

DATE: JANUARY 24, 2013

TO: DOMESTIC TITLE INSURANCE COMPANIES

SUBJECT: QUALIFIED ACTUARY, QUALIFIED ACTUARY APPOINTMENTS, AND

CHANGES IN QUALIFIED ACTUARY

[40 P.S. §§ 910-54(2) and 443(a)(1) and (2)]

FROM: 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" for the 2012 Annual Statements. This requirement is detailed in the NAIC's <u>Annual Statement Instructions – Title</u> ("Instructions") under the section captioned Actuarial Opinion starting on page 7.

Qualified Actuary

Under the requirements, the Statement of Actuarial Opinion ("Actuarial Opinion") must be prepared by a "Qualified Actuary." The Department defines a Qualified Actuary as a person who meets the following criteria:

- a. A member in good standing of the Casualty Actuarial Society, or
- b. A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.

Appointment (or "Retention") of Qualified Actuary

The actuary providing an Actuarial Opinion must be a Qualified Actuary appointed by the Board of Directors, or its equivalent, or by a committee of the Board, by December 31 of the calendar year for which the opinion is rendered.

Under the Instructions, upon initial appointment (or "retention") of a Qualified Actuary, the insurance company shall notify the Department within five business days of the appointment 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 of a Qualified Actuary (as defined above).

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 of a Qualified Actuary.

Change in Qualified Actuary

Under the Instructions, if an actuary who was the Appointed Actuary for the immediately preceding filed Actuarial Opinion is replaced by an action of the Board of Directors, the insurer shall:

- 1. Notify the Department of this event, within five (5) business days,
- 2. Furnish the Department with a separate letter within ten (10) business days of the above notification stating whether in the twenty four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scopes, procedure, or data quality.

The disagreements required to be reported in response to this paragraph include both those resolved to the former Appointed Actuary's satisfaction and those not resolved to the former Appointed Actuary's satisfaction,

- 3. In writing, request such former Appointed Actuary to furnish a letter addressed to the insurer stating whether the actuary agrees with the statements contained in the insurer's letter and, if not, stating the reasons for which he/she does not agree, and
- 4. Furnish such responsive letter from the former Appointed Actuary to the Department together with its own letter. These letters shall be filed in a timely manner.

Filing Requirements

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

Qualified Actuary Filings
Pennsylvania Insurance Department
Office of Corporate and Financial Regulation
Financial Analysis Division
1345 Strawberry Square
Harrisburg, PA 17120