 17120