Draft date: 11/27/23

*2023 Fall National Meeting*
*Orlando, Florida*

**CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE**
Friday, December 1, 2023
10:00 – 11:30 a.m.
Floridian Ballroom G-I - Level 1 - Bonnet Creek

**ROLL CALL**

| | | | |
|---|---|---|---|
| D.J. Bettencourt, Chair | New Hampshire | Troy Downing | Montana |
| Chlora Lindley-Myers, Vice Chair | Missouri | Remedio Mafnas | N. Mariana Islands |
| Mark Fowler | Alabama | Eric Dunning | Nebraska |
| Lori K. Wing-Heier | Alaska | Scott Kipper | Nevada |
| Ricardo Lara | California | Justin Zimmerman | New Jersey |
| Andrew N. Mais | Connecticut | Alice T. Kane | New Mexico |
| Karima M. Woods | District of Columbia | Mike Causey | North Carolina |
| Michael Yaworsky | Florida | Judith L. French | Ohio |
| Dana Popish Severinghaus | Illinois | Glen Mulready | Oklahoma |
| Amy L. Beard | Indiana | Andrew R. Stolfi | Oregon |
| Doug Ommen | Iowa | Michael Humphreys | Pennsylvania |
| Vicki Schmidt | Kansas | Michael Wise | South Carolina |
| James J. Donelon | Louisiana | Cassie Brown | Texas |
| Timothy N. Schott | Maine | Kevin Gaffney | Vermont |
| Kathleen A. Birrane | Maryland | Mike Kreidler | Washington |
| Anita G. Fox | Michigan | Allan L. McVey | West Virginia |
| Grace Arnold | Minnesota | | |

NAIC Support Staff: Kris DeFrain

**AGENDA**

1. Consider Adoption of its Oct. 24, Oct. 10, Sept. 5, Aug. 30, and Summer National Meeting Minutes—*Christian Citarella (NH)* — Attachment One

2. Consider Adoption of its Working Group Reports and Minutes — Attachment Two
   A. Actuarial Opinion (C) Working Group—*Miriam Fisk (TX)*
   B. Statistical Data (C) Working Group—*Sandra Darby (ME)*

3. Hear Reports from its Liaisons
   - Property And Casualty Insurance (C) Committee: HO Data Call —*George Bradner (CT) and Aaron Brandenburg (NAIC)*

- Climate and Resiliency (C) Task Force—*George Bradner (CT)*
- Speed to Market (D) Working Group—*Maureen Motter and Tom Botsko (OH)*
- System for Electronic Rates & Forms Filing (SERFF) Modernization Project—*Sandra Darby (ME)*
- Capital Adequacy (E) Task Force and Property and Casualty Risk-Based Capital (E) Working Group—*Tom Botsko (OH)*
- Innovation, Cybersecurity, and Technology (H) Committee—*Christian Citarella (NH)*
- Blanks (E) Working Group: Cybersecurity Insurance Supplement —*Michael McKenney (PA) and Sara Robben (NAIC)* Attachment — Attachment Three

4. Discuss NAIC Rate Model Reviews, an NAIC GLM Checklist, White Paper Appendices, and Telematics Reviews—*Kris DeFrain and Sam Kloese (NAIC)* — Attachment Four

5. Hear Activity and Research Reports from the Actuarial Standards Board (ASB), the Actuarial Board for Counseling and Discipline (ABCD), the Academy, the Casualty Actuarial Society (CAS), and the Society of Actuaries (SOA)—*Christian Citarella (NH)* — Attachment Five

6. Discuss Any Other Matters Brought Before the Task Force — *Christian Citarella (NH)*

9. Adjournment

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Draft: 11/2/23

Casualty Actuarial and Statistical (C) Task Force
E-Vote
October 24, 2023

The Casualty Actuarial and Statistical (C) Task Force conducted an e-vote that concluded Oct. 24, 2023. The following Task Force members participated: Lori Wing-Heier represented by Sian Ng-Ashcraft (AK); Ricardo Lara represented by Lynne Wehmueller (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by David Christhilf and Angela King (DC); Michael Yaworsky represented by Christina Huff (FL); Dana Popish Severinghaus represented by Reid McClintock (IL); Amy L. Beard represented by Larry Steinert (IN); Vicki Schmidt represented by Nicole Boyd (KS); Kathleen A. Birrane represented by Ronald Coleman (MD); Grace Arnold represented by Phil Vigliaturo (MN); Troy Downing represented by Mari Kindberg (MT); Justin Zimmerman represented by Carl Sornson (NJ); Alice Kane represented by Anna Krylova (NM); Judith L. French represented by Tom Botsko (OH); Glen Mulready represented by Andrew Schallhorn (OK); Andrew R. Stolfi represented by David Dahl (OR); Cassie Brown represented by J'ne Bychovski (TX); Mike Kreidler represented by Eric Slavich (WA); Allan L. McVey and Juanita Wimmer (WV).

1. Adopted the 2021 Homeowners Report

The Task Force conducted an e-vote to consider adoption of the 2021 *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report). The motion passed unanimously.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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Draft: 11/3/23

Casualty Actuarial and Statistical (C) Task Force
Virtual Meeting
October 10, 2023

The Casualty Actuarial and Statistical (C) Task Force met Oct. 10, 2023. The following Task Force members participated: D.J. Bettencourt, Chair, represented by Christian Citarella (NH); Chlora Lindley-Myers, Vice Chair, represented by Julie Lederer (MO); Lori K. Wing-Heier represented by Sian Ng-Ashcraft (AK); Ricardo Lara represented by Lynne Wehmueller and Mitra Sanandajifar (CA); Andrew N. Mais represented by Wanchin Chou and Qing He (CT); Michael Yaworsky represented by Peshala Disanayaka (FL); Doug Ommen represented by Travis Grassel (IA); Dana Popish Severinghaus represented by Chuck Jansen (IL); Amy L. Beard represented by Larry Steinert (IN); Vicki Schmidt represented by Nicole Boyd (KS); James J. Donelon represented by Nichole Torblaa (LA); Kathleen A. Birrane represented by Walter Dabrowski (MD); Anita G. Fox represented by Kevin Dyke (MI); Grace Arnold represented by Phil Vigliaturo (MN); Eric Dunning represented by Nguyen Thai (NE); Alice Kane represented by Anna Krylova (NM); Scott Kipper represented by Gennady Stolyarov (NV); Glen Mulready represented by Andrew Schallhorn (OK); Andrew R. Stolfi represented by Ying Liu (OR); Michael Humphreys represented by Michael McKenney (PA); Cassie Brown represented by Rebecca Armon and Miriam Fisk (TX); Kevin Gaffney represented by Rosemary Raszka (VT); Mike Kreidler represented by Eric Slavich (WA), and Allan L. McVey represented by Juanita Wimmer (WV).

1. Adopted the Report of the Actuarial Opinion (C) Working Group

Fisk said the Actuarial Opinion (C) Working Group met Sept. 27. The Working Group adopted the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2023* (2023 Regulatory Guidance) and continued discussion on proposed changes to the 2024 P&C Opinion and the 2024 Title Opinion instructions. The most significant proposed change in the P&C Opinion instructions regards qualification documentation. The requirement for qualification documentation is proposed to be provided only upon initial appointment (and no longer required annually thereafter). Proposed changes in the Title Opinion instructions would make the wording more consistent with the P&C Opinion instructions. The 2024 Property/Casualty (P/C) and Title Opinion instructions were exposed for a public comment period ending Oct. 27.

Fisk made a motion, seconded by Vigliaturo, to adopt the report of the Actuarial Opinion (C) Working Group (Attachment __). The motion passed unanimously.

2. Adopted the Report of the Statistical Data (C) Working Group

He said the Statistical Data (C) Working Group met Sept. 18 to discuss proposed changes to the statistical reports. During that meeting, the Working Group adopted a change in the collection of insurance ranges for the *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report), expanding the number of buckets in which the data is collected and allowing for more flexibility in how the data is rolled up and shown in the report. Additionally, the Working Group adopted a change to the *Competition Database Report* (Competition Report) that will show market share information by stock and mutual companies separately. The Working Group plans to meet again on Oct. 24 to continue discussion about the proposed changes to the statistical reports.

Recently the 2021 Auto Insurance Database Average Premium Supplement was released to the public. The full 2020/2021 *Auto Insurance Database Report* (Auto Report) is being quality-checked and compiled by NAIC staff and will be sent to the Working Group for review this month. The 2021 Homeowners Report is currently being reviewed by this Task Force. Adopted changes to the *Report on Profitability by Line by State* (Profitability Report) and Competition Report are being implemented for the 2022 data year reports, and the draft versions of those reports will be distributed to the Working Group this fall.

He made a motion, seconded by Schallhorn, to adopt the report of the Statistical Data (C) Working Group. The motion passed unanimously.

3. Adopted its 2024 Proposed Charges

Citarella presented draft 2024 proposed charges. He said significant changes from the 2023 charges are an addition of a charge regarding research of insurance for cyber liability, modification of the charge about artificial intelligence (AI), and inclusion of a specific charge for the Actuarial Opinion (C) Working Group to assess the changes of the Society of Actuary's (SOA's) insurance curriculum.

Amann made a motion, seconded by Dyke, to adopt its 2024 proposed charges (Attachment ___). The motion passed unanimously.

4. Adopted a Blanks Proposal Regarding Number of Years of Data in Schedule P

Armon said during its Sept. 5 meeting, the Task Force agreed to the development of a blanks proposal to change the two-year reporting requirements to 10 years beginning in 2024. She said the result would be that all lines of business would have 10 years of accident or report year data and 10 years of development.

Originally, the two-year reporting requirement was implemented because the lines of business were considered short-tailed. However, based on a study by the American Academy of Actuaries (Academy) Committee on Property and Liability Financial Reporting (COPLFR), the industry's loss ratio or loss development found that approximately 25% of one-year development is reported in the short-tail lines' "prior" row. She said that means the loss development is not being captured in Schedule P for those lines of business. Companies have 10 years of data because they have to report such for risk-based capital (RBC) and need the data to complete the summary section of Schedule P. The change would make all lines consistent with 10 years of data.

Armon said the instructions currently explain how to convert the two years of data to 10 years for the summary exhibit. She said that led to needing to change both Schedule P instructions and the blank. She said the blanks staff will make the adopted pet insurance changes to the document the Task Force proposes, as well.

The Task Force discussed that the proposal is long overdue and how one original reason for the two-year lines was to save paper. They also discussed how the proposal would improve the company and consulting work regarding required Schedule P reconciliations and how the proposal would seem to make it easier for all parties involved.

Tip Tipton (Thrivent) asked whether there would be gradual implementation, adding one more year of reporting for each additional calendar year until 10 years of data is reported. Armon said the plan is to report all 10 years starting in 2024 since the data is already available. She said it would be much more complicated to try to do a gradual implementation given the prior row calculation is more complicated. Tipton suggested that this be better explained in the instructions, and the Task Force agreed.

Armon made a motion, seconded by Steinert, to adopt the blanks and instruction proposal regarding the number of years of data in Schedule P, as amended, and send it to the Blanks (E) Working Group (Attachment ___). The motion passed unanimously.

5. Discussed the Financial Reporting of "Free" Parent or Affiliate Claims Handling Expenses

Robin Marcotte (NAIC) said COPLFR asked how regulators believe the "free" parent or affiliate claims handling expenses should be handled in the financial statement, and that apparently, some in the industry believed they could report $0 for their adjusting and other loss adjustment expense (LAE) reserve. Marcotte explained the inaccuracies of that belief.

Marcotte said that under *Statement of Statutory Accounting Principles (SSAP) No. 25—Affiliates and Other Related Parties*, an insurer must contract with the company or parent offering the "free" claims handling, and the agreement must be in writing, must have a specified due date, and must meet the fair and reasonable standard. She said the *Insurance Holding Company System Regulatory Act* (#440) has the fair and reasonable standard, also. State insurance regulators evaluate the agreements between the insurer and the parent for approval. She said she does not believe states would approve these types of agreements for "free" loss adjustment because that would not be fair and reasonable nor arm's length. She said even if the agreement was approved, there is still guidance in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* that the LAE liability has to be established even if payments are made to third parties and that liability must remain on the insurer's books until the claim is actually adjusted. She said that paying another party to do something for you does not mean that your obligations have been fulfilled.

She added there are other requirements in SSAP No. 25 that if a company overpaid or underpaid for something, it could be characterized by the state as either a dividend or implied capital contribution. She said even with a state-approved contract, SSAP No. 55 still says liabilities must be established until the claims are settled. She said the company that outsources its claim adjusting would still have responsibility for that activity and cannot reduce its liability until the claim is adjusted.

Armon asked about a different scenario where companies want to say they pay commission to their third-party administrator (TPA) and, as a result, the TPA takes care of the loss adjusting. Because the expense of the commission is already recorded, they do not believe they should have to carry an LAE reserve. Marcotte said the insurer would still need to record its LAE liability. Marcotte said the books and records of both parties need to be clear. Claiming an opaque payment of a commission without dividing it by purpose doesn't work. She said the situation has happened where a company accepts the commission and cancels the contract. The insurance company was still responsible for adjusting the claim. The claim liability is not extinguished until the claim has been adjusted. Dyke agreed and said it should be well-known that an insurer must establish the liabilities for unallocated expenses, regardless of the nature of the contract in which those services are being provided. He said a prepaid asset might be established, depending on the nature of the contract that is separate and distinct from the actual liability. He said this has been the long-standing method in statutory accounting, so he questioned whether those attempting to do this are newer companies. Marcotte added that even if prepaid, the amount would not be an admitted asset.

6. Discussed the D&O Insurance Coverage and Cyber Insurance Supplements

Citarella said the cyber supplement proposal at the Blanks (E) Working Group is still being discussed. Tipton said the industry has been working with a small group of NAIC staff and state insurance regulators. He said the proposal will be revised and exposed during the Blanks (E) Working Group's meeting on Nov. 7.

Citarella said the goal is to continue the discussion on a director and officer (D&O) supplement proposal. He said he remains anxious about a change to the supplement that would require a lot of work by the industry and regulatory/NAIC staff who would be reviewing it. He still plans for a proposal to be drafted by the Fall National Meeting.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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*Adopted by the Executive (EX) Committee and Plenary, Dec. __, 2023*
*Adopted by the Property and Casualty Insurance (C) Committee, Dec. __, 2023*
*Adopted by the Casualty Actuarial and Statistical (C) Task Force, Oct. 10, 2023*

1. The **Casualty Actuarial and Statistical (C) Task Force** will:
   A. Provide reserving, pricing, ratemaking, statistical, and other actuarial support to NAIC committees, task forces, and/or working groups. Propose changes to the appropriate work products, with the most common work products noted below, and present comments on proposals submitted by others relating to casualty actuarial and statistical matters. Monitor the activities regarding casualty actuarial issues, including the development of financial services regulations and statistical reporting, including disaster.
      i. Property and Casualty Insurance (C) Committee: Ratemaking, reserving, or data issues.
      ii. Blanks (E) Working Group: Property/casualty (P/C) annual financial statement, including Schedule P; P/C quarterly financial statement; P/C quarterly and annual financial statement instructions, including the Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary Supplement.
      iii. Capital Adequacy (E) Task Force: P/C risk-based capital (RBC) report.
      iv. Statutory Accounting Principles (E) Working Group: *Accounting Practices and Procedures Manual* (AP&P Manual) and review and provide comments on statutory accounting issues being considered under *Statement of Statutory Accounting Principles (SSAP) No. 65—Property and Casualty Contracts*.
      v. Speed to Market (D) Working Group: P/C actuarial sections of the *Product Filing Review Handbook*.
   B. Monitor national casualty actuarial developments and consider regulatory implications.
      i. Casualty Actuarial Society (CAS): Statements of Principles and Syllabus of Basic Education.
      ii. American Academy of Actuaries (Academy): Standards of Practices, Council on Professionalism, and Casualty Practice Council.
      iii. Society of Actuaries (SOA): ~~General insurance track's basic education~~ Anticipated changes to education pathways.
      iv. Federal legislation.
   C. Facilitate discussion among state insurance regulators regarding rate filing issues of common interest across the states through the scheduling of regulator-only conference calls.
   D. Conduct the following predictive analytics work:
      i. Facilitate training and the sharing of expertise through predictive analytics webinars (Book Club).
      ii. ~~Review the completed work on artificial intelligence (AI) from other Committee groups.~~ Coordinate with the Innovation, Cybersecurity, and Technology (H) Committee and the Life Actuarial (A) Task Force on the tracking of new uses of artificial intelligence (AI), auditing algorithms, product development, and other emerging regulatory issues~~, in as far as these issues contain a Task Force component~~. Discuss regulatory oversight of AI and machine learning (ML) in insurers' ratemaking, reserving, and other activities.
      iii. With the NAIC Rate Model Team's assistance, discuss guidance for the regulatory review of models used in rate filings.
   E. Research cyber liability insurance and discuss regulatory data needs.

2. The **Actuarial Opinion (C) Working Group** will:
   A. Propose revisions to the following as needed, especially to improve actuarial opinions, actuarial opinion summaries, and actuarial reports, as well as the regulatory analysis of these actuarial documents and loss and premium reserves:
      i. *Financial Analysis Handbook.*
      ii. *Financial Condition Examiners Handbook.*
      iii. *Annual Statement Instructions—Property/Casualty.*
      iv. Regulatory guidance to appointed actuaries and companies.

    v. Other financial blanks and instructions, as needed.

B. Assess the need for changes to the Property and Casualty Statement of Actuarial Opinion instructions upon release of the SOA's proposed changes to its education pathways.

3. The **Statistical Data (C) Working Group** will:
   A. Consider updates and changes to the *Statistical Handbook of Data Available to Insurance Regulators*.
   B. Consider updates and developments, provide technical assistance, and oversee the production of the following reports and databases. Periodically, evaluate the demand and utility versus the costs of production of each product.
      i. *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance* (Homeowners Report).
      ii. *Auto Insurance Database Report* (Auto Report).
      iii. *Competition Database Report* (Competition Report).
      iv. *Report on Profitability by Line by State Report* (Profitability Report).
   C. Enhance the expedited reporting and publication of average auto and average homeowners premium portions of the annual Auto Report and Homeowners Report.

Draft: 9/18/23

Casualty Actuarial and Statistical (C) Task Force
Virtual Meeting
September 5, 2023

The Casualty Actuarial and Statistical (C) Task Force met Sept. 5, 2023. The following Task Force members participated: D.J. Bettencourt, Chair, represented by Christian Citarella (NH); Chlora Lindley-Myers, Vice Chair, represented by Julie Lederer (MO); Lori K. Wing-Heier represented by Sian Ng-Ashcraft (AK); Mark Fowler represented by Charles Hale (AL); Ricardo Lara represented by Lynne Wehmueller (CA); Andrew N. Mais represented by Wanchin Chou (CT); Michael Yaworsky represented by Peshala Disanayaka (FL); Doug Ommen represented by Travis Grassel (IA); Dana Popish Severinghaus represented by Reid McClintock (IL); Amy L. Beard represented by Larry Steinert (IN); Vicki Schmidt represented by Nicole Boyd (KS); James J. Donelon represented by Nichole Torblaa (LA); Kathleen A. Birrane represented by Marsha Hall (MD); Timothy N. Schott represented by Sandra Darby (ME); Anita G. Fox represented by Kevin Dyke (MI); Grace Arnold represented by Phil Vigliaturo (MN); Troy Downing represented by Mari Kindberg (MT); Mike Causey represented by Richard Kohan (NC); Eric Dunning represented by Michael Muldoon (NE); Scott Kipper represented by Gennady Stolyarov (NV); Judith L. French represented by Maureen Motter (OH); Glen Mulready represented by Cuc Nguyen (OK); Andrew R. Stolfi represented by David Dahl (OR); Michael Humphreys represented by Michael McKenney (PA); Michael Wise represented by Matt Watts (SC); Cassie Brown represented by J'ne Byckovski and Miriam Fisk (TX); and Mike Kreidler represented by Dan Forsman (WA).

1. <u>Adopted the Report of the Actuarial Opinion (C) Working Group</u>

Fisk said the Actuarial Opinion (C) Working Group met Aug. 23 to discuss potential changes to the 2024 opinion instructions. For the Title instructions, the Working Group is considering several edits for consistency with the Property instructions. The Working Group will vote on *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2023* (2023 Regulatory Guidance) this month.

Fisk made a motion, seconded by Darby, to adopt the oral report of the Actuarial Opinion (C) Working Group. The motion passed unanimously.

2. <u>Discussed the Referral Regarding the SOA's Pending Education Changes</u>

The Life Actuarial (A) Task Force asked the Casualty Actuarial and Statistical (C) Task Force to participate in writing a letter addressed to the Society of Actuaries (SOA) about the SOA's pending education changes. Lederer provided background. In July, the SOA announced some planned changes to its examination pathway, and those changes are proposed to take effect in the fall. One change is that detailed local regulatory requirements would be moved off the exams and become a stand-alone optional local regulatory certificate. Lederer provided an example that if an actuary wishes to sign a statutory Statement of Actuarial Opinion (SAO) for a U.S. entity, the actuary would need to get the optional certificate that involves learning about U.S. regulation and statutory accounting. Other actuaries would not need to get that certificate. Lederer said one concern discussed in the letter is that Appointed Actuaries do not work alone, and their credentialed staff may not have covered U.S. statutory requirements in any formal way.

Lederer also proposed a paragraph be added to the letter to address property/casualty (P/C) special requirements to evaluate the general insurance program to ensure it is accepted for Appointed Actuaries. Via the SOA website, she said it appears some ratemaking and reserving material is proposed to be removed. If changes are needed to the opinion instructions, those need to be proposed to the Blanks (E) Working Group by January 2024 to be effective for 2024. Lederer said the Task Force will need about a year or two to review the education changes and make any changes to the instructions.

Chou said the Life Actuarial (A) Task Force has concerns about the reason for the changes and valuation issues. He said he would report on any continued discussions.

Citarella asked members to review the letter and propose any additional changes in wording in the next two weeks.

Stuart Klugman (SOA) supported the proposed P/C paragraph, and he said the P/C's 105 knowledge statements aid the SOA's curriculum committee. He said the SOA is aware of the need to continue to meet those educational requirements, and he noted the need to provide state insurance regulators with two years for review. He said the plans are to put revisions in place by the spring of 2024 but not to offer new certificates until 2026. He said that means anyone who is under the old system would still be qualifying through exams in 2025. Actuaries under the new system would not complete programs until 2026. He said the SOA views this as a collaboration, and its goal is to ensure state insurance regulators are comfortable with what it is doing. Ann Weber (SOA) added that the SOA is discussing changes with the American Academy of Actuaries (Academy) too. She said the Academy is aware that it may need to change some of the qualification standards.

3. Discussed Schedule P and Number of Years of Data

Michelle L. Iarkowski (Deloitte Consulting LLP) said the Academy's Committee on Property and Liability Financial Reporting (COPLFR) submitted a proposal (Attachment ___) to require all lines of business have 10 years of data shown in Schedule P. Currently, there are short-tailed lines in Schedule P that are only required to show two years. Iarkowski said an analysis shows there is still significant development happening beyond the two years that would show in a 10-year exhibit.

Task Force members mentioned examples of recent state data reporting requirements for these lines of business that require more than two years of data.

Iarkowski said the Academy hopes the Task Force will create a blanks proposal. She added that if that happens, the Task Force will need to coordinate with the Blanks (E) Working Group on other pending Schedule P changes, such as pet insurance.

4. Discussed the Financial Reporting of Parent or Affiliate Claims Handling Expenses

Iarkowski said COPLFR has received questions regarding how adjusting and other expenses should be handled when claims handling is provided by a parent or affiliate at no cost to the insurer. Robin Marcotte (NAIC) said an answer might be in the *Insurance Holding Company System Regulatory Act* (#440) through its requirements about agreements between related parties needing to be in writing and needing state regulatory approval. Also, transactions between affiliates must be fair and reasonable. Stolyarov said he would determine the legal and contractual obligations of the reporting entity and whether that entity has specific obligations for these expenses. Marcotte said she will research the issue so NAIC staff and COPLFR representatives can meet for further discussion.

5. Discussed the D&O Insurance Coverage and Cyber Insurance Supplements

Citarella said any proposed changes to annual statement supplements would need to be sent to the Blanks (E) Working Group by the early days of February for that year of reporting. He said the goal is to have a Director and Officer (D&O) Supplement proposal drafted by the Fall National Meeting. He said the main complication is that this would be the first supplement to require accident year reporting, which may over-complicate the supplement.

McKenney said the status of the cybersecurity blanks proposal is that it continues to be discussed with interested parties. State insurance regulators need to decide what needs to be reported and whether it can be simplified. Some topics under discussion are: 1) primary or excess; 2) stand-alone policy or endorsement; and 3) first-party or third-party claims. McKenney said his current concern is the admitted market rather than the excess market.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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Draft: 9/5/23

Casualty Actuarial and Statistical (C) Task Force
E-Vote
August 30, 2023

The Casualty Actuarial and Statistical (C) Task Force conducted an e-vote that concluded Aug. 30, 2023. The following Task Force members participated: D.J. Bettencourt, Chair, represented by Christian Citarella (NH); Chlora Lindley-Myers, Vice Chair, represented by Julie Lederer (MO); Ricardo Lara represented by Lynne Wehmueller (CA); Andrew N. Mais represented by Wanchin Chou (CT); Michael Yaworsky represented by Christina Huff (FL); Doug Ommen represented by Travis Grassel (IA); Dana Popish Severinghaus represented by Reid McClintock (IL); Amy L. Beard represented by Larry Steinert (IN); Kathleen A. Birrane represented by Ron Coleman (MD); Timothy N. Schott represented by Sandra Darby (ME); Anita G. Fox represented by Kevin Dyke (MI); Grace Arnold represented by Phil Vigliaturo (MN); Troy Downing represented by Mari Kindberg (MT); Mike Causey represented by Richard Kohan (NC); Eric Dunning and Michael Muldoon (NE); Scott Kipper represented by Gennady Stolyarov (NV); Judith L. French represented by Tom Botsko (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Michael McKenney (PA); Cassie Brown represented by J'ne Byckovski (TX); Mike Kreidler represented by Eric Slavich (WA); and Allan L. McVey and Juanita Wimmer (WV).

1. Adopted the 2021 Auto Supplement

The Task Force conducted an e-vote to consider adoption of the *2021 Auto Database Average Premium Supplement* (Auto Supplement). The motion passed with one abstention.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

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**Draft Pending Adoption**

Draft: 8/25/23

Casualty Actuarial and Statistical (C) Task Force
Seattle, Washington
August 12, 2023

The Casualty Actuarial and Statistical (C) Task Force met in Seattle, WA, Aug. 12, 2023. The following Task Force members participated: D.J. Bettencourt, Chair, represented by Christian Citarella (NH); Chlora Lindley-Myers, Vice Chair, represented by Jo LeDuc (MO); Lori K. Wing-Heier represented by Sian Ng-Ashcraft (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ken Allen and Lynne Wehmueller (CA); Andrew N. Mais represented by Wanchin Chou and Qing He (CT); Doug Ommen represented by Travis Grassel (IA); Dana Popish Severinghaus represented by Julie Rachford (IL); Vicki Schmidt represented by Nicole Boyd (KS); James J. Donelon represented by Nichole Torblaa (LA); Kathleen A. Birrane represented by Ron Coleman (MD); Timothy N. Schott represented by Sandra Darby (ME); Anita G. Fox represented by Kevin Dyke (MI); Grace Arnold represented by Phil Vigliaturo (MN); Mike Causey represented by Richard Kohen (NC); Eric Dunning represented by Michael Muldoon (NE); Judith L. French represented by Tom Botsko (OH); Glen Mulready represented by Andrew Schallhorn (OK); Andrew R. Stolfi represented by Raven Collins (OR); Michael Humphreys represented by Shannen Logue (PA); Michael Wise represented by Will Davis (SC); Cassie Brown represented by Miriam Fisk (TX); Kevin Gaffney (VT); Mike Kreidler represented by Eric Slavich (WA); and Allan L. McVey represented by Tom Whitener (WV).

1. Adopted its June 13, May 2, and Spring National Meeting Minutes

The Task Force met June 13 and May 2 to discuss the monitoring of other NAIC committee groups, the review of future actuarial papers, the loss cost multiplier (LCM) form implementation, the Director and Officer (D&O) Insurance Coverage Supplement, and the Cyber Insurance Supplement.

Chou made a motion, seconded by Dyke, to adopt the Task Force's June 13 (Attachment One), May 2 (Attachment Two), and March 7 (*see NAIC Proceedings – Spring 2023, Casualty Actuarial and Statistical (C) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Report of the Actuarial Opinion (C) Working Group

Fisk said the Actuarial Opinion (C) Working Group met three times since its last report to the Task Force on June 13. The Working Group met June 14 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the 2022 Statement of Actuarial Opinion (SAO). No serious issues or trends were identified during that meeting.

The Working Group met July 12 to adopt its response to the Financial Analysis (E) Working Group's referral on predictive analytics in reserving, which had been exposed for a public comment period through June 26. The Actuarial Opinion (C) Working Group voted unanimously to adopt the response. The Working Group also began discussing potential changes to the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2023* (2023 Regulatory Guidance) and the 2024 Opinion instructions during the July 12 meeting.

The Working Group also met Aug. 2 to continue the discussion of the 2023 Regulatory Guidance and 2024 Opinion instructions. A draft of the 2023 Regulatory Guidance document is exposed for public comment through Sept. 1. The draft includes changes to better reflect the instruction's language about what to do when a material error is found and to remove the section on guidance related to COVID-19. The most significant change discussed by the Working Group for the 2024 Property/Casualty (P/C) Opinion instructions would be to modify the requirement for qualification documentation to be provided by appointed actuaries only upon initial appointment and eliminate the requirement to provide qualification documentation annually thereafter.

Fisk made a motion, seconded by Muldoon, to adopt the report of the Actuarial Opinion (C) Working Group, including its Aug. 2 (Attachment Three); July 12 (Attachment Four); and May 25 (Attachment Five) minutes, which adopted a Financial Analysis (E) Working Group referral on predictive analytics in reserving, discussed actuarial opinion instructions, and exposed the 2023 Regulatory Guidance for a 30-day public comment period ending Sept. 1. The motion passed unanimously.

3. Adopted the Report of the Statistical Data (C) Working Group

Darby said the Statistical Data (C) Working Group has not met in open session since the Spring National Meeting.

The Working Group approved the adoption of the 2021 *Auto Insurance Database Report* (Auto Report) Average Premium Supplement, which is now at the Task Force for review and adoption. Darby mentioned that the Working Group will conduct an e-vote shortly after the Summer National Meeting to consider adoption of the 2021 *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report). Darby mentioned that data requests for 2022 data for both reports will be sent at the end of August.

Darby said that the full 2020/2021 Auto Report, as well as the *Report on Profitability by Line by State* (Profitability Report) and *Competition Database Report* (Competition Report), will be sent to the Working Group for review, and they are on track to be adopted and released by December.

Darby made a motion, seconded by Chou, to adopt the report of the Statistical Data (C) Working Group, including its July e-vote adopting the 2021 Auto Insurance Database Report Average Premium Supplement (Attachment Six) The motion passed unanimously.

4. Considered Comments on the Proposed ERM ASOP

The Actuarial Standards Board (ASB) of the American Academy of Actuaries (Academy) approved an exposure draft of a new Actuarial Standard of Practice (ASOP) on enterprise risk management (ERM) in the spring of 2023. Regulators met informally on June 22 for an optional, regulator-to-regulator call regarding this proposed ASOP, and it determined that it would be reasonable to consider submitting written comments to the ASB. Julie Lederer (MO) drafted comments after the call for submission to the Task Force. The Task Force chair exposed the comments July 3, with feedback due July 21. No feedback was received by the Task Force via written or oral comment.

Chou made a motion, seconded by Botsko, to submit the comments on the proposed ERM ASOP (Attachment Seven). The motion passed unanimously.

5. Discussed its Work Plan Regarding the D&O and Cyber Supplements

Citarella said there appeared to be consensus in prior Task Force meetings for the transition of the Director and Officer (D&O) supplement from calendar year to accident year reporting, and he asked if anyone is willing to take leadership regarding a formal presentation to the Blanks (E) Working Group. No members came forward to volunteer. Citarella said the item can be revisited in a future meeting.

Citarella mentioned that there is an ad hoc group working with the Working Group on a proposal for changes to the Cyber Liability Supplement. The ad hoc group, led by Sara Robben (NAIC), includes some members of the Task Force, other state insurance regulators, and interested parties. A small group of Task Force members met recently to discuss this proposal. That conversation centered on what types of information state insurance regulators want and/or need in the supplement. Citarella said these conversations will continue as the Task Force considers the ad hoc group's goal for exposure in October. He reiterated that the individual regulators are not acting on behalf of the Task Force; rather they are interested regulators acting on their states' behalf. He mentioned that members interested in joining these discussions should contact Robben, Michael McKenney (PA), Chou, or himself.

Citarella mentioned that the changes to the Cyber Liability Supplement proposal do not address the issues raised by Irwin Goldfarb (American International Group [AIG]–Retired) during the Task Force's May meeting. During that meeting, Goldfarb suggested that cyber be pulled out of the Other Liability line (and any other lines) in Schedule P of the annual statement. Alternatively, short of inclusion as a separate line in Schedule P, he proposed that the Cyber Supplement be reported on an accident-year basis, similar to his D&O Supplement proposal.

Citarella asked if any Task Force members had thoughts on how to move these proposals forward. No comments were received. Citarella mentioned that this item will be revisited in the future.

6. Received a Report on the Capital Adequacy (E) Task Force's Risk Evaluation Ad Hoc Group

Botsko gave an update on the Capital Adequacy (E) Task Force's Risk Evaluation Ad Hoc Group. He mentioned that the Ad Hoc Group is designed to evaluate risk-based capital (RBC), both from a holistic view, as well as considering any other factors that should be added or removed. He mentioned that three subgroups were created: 1) Geographic Concentration, which serves to identify localized companies; 2) Guidelines & Education, which serves to re-educate about the purpose of RBC and identify minimalized capital for companies; and 3) Asset Concentration, which serves to evaluate the need to have asset concentration factors.

Botsko asked if any members were interested in joining. No members came forward to volunteer.

7. Heard a Presentation from the Academy on its *Approaches to Identify and/or Mitigate Bias in Property and Casualty Insurance* White Paper

Mike Woods (Academy) gave a presentation titled "Methods to Identify and/or Mitigate Bias." Initially, ASOPs and definitions of unfair discrimination and disproportionate outcomes were discussed (Attachment Eight. Woods then outlined principles for approaches to identify and address unfair discrimination, and he discussed data collection, classification, and other considerations. Afterward, he listed and discussed methods for identifying, preventing, and addressing potential bias.

There were several questions posed. Citarella asked Woods to walk through how different methods would adjust rates given the following scenario: The industry has long known that people who drive 4-door cars have fewer and less expensive losses than those who drive 2-door cars. In one company's book of business, only People of Color drive 2-door cars. This would then show that in the end result, People of Color have higher rates than white policyholders for this company, even though industry-wide it has been proven to have nothing to do with race. Which methods would accept that differential as an acceptable rating and which would adjust rates so there is no difference in rates between 4-door and 2-door cars for this one company? Is there a different result if the People of Color group drive the 4-door cars and others drive the 2-door cars in this company?

Woods went through the six methods given for identifying bias and described whether each one would accept the rate differential as follows:

- Disproportionate Impact Analysis: The company would fail (i.e., Method indicates that rates need to be adjusted) since the method does not consider whether the losses are in proportion to the premiums.

- Fairness Metrics: The company would pass (i.e., Method indicates that rates don't need to be adjusted) since predicted losses are equal to actual losses.
- Insurance Data Disclosure: The public will see that protected classes are being charged higher premiums.
- Loss Ratio Test: The company would pass since the method looks at whether premiums are being charged in relation to expected losses.
- Proxy Test: The company would fail because the door variable is a proxy for protected class.
- Rational Explanation: Company would pass because 4-door cars have lower expected losses.

For the second question, Woods mentioned that the results would be similar but whoever is administering the test needs to determine whether it is appropriate for a protected class to receive a lower premium.

He then reiterated the importance of looking at different methods. There was also a discussion regarding the collection of protected class data by insurance companies and the effectiveness of the methods proposed for the purposes of identifying bias. The predictive power of protected characteristics for rating purposes and their potential use was also discussed by multiple parties.

8. Heard Reports from Professional Actuarial Organizations

The Academy, the Actuarial Board for Counseling and Discipline (ABCD), the ASB, the Casualty Actuarial Society (CAS), and the Society of Actuaries (SOA) provided reports on current activities and research.

9. Heard a Report from the SOA on Exam Changes

Stuart Klugman (SOA) gave a presentation titled "The Evolution of the FSA Pathway" (Attachment Nine). He mentioned that a current exam pathway challenge is that in-depth U.S. and Canadian regulatory material lacks relevance to global markets. To address this challenge, he mentioned that the SOA proposes to move detailed regulatory material outside of fellowship requirements and offer stand-alone, optional regulatory certificates. He further mentioned that the SOA is in contact with regulatory bodies to ensure that new fellows who complete the necessary certificates are qualified to sign SAOs in the U.S. No time was available for discussion.

Having no further business, the Casualty Actuarial and Statistical (C) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/Member Meetings/C CMTE/2023_Summer/CASTF/Aug 12 Minutes.docx

Draft: 10/2/23

Actuarial Opinion (C) Working Group
Virtual Meeting
September 27, 2023

The Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met Sept. 27, 2023. The following Working Group members participated: Miriam Fisk, Chair (TX);  Amy Waldhauer (CT); Chantel Long (IL); Sandra Darby (ME); Julie Lederer (MO); Michael Muldoon (NE); and Kevin Clark and James DiSanto (PA).

1. Adopted the Regulatory Guidance

After the exposure ending Sept. 1, the Working Group received one response (Attachment___). Fisk said she made non-substantive edits based on the comment letter.

Ms. Darby made a motion, seconded by DiSanto, to adopt the 2023 Regulatory Guidance (Attachment ___). The motion passed unanimously.

2. Exposed P/C and Title Actuarial Opinion Instructions

Fisk noted the address of the Appointed Actuary is required in other parts of the annual statement. She also said the Working Group would need to review state laws to make sure there is no address requirement in the laws. Therefore, she suggested the address remain a requirement.

Beyond the changes discussed on a prior call, Fisk said she made one more change to the Title instructions. In the second part of the definition of "Qualified Actuary," she replaced the "particular lines of business" used in the P/C instructions to "title insurance." Fisk said she verified with the American Academy of Actuaries' Casualty Practice Council that an actuary can be assessed for title insurance qualifications.

The Working Group had no discussion about the 2024 Property/Casualty (P/C) Statement of Actuarial Opinion (SAO) and the Title SAO as presented (Attachments __). Fisk asked for the documents to be exposed for a 30-day comment period ending Oct. 27, 2023.

Having no further business, the Actuarial Opinion (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2023_Fall/CASTF/AOWG/AOWG 092723 min.docx

Adopted by the Actuarial Opinion (C) Working Group: Sept. 27, 2023

**REGULATORY GUIDANCE on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2023**

Prepared by the NAIC Actuarial Opinion (C) Working Group
of the Casualty Actuarial and Statistical (C) Task Force

The NAIC Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force believes that the Statement of Actuarial Opinion (SAO), Actuarial Opinion Summary (AOS), and Actuarial Report are valuable tools in serving the regulatory mission of protecting consumers. This regulatory guidance document supplements the NAIC *Annual Statement Instructions—Property/Casualty* (Instructions) to provide clarity and timely guidance to companies and Appointed Actuaries with regulatory expectations on the SAO, AOS, and Actuarial Report.

An Appointed Actuary has a responsibility to know and understand both the Instructions and the expectations of state insurance regulators. One expectation of regulators clearly presented in the Instructions is that the SAO, AOS, and supporting Actuarial Report and work papers be consistent with relevant Actuarial Standards of Practice (ASOPs). Although it is the responsibility of the Appointed Actuary to identify the applicable ASOPs, the Appointed Actuary may find it useful to review the Applicability Guidelines for Actuarial Standards of Practice published by the Actuarial Standards Board (ASB).

Changes to the 2021 and 2022 Instructions were minor. The Working Group did not propose any significant changes to the 2023 Instructions.

## Table of Contents

Adopted by the Actuarial Opinion (C) Working Group: Sept. 27, 2023

# I. General Comments

## A. Reconciliation Between Documents

If there are any differences between the values reported in the Statement of Actuarial Opinion (SAO), Actuarial Opinion Summary (AOS), Actuarial Report, and annual statement, the Actuarial Opinion (C) Working Group expects Appointed Actuaries to include an explanation for these differences in the appropriate document; i.e., the SAO, AOS, or Actuarial Report. The use of a robust peer review process by the Appointed Actuary should reduce reporting errors and non-reconciling items.

One situation in which a legitimate difference might arise is in the case of non-tabular discounting; i.e., the direct and assumed loss reserves on line three of the SAO's Exhibit A come from Schedule P, Part 1, which is gross of non-tabular discounting, while the Actuarial Report and AOS might present the direct and assumed loss reserves on a net of discounting basis.

## B. Role of Illustrative Language in the Instructions

While the *Annual Statement Instructions—Property/Casualty* (Instructions) provide some illustrative language, the Working Group encourages Appointed Actuaries to use whatever language they believe is appropriate to clearly convey their opinion and the basis for that opinion. In forming their opinion, Appointed Actuaries should consider company-specific characteristics (e.g., intercompany pooling arrangements; recent mergers or acquisitions; and significant changes in operations, product mix, or reinsurance arrangements).

## C. Qualification Documentation

Starting with the 2019 Instructions, the Appointed Actuary is required to provide qualification documentation to the Board of Directors upon initial appointment and annually thereafter. The Working Group is considering an amendment to this requirement starting with year-end 2024 opinions, which would only require the Appointed Actuary to provide qualification documentation to the Board upon initial appointment and eliminate the requirement to provide the documentation annually thereafter.

The documentation provided to the Board of Directors must be available to the state insurance regulator upon request and during a financial examination. Guidance on qualification documentation is in Section IV of this document.

## D. Replacement of an Appointed Actuary

The Instructions require two letters when the Board of Directors replaces an Appointed Actuary: 1) one addressed from the insurer to the domiciliary commissioner; and 2) one addressed from the former Appointed Actuary to the insurer. The insurer must provide both letters to the domiciliary commissioner.

The detailed steps are as follows:

1. Within five business days, the insurer shall notify its domiciliary commissioner that the former Appointed Actuary has been replaced.
2. Within 10 business days of the notification in step 1, the insurer shall provide the domiciliary commissioner with a letter stating whether there were disagreements with the former Appointed Actuary in the 24 months preceding the replacement. The Instructions describe the types of disagreements required to be reported in the letter.
3. Within the same 10 business days referred to in step 2, the insurer shall request in writing that the former Appointed Actuary provide a letter addressed to the insurer stating whether the former Appointed Actuary agrees with the statements contained in the insurer's letter referenced in step 2.
4. Within 10 business days of the request from the insurer described in step 3, the former Appointed Actuary shall provide a written response to the insurer.
5. The insurer shall provide the letter described in step 2 and the response from the former Appointed Actuary described in step 4 to the domiciliary commissioner.

Regarding the disagreements referenced in step 2, state insurance regulators understand that there may be disagreements between the Appointed Actuary and the insurer during the course of the Appointed Actuary's analysis that are resolved by the time the Appointed Actuary concludes the analysis. For instance, the Appointed Actuary's analysis may go through several iterations, and an insurer's comments on the Appointed Actuary's draft Actuarial Report may prompt the Appointed Actuary to make changes to the report. While state insurance regulators are interested in material disagreements regarding differences between the former Appointed Actuary's final estimates and the insurer's carried reserves, they do not expect notification on routine discussions that occur during the course of the Appointed Actuary's work.

E. Reporting to the Board of Directors

The Appointed Actuary is required to report to the insurer's Board every year, and the Instructions were amended in 2016 to require that the Board's minutes specify the manner in which the Appointed Actuary presents the required information. This may be done in a form of the Appointed Actuary's choosing, including, but not limited to, an executive summary or PowerPoint presentation. The Working Group strongly encourages the Appointed Actuary to present his or her analysis in person so the risks and uncertainties that underlie the exposures and the significance of the Appointed Actuary's findings can be adequately conveyed and discussed. Regardless of how the Appointed Actuary presents his or her conclusions, the Actuarial Report must be made available to the Board.

Management is limited to reporting single values on lines 1 and 3 of the Liabilities, Surplus, and Other Funds page of the balance sheet. However, actuarial estimates are uncertain by nature, and point estimates do not convey the variability in the projections. Therefore, the Board of Directors should be made aware of the Appointed Actuary's opinion regarding the risk of material adverse deviation, the sources of risk, and what amount of adverse deviation the Appointed Actuary judges to be material.

F. Requirements for Pooled Companies

Effective with the 2014 Instructions, requirements for companies that participate in intercompany pools are as follows:

For all intercompany pooling members:

- Text of the SAO should include the following:
  - Description of the pool.
  - Identification of the lead company.
  - A listing of all companies in the pool, their state of domicile, and their respective pooling percentages.
- Exhibits A and B should represent the company's share of the pool and reconcile to the financial statement for that company.

For intercompany pooling members with a 0% share of the pooled reserves:

- Text of the SAO should be similar to that of the lead company.
- Exhibits A and B should reflect the 0% company's value.
  - Response to Exhibit B, Item 5 (materiality standard) should be $0.
  - Response to Exhibit B, Item 6 (risk of material adverse deviation) should be "not applicable."
- Exhibits A and B of the lead company should be filed with the 0% company's SAO.
- Information presented in the AOS should be that of the lead company.

Note the distinction between pooling with a 100% lead company with no retrocession and ceding 100% via a quota share reinsurance agreement. The state insurance regulator must approve these affiliate agreements as either an intercompany pooling arrangement or a quota share reinsurance agreement. The proper financial reporting is dependent on the approved filings, regardless of how company management regards its operating platform.

For intercompany pooling members with a greater than 0% share of the pooled reserves, state insurance regulators encourage the Appointed Actuary to display values in the AOS on a pooled (or consolidated) basis in addition to the statutory entity basis. This can be accomplished by displaying two tables of information.

G. Explanation of Adverse Development

1. Comments on Unusual Insurance Regulatory Information System Ratios in the Statement of Actuarial Opinion

The Appointed Actuary is required to provide comments in the SAO on factors that led to unusual values for Insurance Regulatory Information System (IRIS) ratios 11, 12, or 13. The Working Group considers it insufficient to attribute unusual reserve development to "reserve strengthening" or "adverse development," and it expects the Appointed Actuary to provide insight into the company-specific factors that caused the unusual value. Detailed documentation should be included in the Actuarial Report to support statements provided in the SAO.

2. Comments on Persistent Adverse Development in the Actuarial Opinion Summary

The Appointed Actuary is required to comment on persistent adverse development in the AOS. Comments can reflect common questions state insurance regulators have, such as:

- Is development concentrated in one or two exposure segments, or is it broad across all segments?
- How does development in the carried reserve compare to the change in the Appointed Actuary's estimate?
- Is development related to specific and identifiable situations that are unique to the company?
- Does the development or the reasons for development differ depending on the individual calendar or accident years?

H. Revisions

The Instructions contain a detailed definition of what it means for the SAO or AOS to be "in error," along with a description of steps the company and Appointed Actuary should take in that situation.

Even if the SAO or AOS does not meet the Instructions' specific definition of "in error," submitting a revised SAO or AOS might be appropriate or recommended in other situations. It would be prudent for the company to contact the state insurance regulator if mistakes or problems are discovered but do not meet the specific definition of "in error."

A revised SAO or AOS should clearly state that it is an amended document, and it should contain or accompany an explanation for the revision and include the date of revision.

II. Comments on the Statement of Actuarial Opinion and Actuarial Report

A. Review Date

The illustrative language for the Scope paragraph includes "… and reviewed information provided to me through XXX date." This is intended to capture the Actuarial Standard of Practice (ASOP) No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, requirement to disclose the date through which material information known to the Appointed Actuary is included in forming the reserve opinion—i.e., the review date—if it differs from the date the Actuarial Opinion is signed. When the Appointed Actuary is silent regarding the review date, this can indicate either that the review date is the same as the date the SAO is signed or that the Appointed Actuary overlooked this disclosure requirement. When the Appointed Actuary's review date is the same as the date the SAO is signed, state insurance regulators suggest that the Appointed Actuary clarify this in the SAO by including a phrase such as "… and reviewed information provided to me through the date of this opinion."

B. Making Use of Another's Work

If the Appointed Actuary makes use of the work of another not within the Appointed Actuary's control for a material portion of the reserves, the *Annual Statement Instructions—Property/Casualty* (Instructions) note that the Appointed Actuary must provide the following information in the SAO:

- The person's name.
- The person's affiliation.

- The person's credential(s) if the person is an actuary.
- A description of the type of analysis performed if the person is not an actuary.

Furthermore, Section 4.2.f of ASOP No. 36 says the actuary should disclose whether he or she reviewed the other's underlying analysis and, if so, the extent of the review. Though this is not mentioned in the ASOP, the Working Group encourages the Appointed Actuary to consider discussing his or her conclusions from the review.

Section 3.7.2 of ASOP No. 36 describes items the actuary should consider when determining whether it is reasonable to make use of the work of another. One of these items is the amount of the reserves covered by the other's analyses or opinions in comparison to the total reserves subject to the actuary's opinion. The Working Group encourages the Appointed Actuary to disclose these items in the SAO by providing the dollar amount of the reserves covered by the other's analyses or opinions and the percentage of the total reserves subject to the Appointed Actuary's opinion that these other reserves represent.

C. Points A and B of the Opinion Paragraph When Opinion Type is Other Than "Reasonable"

State insurance regulators encourage Appointed Actuaries to think about their responses to point A—meet the requirements of the insurance laws of the state—and point B—computed in accordance with accepted actuarial standards—of the Opinion paragraph when they issue an SAO of a type other than "Reasonable."

D. Conclusions on a Net Versus a Direct and Assumed Basis

Unless the Appointed Actuary states otherwise, state insurance regulators will assume that the Appointed Actuary's conclusion on the type of opinion rendered, provided in points C and D of the Opinion paragraph, applies to both the net and the direct and assumed reserves. If the Appointed Actuary reaches different conclusions on the net versus the direct and assumed reserves, the Appointed Actuary should include narrative comments to describe the differences and clearly convey a complete opinion. The response to Exhibit B, Item 4 should reflect the Appointed Actuary's opinion on the net reserves.

Similarly, the materiality standard in Exhibit B, Item 5 and the Risk of Material Adverse Deviation (RMAD) conclusion in Exhibit B, Item 6 should pertain to the net reserves. If the Appointed Actuary reaches a different conclusion on the risk of material adverse deviation in the net versus the direct and assumed reserves, the Appointed Actuary should include a Relevant Comments paragraph to address the differences. State insurance regulators understand that a net versus a direct and assumed RMAD will have different meanings and, potentially, different materiality standards.

E. Unearned Premium for Property/Casualty Long-Duration Contracts

Exhibit A, Items 7 and 8 require disclosure of the unearned premium reserve for property/casualty (P/C) long-duration contracts. The Instructions require the Appointed Actuary to include a point D in the Opinion paragraph regarding the reasonableness of the unearned premium reserve when these reserves are material.

The Working Group expects that the Appointed Actuary will include documentation in the Actuarial Report to support a conclusion on reasonableness whenever point D is included in the SAO. This documentation may include the three tests of *Statement of Statutory Accounting Principles (SSAP) No. 65—Property and Casualty Contracts* or other methods deemed appropriate by the Appointed Actuary to support his or her conclusion.

State insurance regulators see many SAOs where dollar amounts are included in Exhibit A, Items 7 and 8; some SAOs include a Relevant Comments paragraph discussing these amounts, and some do not. State insurance regulators prefer at a minimum that Appointed Actuaries include some discussion in Relevant Comments on these amounts, including an explicit statement as to whether these amounts are material or immaterial.

F. Other Premium Reserve Items

Regarding "Other Premium Reserve Items" in Exhibit A, Item 9, the Appointed Actuary should include an explanatory paragraph about these premium reserves in Relevant Comments and state whether the amounts are material or immaterial.

If the amounts are material and the Appointed Actuary states that the amounts are reasonable in an Opinion paragraph, state insurance regulators would expect the actuarial documentation to support this conclusion in the Actuarial Report.

Typical items state insurance regulators see listed as other premium reserve items are medical professional liability death, disability, and retirement (DD&R) unearned premium reserves (UPRs) and other liability claims DD&R UPRs. Depending on the nature of these exposures, these items may be also listed on Exhibit B, Line 12.2 as claims made extended UPRs.

G. The Importance of Relevant Comments Paragraphs

The Working Group considers the Relevant Comments paragraphs to be the most valuable information in the SAO. Relevant Comments help the state insurance regulator interpret the SAO and understand the Appointed Actuary's reasoning and judgment. In addition to the required Relevant Comments, the Appointed Actuary should consider providing information on other material items, such as reinsurance with affiliates, mergers or acquisitions, other premium reserves, and catastrophe risk.

H. Risk of Material Adverse Deviation

The Relevant Comments paragraphs on the RMAD are particularly useful to state insurance regulators. The first two RMAD comments below respond to questions that Appointed Actuaries have posed to state insurance regulators. The second two stem from state insurance regulators' reviews of SAOs.

1. No Company-Specific Risk Factors—The Appointed Actuary is asked to discuss company-specific risk factors regardless of the RMAD conclusion. If the Appointed Actuary does not believe there are any company-specific risk factors, the Appointed Actuary should state that.

2. Mitigating Factors—State insurance regulators generally expect Appointed Actuaries to comment on significant company-specific risk factors that exist prior to the company's application of controls or use of mitigation techniques. The company's risk management behaviors may, however, affect the Appointed Actuary's RMAD conclusion.

3. Consideration of Carried Reserves, Materiality Standard, and Reserve Range When Making Risk of Material Adverse Deviation Conclusion—When deciding whether RMAD exists, the Appointed Actuary should consider the materiality standard in relation to the range of reasonable estimates and the carried reserves. For example, RMAD should likely exist when the sum of the materiality standard plus the carried reserves is within the range of reasonable estimates. Regardless, the Appointed Actuary should support the conclusion of whether RMAD exists.

4. Materiality Standards for Intercompany Pool Members—With the exception of intercompany pooling members that retain a 0% share, each statutory entity is required to have a separate SAO with its own materiality standard. Where there are no unusual circumstances to consider, it may be acceptable to determine a standard for the entire pool and assign each member its proportionate share of the total. It is not appropriate to use the entire amount of the materiality threshold for the pool as the standard for each individual pool member.

I. State Insurance Regulators' Use of the Actuarial Report

State insurance regulators should be able to rely on the Actuarial Report as an alternative to developing their own independent estimates. A well-prepared and well-documented Actuarial Report that complies with ASOP No. 41, *Actuarial Communications*, can provide a foundation for efficient reserve evaluation during a statutory financial examination. This expedites the examination process and may provide cost savings for the company.

1. Schedule P Reconciliation

The Working Group acknowledges that myriad circumstances (e.g., mergers, acquisitions, changes in claim systems, and the use of underwriting year data in the analysis) may make it difficult for the Appointed Actuary to reconcile the analysis data to Schedule P. The Working Group encourages Appointed Actuaries to disclose reconciliation issues in the Actuarial Report. If the data cannot be reconciled, the Appointed Actuary should document the reasons.

The Working Group believes:

- A summary reconciliation that combines all years and all lines is an insufficient demonstration of data integrity. A reconciliation should include enough detail to reflect the segmentation of exposures used in the reserve analysis, the accident years of loss activity, and the methods used by the Appointed Actuary. While it is important that the Appointed Actuary is provided with complete and accurate data, reconciling the data **provided** to the Appointed Actuary to Schedule P is not sufficient to demonstrate that the data **used** by the Appointed Actuary reconciles to Schedule P. It is important for the Appointed Actuary to demonstrate that in the process of performing the actuarial analysis, data was neither created nor destroyed. This is commonly accomplished by showing a clear mapping from the Appointed Actuary's analysis exhibits to the actuarial data shown in the Schedule P reconciliation.
- The Appointed Actuary should map the data groupings used in the analysis to Schedule P lines of business and provide detailed reconciliations of the data at the finest level of segmentation that is possible and practical. The Working Group recognizes that the Appointed Actuary chooses the data segmentation for the analysis, and there is often not a direct correspondence between analysis segments and Schedule P lines of business.
- The Appointed Actuary should reconcile all data material to the analysis, including claim counts and earned premium if appropriate. If the Appointed Actuary chooses not to reconcile certain data elements used in the analysis, such as claim counts, a brief explanation should be included in the Actuarial Report to make it clear that these elements were not inadvertently overlooked.
- Schedule P reconciliations are expected to be performed on both a direct and assumed basis and a net of reinsurance basis. If circumstances specific to the company lead the Appointed Actuary to perform the reconciliation on only one basis, the rationale for this decision should be explained in the Actuarial Report. Similarly, while the reconciliation of the loss-related elements, such as defense and cost containment and adjusting and other expenses, is generally expected to be on the same level as used in the analysis underlying the SAO, the Appointed Actuary has the discretion to deviate as long as the rationale is explained in the Actuarial Report.
- The Instructions require that the Appointed Actuary include an explanation for any material differences in the Schedule P Reconciliation. When differences appear in the reconciliation but are viewed as immaterial by the Appointed Actuary, the Appointed Actuary should acknowledge the immateriality of the differences in the Actuarial Report in order to assure state insurance regulators that the Appointed Actuary is aware of the differences and has considered the potential impact of the differences on the analysis underlying the SAO.

The Working Group draws a distinction between two types of data checks:

- The Schedule P reconciliation performed by the Appointed Actuary to show the user of the Actuarial Report that the data significant to the Appointed Actuary's analysis ties to the data in Schedule P.
- Annual testing performed by independent certified public accountants (CPAs) to verify the completeness and accuracy of the data in Schedule P or the analysis data provided by the company to the Appointed Actuary.

One key difference is that independent CPAs generally apply auditing procedures to loss and loss adjustment expense activity that occurred in the current calendar year (e.g., tests of payments on claims for all accident years that were paid during the current calendar year). Projection methodologies used by Appointed Actuaries, on the other hand, often use cumulative loss and loss adjustment expense data, which may render insufficient a testing of activity during the current calendar year alone.

Along similar lines, state insurance regulators encourage Appointed Actuaries to consider whether a reconciliation of incremental payments during the most recent calendar year for all accident/report years combined provides sufficient assurance of the integrity of the data used in the analysis, given that development factors are generally applied to cumulative paid losses by accident/report year.

2. Change in Estimates

The Working Group expects the Appointed Actuary to discuss any significant change in the Appointed Actuary's total estimates from the prior Actuarial Report. However, an explanation should also be included for any significant fluctuations within accident years or segments. When preparing the change-in-estimates exhibits, the Appointed Actuary should choose a level of granularity that provides meaningful comparisons between the prior and current year's results.

3. Narrative

The narrative section of the Actuarial Report should clearly convey the significance of the Appointed Actuary's findings and conclusions, the uncertainty in the estimates, and any differences between the Appointed Actuary's estimates and the carried reserves.

4. Support for Assumptions

Appointed Actuaries should support their assumptions. The use of phrases like "actuarial judgment," either in the narrative comments or in exhibit footnotes, is not sufficient. A descriptive rationale is needed.

The selection of expected loss ratios could often benefit from expanded documentation. When making their selection, Appointed Actuaries should consider incorporating rate changes, frequency and severity trends, and other adjustments needed to on-level the historical information. Historical loss ratio indications have little value if items, such as rate actions, tort reform, schedule rating adjustments, or program revisions, have materially affected premium adequacy.

5. Support for Roll-Forward Analyses

The Working Group recognizes that most of the analysis supporting an SAO may be done with data received prior to year-end and "rolled forward" to year-end. By reviewing the Actuarial Report, the state insurance regulator should be able to clearly identify why the Appointed Actuary made changes in the ultimate loss selections and how those changes were incorporated into the final estimates. A summary of final selections without supporting documentation is not sufficient.

J. Exhibits A and B

1. Data Capture Format

The term "data capture format" in Exhibits A and B of the Instructions refers to an electronic submission of data in a format usable for computer queries. This process allows for the population of an NAIC database that contains qualitative information, and financial data Appointed Actuaries should assist the company in accurately completing the electronic submission.

2. Scope of Exhibit B, Item 12

Exhibit B, Item 12 requests information on extended loss and unearned premium reserves for all P/C lines of business, not just medical professional liability. The Schedule P Interrogatories referenced in the parenthetical only address reserves associated with yet-to-be-issued extended reporting endorsements offered in the case of DD&R of an individual insured under a medical professional liability claims-made policy.

3. Exhibit B, Item 13

The Working Group added disclosure item Exhibit B, Item 13 in 2018. This item requests information on reserves associated with accident and health (A&H) long-duration contracts, defined in the Instructions as "A&H contracts in which the contract term is greater than or equal to 13 months, and contract reserves are required."

This disclosure item was added for several reasons:

- **A desire by state insurance regulators to gain a greater understanding of P/C insurers' exposure to A&H long-duration contracts.**

    - This guidance does not specify how P/C insurers should report the liabilities associated with A&H long-duration contracts on the annual statement. Through work performed on financial examinations, state insurance regulators have found that P/C insurers may include the liabilities in various line items of the Liabilities, Surplus and Other Funds page. *SSAP No. 54R—Individual and Group Accident and Health Contracts* provides accounting guidance for insurers.
    - Regardless of where the amounts are reported on the annual statement, the materiality of the amounts, and whether the insurer is subject to *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51), the Appointed Actuary should disclose the amounts associated with A&H long-duration contracts on Exhibit B, Item 13. The Appointed Actuary should provide commentary in a relevant comments paragraph in accordance with paragraph 6.C of the Instructions. The Appointed Actuary should also disclose all reserve amounts associated with A&H long-duration contracts in the Actuarial Report.

- **The adoption of AG 51 in 2017.** On Aug. 9, 2017, the NAIC's Executive (EX) Committee and Plenary adopted AG 51 requiring stand-alone asset adequacy analysis of long-term care (LTC) business. The text of AG 51 is included in the March 2019 edition of the NAIC's *Accounting Practices and Procedures Manual* (AP&P Manual). The effective date of AG 51 was Dec. 31, 2017, and it applies to companies with over 10,000 in-force lives covered by long-term care insurance (LTCI) contracts as of the valuation date. The Instructions state that the Actuarial Report and workpapers summarizing the asset adequacy testing (AAT) of LTC business must comply with AG 51 requirements.

- **Recent adverse reserve development in LTC business.** State insurance regulators expect Appointed Actuaries to disclose company-specific risk factors in the SAO. Given the recent adverse experience for LTC business, Appointed Actuaries should consider whether exposure to A&H long-duration contracts poses a risk factor for the company.

The Appointed Actuary is not asked to opine on the reasonableness of the reserves associated with A&H long-duration contracts except to the extent that the reserves are included within the amounts reported on Exhibit A of the SAO. For this reason, the Working Group intentionally excluded Items 13.3 and 13.4 from this sentence in paragraph 4 of the Instructions: "The Appointed Actuary should state that the items in the SCOPE, on which he or she is expressing an opinion, reflect Disclosure items 8 through 13.2 in Exhibit B." Exhibit B, Item 13.1 asks the Appointed Actuary to disclose the reserves for A&H long-duration contracts that the company carries on the Losses line of the Liabilities, Surplus and Other Funds page. The Appointed Actuary is not asked to opine on the reasonableness of the reserves disclosed on Exhibit B, Item 13.1 in isolation, but these reserves are a subset of the amount included on Exhibit A, Item 1, and Exhibit A lists amounts with respect to which the Appointed Actuary is expressing an opinion. The same is true for Exhibit B, Item 13.2, whose reserves are a subset of the amount included on Exhibit A, Item 2.

A&H long-duration contracts are distinct from P/C long-duration contracts. There were no changes to the opinion requirements in 2018 regarding P/C long-duration contracts, but the Working Group added a reference to SSAP No. 65 in the definition of P/C long-duration contracts to clarify the difference between A&H long-duration contracts and P/C long-duration contracts. The newly-added mention of SSAP No. 65 in the Instructions is not intended to change the Appointed Actuary's treatment of P/C long-duration contracts in the SAO or the underlying analysis, but insurers and Appointed Actuaries may refer to SSAP No. 65, paragraphs 21 through 33 for a description of the three tests, a description of the types of P/C contracts to which the tests apply, guidance on the minimum required reserves, and instructions on the SAO and Actuarial Report.

## III. Comments on the Actuarial Opinion Summary

### A. Confidentiality

The AOS is a confidential document, and it should be clearly labeled and identified prominently as such. The AOS is not submitted to the NAIC. The Working Group advises the Appointed Actuary to provide the AOS to company personnel separately from the Actuarial Opinion and avoid attaching the related SAO to the AOS.

### B. Different Requirements by State

Not all states have enacted the NAIC *Property and Casualty Actuarial Opinion Model Law* (#745), which requires the AOS to be filed. Nevertheless, the Working Group recommends that the Appointed Actuary prepare the AOS regardless of the domiciliary state's requirements, so the AOS will be ready for submission should a foreign state, having the appropriate confidentiality safeguards, request it.

Most states provide the annual statement contact person with a checklist that addresses filing requirements. The Working Group advises the Appointed Actuary to work with the company to determine the requirements for its domiciliary state.

C. Format

The purpose of the AOS is to show a comparison between the company's carried reserves and the Appointed Actuary's estimates. Because the AOS is a synopsis of the conclusions drawn in the Actuarial Report, the content of the AOS should reflect the analysis performed by the Appointed Actuary. Therefore, all the Appointed Actuary's calculated estimates, including actuarial central estimates and ranges, are to be presented in the AOS consistent with estimates presented in the Actuarial Report.

The American Academy of Actuaries' (Academy's) Committee on Property and Liability Financial Reporting (COPFLR) annual practice note, "Statements of Actuarial Opinion on Property and Casualty Loss Reserves," provides illustrative examples that show how the Appointed Actuary might choose to display the required information. These examples present the numerical data in an easy-to-read table format.

IV. Guidance on Qualification Documentation

The Instructions were modified for 2019 to require the Appointed Actuary to document qualifications in what is called "qualification documentation." The qualification documentation needs to be provided to the Board of Directors at initial appointment and annually thereafter. The Working Group is considering amending this requirement, starting with year-end 2023 Opinions, to provide the qualification documentation to the Board of Directors at initial appointment and only once every five years thereafter, unless there are material changes in the company's operations or exposure. An example of such material changes could include the company acquiring a book of business with a significantly different loss exposure.

The following provides guidance Appointed Actuaries may find useful in drafting qualification documentation. Appointed Actuaries should use professional judgment when preparing the documentation, and they need not use the sample wording or format provided below. As a general principle, Appointed Actuaries should provide enough detail within the documentation to demonstrate that they satisfy each component of the Qualified Actuary definition. In crafting the qualification documentation, it may be helpful to think about what is important for the Board of Directors to know about their Appointed Actuary's qualifications and remember that documentation should be relevant to the subject of the Actuarial Opinion being issued.

A. Brief Biographical Information

- The Appointed Actuary may provide resume-type information.
- Information may include the following:
    - o Professional actuarial designation(s) and year(s) first attained.
    - o Insurance or actuarial coursework or degrees.
    - o Actuarial employment history: company names, position title, years of employment, and relevant information regarding the type of work (e.g., reserving, ratemaking, enterprise risk management [ERM]).

B. "Qualified Actuary" Definition

The Appointed Actuary should provide a description of how the definition of Qualified Actuary in the Instructions is met or expected to be met—in the case of continuing education (CE)—for that year. The Appointed Actuary should provide information similar to the following. Items 1 through 3 below correspond with items (i) through (iii) in the Qualified Actuary definition.

1. I meet the basic education, experience, and CE requirements of the Specific Qualification Standards for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards), promulgated by the American Academy of Actuaries (Academy). The following describes how I meet these requirements:

   a. Basic education:

      - [Option 1] met through relevant examinations administered by the Casualty Actuarial Society (CAS).
      - [Option 2] met through alternative basic education. The Appointed Actuary should further review documentation necessary per Section 3.1.2 of the U.S. Qualification Standards.

   b. Experience requirements: met through relevant experience as described below.

      - To describe the Appointed Actuary's responsible experience relevant to the subject of the SAO, information may include specific actuarial experiences relevant to the company's structure (e.g., insurer, reinsurer, risk retention group [RRG]), lines of business, or special circumstances.
      - Experiences may include education (through organized activities or readings) about specific types of company structures, lines of business, or special circumstances.

   c. CE: met (or expected to be met) through a combination of industry conferences, seminars (both in-person and webinar), online courses, committee work, self-study, etc., on topics including _______ (provide a brief overview of the CE topics. For example, "trends in workers' compensation" or "standards of actuarial practice on reserving"). A detailed log of my CE credit hours is available upon request.

      - Section 3.3 of the Specific Qualification Standards for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement requires the Appointed Actuary to earn 15 hours of CE on topics mentioned in Section 3.1.1.2.

2. I have obtained and maintain an Accepted Actuarial Designation. One of the following statements may be made, depending on the Appointed Actuary's exam track:

   - I am a Fellow of the CAS (FCAS), and my basic education includes credit for Exam 6—Regulation and Financial Reporting (U.S.).
   - I am an Associate of the CAS (ACAS), and my basic education includes credit for Exam 6—Regulation and Financial Reporting (U.S.) and Exam 7—Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management.
   - I am a Fellow of the SOA (FSA), and my basic education includes completion of the general insurance track, including the following optional exams: the U.S. version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam.

   Alternatively, if the actuary was evaluated by the Academy's Casualty Practice Council and determined to be a Qualified Actuary, the Appointed Actuary may note such and identify any restrictions or limitations, including those for lines of business and business activities.

3. I am a member of [professional actuarial association] that requires adherence to the same Code of Professional Conduct promulgated by the Academy, requires adherence to the U.S. Qualification Standards, and participates in the Actuarial Board for Counseling and Discipline (ABCD) when its members are practicing in the U.S.

## ACTUARIAL OPINION

1. There is to be included with or attached to Page 1 of the Annual Statement the statement of the Appointed Actuary, entitled "Statement of Actuarial Opinion" (Actuarial Opinion), setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and required Exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Property and Casualty*.

   Upon initial engagement, the Appointed Actuary must be appointed by the Board of Directors by Dec. 31 of the calendar year for which the opinion is rendered. The Company shall notify the domiciliary commissioner within five business days of the initial appointment with the following information:

   a. Name and title (and, in the case of a consulting actuary, the name of the firm).

   b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).

   c. A statement that the person meets the requirements of a Qualified Actuary (or was approved by the domiciliary commissioner) and that documentation was provided to the Board of Directors.

   Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets the requirements of a Qualified Actuary.

   If subject to the *U.S. Qualification Standards*, the Appointed Actuary shall annually attest to having met the continuing education requirements under Section 3 of the *U.S. Qualification Standards* for issuing Actuarial Opinions. As agreed with the actuarial organizations, the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) will determine the process for receiving the attestations for their respective members and make available the attestations to the public. An Appointed Actuary subject to the *U.S. Qualification Standards* and not a member of the CAS or SOA shall select one of the above organizations to submit their attestation.

   The Appointed Actuary shall provide to the Board of Directors qualification documentation on occasion of their appointment, ~~and on an annual basis thereafter,~~ directly or through company management. The documentation should include brief biographical information and a description of how the definition of "Qualified Actuary" is met or expected to be met (in the case of continuing education) for that year. The documentation should describe the Appointed Actuary's responsible experience relevant to the subject of the Actuarial Opinion. The Board of Directors shall document their review of those materials and any other information they may deem relevant, including information that may be requested directly from the Appointed Actuary. It is generally expected that the review of the Appointed Actuary's qualification documentation should take place at the level within a holding company structure that is responsible for overseeing insurance operations. If a statutory entity is a subsidiary or a non-lead pool member with an Appointed Actuary whose qualifications were reviewed by the pool lead or principal's Board, the statutory entity's Board can satisfy the review requirement by acknowledging the parent Board's review. This can be done by noting in the meeting minutes the name of the principal or lead entity and the date the parent Board reviewed the qualification documentation, or by attaching a copy of the parent Board's meeting minutes reflecting their review of the qualification documentation. The qualification documentation shall be considered workpapers and be available for inspection upon regulator request or during a financial examination.

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 within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner 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, scope, procedures, type of opinion issued, substantive wording of the opinion 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. The letter should include a description of ~~the~~ each disagreement and the nature of its resolution (or that it was not resolved). Within this same ten (10) business days, the Insurer shall in writing also request such former Appointed Actuary to furnish a letter addressed to the Insurer stating whether the Appointed Actuary agrees with the statements contained in the Insurer's letter and, if not, stating the reasons for which he or she does not agree. The former Appointed Actuary shall provide a written response to the insurer within ten (10) business days of such request, and the Insurer shall furnish such responsive letter from the former Appointed Actuary to the domiciliary commissioner together with its own responses.

The Appointed Actuary must report to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors and identify the manner of presentation (e.g., webinar, in-person presentation, written). A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

The Actuarial Opinion and the supporting Actuarial Report and workpapers should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including, but not limited to, ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board.

1A. Definitions

"Appointed Actuary" is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors in accordance with Section 1 of these instructions.

"Board of Directors" can include the designated Board of Directors, its equivalent or an appropriate committee directly reporting to the Board of Directors.

"Qualified Actuary" is a person who:

(i) Meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualifications Standards)*, promulgated by the American Academy of Actuaries (Academy)~~;~~;

(ii) Has obtained and maintains an Accepted Actuarial Designation; and

(iii) Is a member of a professional actuarial association that requires adherence to the same *Code of Professional Conduct* promulgated by the Academy, requires adherence to the *U.S. Qualification Standards*, and participates in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.

An exception to parts (i) and (ii) of this definition would be an actuary evaluated by the Academy's Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities.

"Accepted Actuarial Designation" in item (ii) of the definition of a Qualified Actuary, is an actuarial designation accepted as meeting or exceeding the NAIC's Minimum Property/Casualty (P/C) Actuarial Educational Standards for a P/C Appointed Actuary (published on the NAIC website). The following actuarial designations, with any noted conditions, are accepted as meeting or exceeding basic education minimum standards:

(i) Fellow of the CAS (FCAS) – Condition: basic education must include Exam 6 – Regulation and Financial Reporting (United States);

(ii) Associate of the CAS (ACAS) – Conditions: basic education must include Exam 6 – Regulation and Financial Reporting (United States) and Exam 7 – Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management;

(iii) Fellow of the SOA (FSA) – Conditions: basic education must include completion of the general insurance track, including the following optional exams: the United States' version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam.

The table below provides some allowable exam substitutions for (i), (ii) and (iii) in the definition of "Accepted Actuarial Designation:" Noting that CAS exams have changed over time, exceptions for (i) and (ii) provide for FCAS/ACAS designations achieved before an exam was created (e.g. CAS Exam 6-US) or with an earlier version of an exam or exam topic (e.g., 2010 CAS Exam 6 instead of the current CAS Exam 7 Section A). FCAS/ACAS qualified under the 2018 and prior Statement of Actuarial Opinion instructions can use the noted substitution rules to achieve qualification under the new instructions by demonstrating basic and/or continuing education of the required topics including material in CAS Exam 6 (US) and section A of CAS Exam 7 (in the May 2019 CAS syllabus). Exceptions for (iii) for an FSA are also included in the table. The SOA exams completed in the general insurance track in 2019 and prior should be supplemented with continuing education and experience to meet basic education requirements in the *U.S. Qualification Standards.* For purpose of these instructions only, the table also includes specific exams from other organizations that are accepted as substitutes.

| Exception for (i), (ii), or (iii) | Exam: | Exam Substitution Allowed* |
|---|---|---|
| (i) and (ii) | CAS Exam 6 (US) | 1. Any CAS version of a U.S. P/C statutory accounting and regulation exam administered prior to creation of the CAS Exam 6 (US) in 2011.<br>2. An FCAS or ACAS earned prior to 2021 who did not pass CAS Exam 6 (US) or an allowable exam substitution, may substitute experience and/or continuing education for CAS Exam 6 (US) provided the Appointed Actuary explains in his/her qualification documentation how knowledge of U.S. financial reporting and regulation was obtained.<br>3. SOA FREU (US) Exam |
| (ii) | CAS Exam 7 | 1. Any CAS version of an exam including advanced P/C reserving administered prior to creation of Exam 7 in 2011.<br>2. An ACAS earned prior to 2021 who did not pass CAS Exam 7 or an allowable exam substitution, may substitute experience and/or continuing education for CAS Exam 7 provided the Appointed Actuary explains in his/her qualification documentation how knowledge of the additional reserving topics in CAS Exam 7 (Section A) in the May 2019 syllabus was obtained.<br>3. SOA Advanced Topics Exam (Note: The ERM portion of Exam 7 is not needed to meet NAIC educational standards, therefore SOA ERM Exam is not needed for the substitution for this purpose.) |
| (iii) | SOA FREU (US) Exam | 1. CAS Exam 6 (US)<br>2. Any CAS version of a U.S. statutory accounting and regulation exam administered prior to creation of the CAS Exam 6 in 2011. |
| (iii) | SOA Advanced Topics Exam | 1. CAS Exam 7<br>2. Any CAS version of an exam containing the advanced techniques to estimate policy liabilities (i.e., advanced reserving). |
| *Note: These exam substitutions only apply to these instructions and are not applicable for CAS or SOA exam waivers. | | |

"Insurer" or "Company" means an insurer or reinsurer authorized to write property and/or casualty insurance under the laws of any state and who files on the Property and Casualty Blank.

"Actuarial Report" means a document or other presentation prepared as a formal means of conveying to the state regulatory authority and the Board of Directors the Appointed Actuary's professional conclusions and recommendations, of recording and communicating the methods and procedures, of assuring that the parties addressed are aware of the significance of the Appointed Actuary's opinion or findings, and of documenting the analysis underlying the opinion. The required content of the Actuarial Report is further described in paragraph 7. (Note that the inclusion of the Board of Directors as part of the intended audience for the Actuarial Report does not change the content of the Actuarial Report as described in paragraph 7. The Appointed Actuary should present findings to the Board of Directors in a manner deemed suitable for such audience.)

"Property and Casualty (P&C) Long Duration Contracts" refers to contracts (excluding financial guaranty contracts, mortgage guaranty contracts and surety contracts) that fulfill both of the following conditions: (1) the contract term is greater than or equal to 13 months; and (2) the insurer can neither cancel the contract nor increase the premium during the contract term. These contracts are subject to the three tests of *SSAP No. 65—Property and Casualty Contracts* of the NAIC *Accounting Practices and Procedures Manual*.

"Accident and Health (A&H) Long Duration Contracts" refers to A&H contracts in which the contract term is greater than or equal to 13 months and contract reserves are required. See Schedule H instructions for a description of categories of contract reserves, as well as policy features that give rise to contract reserves. Two specific examples of contracts that typically require contract reserves are long-term care and disability income insurance.

1B. <u>Exemptions</u>

An insurer who intends to file for one of the exemptions under this Section must submit a letter of intent to its domiciliary commissioner no later than December 1 of the calendar year for which the exemption is to be claimed. The commissioner may deny the exemption prior to December 31 of the same year if he or she deems the exemption inappropriate.

A copy of the approved exemption must be filed with the Annual Statement in all jurisdictions in which the company is authorized.

<u>Exemption for Small Companies</u>

An insurer that has less than $1,000,000 total direct plus assumed written premiums during a calendar year, and less than $1,000,000 total direct plus assumed loss and loss adjustment expense reserves at year-end, in lieu of the Actuarial Opinion required for the calendar year, may submit an affidavit under oath of an officer of the insurer that specifies the amounts of direct plus assumed written premiums and direct plus assumed loss and loss adjustment reserves.

<u>Exemption for Insurers under Supervision or Conservatorship</u>

Unless ordered by the domiciliary commissioner, an insurer that is under supervision or conservatorship pursuant to statutory provision is exempt from the filing requirements contained herein.

<u>Exemption for Nature of Business</u>

An insurer otherwise subject to the requirement and not eligible for an exemption as enumerated above may apply to its domiciliary commissioner for an exemption based on the nature of business written.

Financial Hardship Exemption

An insurer otherwise subject to this requirement and not eligible for an exemption as enumerated above may apply to the commissioner for a financial hardship exemption. Financial hardship is presumed to exist if the projected reasonable cost of the Actuarial Opinion would exceed the lesser of:

(i) One percent (1%) of the insurer's capital and surplus reflected in the insurer's latest quarterly statement for the calendar year for which the exemption is sought; or

(ii) Three percent (3%) of the insurer's direct plus assumed premiums written during the calendar year for which the exemption is sought as projected from the insurer's latest quarterly statements filed with its domiciliary commissioner.

1C. Reporting Requirements for Pooled Companies

For each company in the pool, the Appointed Actuary shall include a description of the pool, identification of the lead company and a listing of all companies in the pool, their state of domicile and their respective pooling percentages.

Exhibits A and B for each company in the pool should represent the company's share of the pool and should reconcile to the financial statement for that company.

The following paragraph applies to companies that have a 0% share of the pool (no reported Schedule P data). The company shall submit an Actuarial Opinion that reads similar to that provided for the lead company. For example, the IRIS ratio and risk of material adverse deviation discussions, and other relevant comments shall relate to the risks of the lead company in the pool. The Exhibit B responses to question 5 should be $0 and to question 6 should be "not applicable." Exhibits A and B of the lead company should be attached as an addendum to the PDF file and/or hard copy being filed (but would not be reported by the 0% companies in their data capture).

2. The Actuarial Opinion must consist of an IDENTIFICATION paragraph identifying the Appointed Actuary; a SCOPE paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the Appointed Actuary's work; an OPINION paragraph expressing his or her opinion with respect to such subjects; and one or more additional RELEVANT COMMENTS paragraphs. These four sections must be clearly designated.

3. The IDENTIFICATION paragraph should indicate the Appointed Actuary's relationship to the Company, qualifications for acting as Appointed Actuary and date of appointment and specify that the appointment was made by the Board of Directors. ~~Additionally, the IDENTIFICATION paragraph should include a statement asserting that the Appointed Actuary has complied with the requirement to provide qualification documentation to the Board of Directors, either directly or through company management.~~

If the Appointed Actuary was approved by the Academy to be a "Qualified Actuary," with or without limitation, or if the Appointed Actuary is not a Qualified Actuary but was approved by the domiciliary commissioner, the company must attach, each year, the approval letter and reference such in the identification paragraph.

4. The SCOPE paragraph should contain a sentence such as the following:

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

Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.

The Appointed Actuary should state that the items in the SCOPE, on which he or she is expressing an opinion, reflect Disclosure items 8 through 13.2 in Exhibit B.

The SCOPE paragraph should include a paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion:

"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 for reasonableness and consistency. I also reconciled that data to Schedule P, Part 1 of 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."

5. The 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:

   A. Meet the requirements of the insurance laws of (state of domicile).

   B. Are computed in accordance with accepted actuarial standards.

   C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements."

   If the Scope includes material Unearned Premium Reserves for P&C Long Duration Contracts or Other Loss Reserve items on which the Appointed Actuary is expressing an opinion, the Actuarial Opinion should contain language such as the following:

   D. Make a reasonable provision for the unearned premium reserves for P&C Long Duration Contracts and/or <insert Other Loss Reserve item on which the Appointed Actuary is expressing an Opinion> of the Company under the terms of its contracts and agreements.

   If there is any aggregation or combination of items in Exhibit A, the opinion language should clearly identify the combined items.

   Insurance laws and regulations shall at all times take precedence over the actuarial standards.

   If the Appointed Actuary has made use of the analysis of another actuary not within the Appointed Actuary's control (such as for pools and associations, for a subsidiary or for special lines of business) for a material portion of the reserves, the other actuary must be identified by name, credential and affiliation within the OPINION paragraph. If the Appointed Actuary has made use of the work of a non-actuary (such as for modeling) for a material portion of the reserves, that individual must be identified by name and affiliation and a description of the type of analysis performed must be provided.

   A Statement of Actuarial Opinion should be made in accordance with one of the following sections (1 through 5). The Appointed Actuary must explicitly identify in Exhibit B which type applies.

   1. Determination of Reasonable Provision. When the carried reserve amount is within the Appointed Actuary's range of reasonable reserve estimates, the Appointed Actuary should issue a Statement of Actuarial Opinion that the carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves.

   2. Determination of Deficient or Inadequate Provision. When the carried reserve amount is less than the minimum amount that the Appointed Actuary believes is reasonable, the Appointed Actuary should issue a Statement of Actuarial Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the Appointed Actuary should disclose the minimum amount that the Appointed Actuary believes is reasonable.

   3. Determination of Redundant or Excessive Provision. When the carried reserve amount is greater than the maximum amount that the Appointed Actuary believes is reasonable, the Appointed Actuary should issue a Statement of Actuarial Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the Appointed Actuary should disclose the maximum amount that the Appointed Actuary believes is reasonable.

4. Qualified Opinion. When, in the Appointed Actuary's opinion, the reserves for a certain item or items are in question because they cannot be reasonably estimated or the Appointed Actuary is unable to render an opinion on those items, the Appointed Actuary should issue a qualified Statement of Actuarial Opinion. The Appointed Actuary should disclose the item (or items) to which the qualification relates, the reason(s) for the qualification and the amounts for such item(s), if disclosed by the Company. Such a qualified opinion should state whether the carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves, *except for* the item (or items) to which the qualification relates. The Appointed Actuary is not required to issue a qualified opinion if the Appointed Actuary reasonably believes that the item (or items) in question are not likely to be material.

5. No Opinion. The Appointed Actuary's ability to give an opinion is dependent upon data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the Appointed Actuary cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions, or related information, then the Appointed Actuary may issue a statement of no opinion. A statement of no opinion should include a description of the reasons why no opinion could be given.

6. The Appointed Actuary must provide RELEVANT COMMENT paragraphs to address the following topics of regulatory importance.

A. Company-Specific Risk Factors

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.

B. Risk of Material Adverse Deviation

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.

C. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items (8 through 14) in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

D. Reinsurance

RELEVANT COMMENT paragraphs should address reinsurance collectability, retroactive reinsurance and financial reinsurance.

The Appointed Actuary's comments on reinsurance collectability should address any uncertainty associated with including potentially uncollectable amounts in the estimate of ceded reserves. 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.

Retroactive reinsurance refers to agreements referenced in *SSAP No. 62R—Property and Casualty Reinsurance* of the NAIC *Accounting Practices and Procedures Manual*.

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.

E. IRIS Ratios

If the Company's reserves will create exceptional values under the NAIC IRIS Tests for One-Year Reserve Development to Policyholders' Surplus, Two-Year Reserve Development to Policyholders' Surplus or Estimated Current Reserve Deficiency to Policyholders' Surplus, the Appointed Actuary must include RELEVANT COMMENT on the factors that led to the unusual value(s).

F. Methods and Assumptions

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 newly appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

7. The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for regulatory examination for seven (7) years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Actuarial Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to Company management, the Board of Directors, the regulator or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions.

*Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) in the NAIC *Accounting Practices and Procedures Manual* requires a company with over 10,000 in force lives covered by long-term care (LTC) insurance contracts as of the valuation date to perform a stand-alone asset adequacy analysis for its in force long-term care (LTC) contracts. The Actuarial Report and workpapers summarizing the results, assumptions and testing procedures for the asset adequacy testing of LTC business must be in compliance with AG 51 requirements. When referring to AG 51, the term "Actuarial Memorandum" is synonymous with Actuarial Report and workpapers.

The Actuarial Report should contain disclosure of all reserve amounts associated with A&H Long Duration Contracts reported by the Company; the reserve amounts in the Actuarial Report should tie to the Annual Statement.

The Actuarial Report must also include:

A. A description of the Appointed Actuary's relationship to the Company, with clear presentation of the Appointed Actuary's role in advising the Board of Directors and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board of Directors and, where applicable, to the officer(s) of the Company responsible for determining the carried reserves.

B. An exhibit that ties to the Annual Statement and compares the Appointed Actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The Appointed Actuary's conclusions include the Appointed Actuary's point estimate(s), range(s) of reasonable estimates or both.

C. An exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary's analysis, to the Annual Statement Schedule P line of business reporting. An explanation should be provided for any material differences.

D. An exhibit or appendix showing the change in the Appointed Actuary's estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes. The exhibit or appendix should illustrate the changes on a net basis but should also include the changes on a gross basis, if relevant. If the Appointed Actuary is newly appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

E. Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.

F. Extended comments on factors that led to unusual IRIS ratios for One-Year Reserve Development to Policyholders' Surplus, Two-Year Reserve Development to Policyholders' Surplus or Estimated Current Reserve Deficiency to Policyholders' Surplus, and how these factors were addressed in prior and current analyses.

8. The Actuarial Opinion should conclude with the signature of the Appointed Actuary responsible for providing the Actuarial Opinion and the date when the Actuarial Opinion was rendered. 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

The same information should be reproduced within the Actuarial Report, along with the date the Actuarial Report was finalized.

9. The Insurer required to furnish an Actuarial Opinion shall require its Appointed Actuary to notify its Board of Directors or its audit committee in writing within five (5) business days after any determination by the Appointed Actuary that the Actuarial Opinion submitted to the domiciliary commissioner was in error as a result of reliance on data or other information (other than assumptions) that, as of the balance sheet date, was factually incorrect. The Actuarial Opinion shall be considered to be in error if the Actuarial Opinion would have not been issued or would have been materially altered had the correct data or other information been used. The Actuarial Opinion shall not be considered to be in error if it would have been materially altered or not issued solely because of data or information concerning events subsequent to the balance sheet date or because actual results differ from those projected. Notification is required when discovery is made between the issuance of the Actuarial Opinion and Dec. 31 of that year. Notification should include a summary of such findings.

If the Appointed Actuary learns that the data or other information relied upon was factually incorrect, but cannot immediately determine what, if any, changes are needed in the Actuarial Opinion, the Appointed Actuary and the Company should quickly undertake procedures necessary for the Appointed Actuary to make such determination. If the Insurer does not provide the necessary data corrections and other support (including financial support) within ten (10) business days, the Appointed Actuary should proceed with the notification to the Board of Directors and the domiciliary commissioner.

An Insurer who is notified pursuant to the preceding paragraphs shall forward a copy of the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the letter and amended Actuarial Opinion submitted to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that an amended Actuarial Opinion has been finalized.

No Appointed Actuary shall be liable in any manner to any person for any statement made in connection with the above paragraphs if such statement is made in a good faith effort to comply with the above paragraphs.

10. Data in Exhibits A and B are to be filed in both print and data capture format.

**Exhibit A: SCOPE**

DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMATS

| Loss and Loss Adjustment Expense Reserves: | | Amount |
|---|---|---|
| 1. Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1) | $ | __________ |
| 2. Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3) | $ | __________ |
| 3. Unpaid Losses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 13 and 15, Line 12 * 1000) | $ | __________ |
| 4. 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, adding additional lines as needed) | $ | __________ |
| Premium Reserves: | | |
| 7. Reserve for Direct and Assumed Unearned Premiums for P&C Long Duration Contracts | $ | __________ |
| 8. Reserve for Net Unearned Premiums for P&C Long Duration Contracts | $ | __________ |
| 9. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately, adding additional lines as needed) | $ | __________ |

**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 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 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, Surplus and Other Funds page, 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 adjustment 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 loss adjustment expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and loss adjustment 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 loss adjustment expense, and unearned premium reserves (Greater than or equal to Schedule P Interrogatories)

    12.1 Amount reported as loss and loss adjustment expense 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, adding additional lines as needed) $________

* 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.

## ACTUARIAL OPINION

**Commented [MF1]:** Edits shown below without additional explanation are to more closely match language in the P&C instructions.

1. There is to be included with or attached to Page 1 of the Annual Statement, the statement of a Qualified Actuary, entitled "Statement of Actuarial Opinion" (Actuarial Opinion) setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and **required** exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Title*.

Upon initial engagement, ~~T~~the ~~Qualified~~ Appointed Actuary must be appointed by the Board of Directors ~~or its equivalent, or by a committee of the Board,~~ by Dec.~~ember~~ 31 of the calendar year for which the opinion is rendered. ~~Upon initial appointment (or "retention"), t~~The Company shall notify the domiciliary commissioner within five business days of the appointment with the following information:

a. Name and title (and, in the case of a consulting actuary, the name of the firm).

b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).

c. A statement that the person meets the requirements of a Qualified Actuary (or was approved by the domiciliary commissioner).

Once this notification is furnished, no further notice is required with respect to this person unless the Board of Directors takes action to no longer appoint or retain the actuary or the actuary no longer meets ~~the actuary ceases to be appointed or retained or ceases to meet~~ the requirements of a Qualified Actuary.

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 within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner 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, scope, procedures, type of opinion issued, substantive wording of the opinion or data quality. The disagreements required to be reported in response to this paragraph include both those resolved to the former Appointed A~~a~~ctuary's satisfaction and those not resolved to the former Appointed A~~a~~ctuary's satisfaction. The letter should include a description of ~~the~~ each disagreement~~s~~ and the nature of its resolution (or that it was not resolved). Within this same ten (10) business days, ~~T~~the Insurer shall in writing also request ~~in writing~~ such former Appointed A~~a~~ctuary to furnish a letter addressed to the Insurer stating whether the Appointed A~~a~~ctuary agrees with the statements contained in Insurer~~'~~'s letter and, if not, stating the reasons for which he or she does not agree.~~;~~ The former Appointed Actuary shall provide a written response to the insurer within ten (10) business days of such request, and the Insurer shall furnish such responsive letter from the former Appointed A~~a~~ctuary to the domiciliary commissioner together with its own responses.

The Appointed Actuary must report to the Board of Directors ~~or the Audit Committee~~ each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors ~~or the Audit Committee~~ and identify the manner of presentation (e.g., webinar, in-person presentation, written)~~that the Actuarial Opinion and the Actuarial Report were made available~~. A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

The Actuarial Opinion and the supporting Actuarial Report and workpapers, should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including, but not limited to, ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board.

1A. Definitions

"Appointed Actuary" is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors in accordance with Section 1 of these instructions.

"Board of Directors" can include the designated Board of Directors, its equivalent or an appropriate committee directly reporting to the Board of Directors.

"Qualified Actuary" is a person who is either:

(i) A member in good standing of the Casualty Actuarial Society; or

(ii) ~~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.~~An actuary evaluated by the Casualty Practice Council of the American Academy of Actuaries and determined to be a Qualified Actuary for title insurance.

"Insurer" or "Company" means a reporting entity authorized to write title insurance under the laws of any state and who files on the Title Blank.

"Actuarial Report" means a document or other presentation, prepared as a formal means of conveying to the state regulatory authority and the Board of Directors~~, or its equivalent,~~ the Appointed A~~a~~ctuary's professional conclusions and recommendations, of recording and communicating the methods and procedures, of assuring that the parties addressed are aware of the significance of the Appointed A~~a~~ctuary's opinion or findings and of documenting the analysis underlying the opinion. The ~~expected~~ required content of the Actuarial Report is further described in paragraph 7. (Note that the inclusion of the Board of Directors as part of the intended audience for the Actuarial Report does not change the content of the Actuarial Report as described in paragraph 7. The Appointed Actuary should present findings to the Board of Directors in a manner deemed suitable for such audience.)

1B. Exemptions

An insurer who intends to file for one of the exemptions under this section must submit a letter of intent to its domiciliary commissioner no later than December 1 of the calendar year for which the exemption is to be claimed. The commissioner may deny the exemption prior to December 31 of the same year if the exemption is deemed inappropriate.

A copy of the approved exemption must be filed with the Annual Statement in all jurisdictions in which the company is authorized.

Exemption for Small Companies

An insurer that has less than $1,000,000 total direct plus assumed written premiums during a calendar year, and less than $1,000,000 total direct plus assumed loss and loss adjustment expense reserves at year-end, in lieu of the Actuarial Opinion required for the calendar year, may submit an affidavit under oath of an officer of the insurer that specifies the amounts of direct plus assumed written premiums and direct plus assumed loss and loss adjustment reserves.

Exemption for Insurers under Supervision or Conservatorship

Unless ordered by the domiciliary commissioner, an insurer that is under supervision or conservatorship pursuant to statutory provision is exempt from the filing requirements contained herein.

Exemption for Nature of Business

An insurer otherwise subject to the requirement and not eligible for an exemption as enumerated above may apply to its domiciliary commissioner for an exemption based on the nature of business written.

Financial Hardship Exemption

An insurer otherwise subject to this requirement and not eligible for an exemption as enumerated above may apply to the commissioner for a financial hardship exemption.

Financial hardship is presumed to exist if the projected reasonable cost of the opinion would exceed the lesser of:

(i) One percent (1%) of the insurer's capital and surplus reflected in the insurer's latest quarterly statement for the calendar year for which the exemption is sought; or

(ii) Three percent (3%) of the insurer's direct plus assumed premiums written during the calendar year for which the exemption is sought as projected from the insurer's latest quarterly statements filed with its domiciliary commissioner.

2. The ~~Statement of~~ Actuarial Opinion must consist of an IDENTIFICATION paragraph identifying the Appointed Actuary; a SCOPE paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the Appointed ~~A~~actuary's work; an OPINION paragraph expressing his or her opinion with respect to such subjects~~;~~ and one or more additional RELEVANT COMMENTS paragraphs. These four sections must be clearly designated.

3. The IDENTIFICATION paragraph should indicate the Appointed Actuary's relationship to the Company, qualifications for acting as Appointed Actuary~~,~~ and date of appointment~~,~~ and specify that the appointment was made by the Board of Directors ~~(or its equivalent) or by a committee of the Board~~.

~~A member of the American Academy of Actuaries qualifying under paragraph 1A(ii) must attach, each year, a copy of the approval letter from the Academy.~~

~~These instructions require that a Qualified Actuary prepare the Actuarial Opinion. If a person who does not meet the definition of a Qualified Actuary has been approved by the insurance regulatory official of the domiciliary state, the Company must attach, each year, a letter from that official stating that the individual meets the state's requirements for rendering the Actuarial Opinion.~~If the Appointed Actuary was approved by the Academy to be a "Qualified Actuary," with or without limitation, or if the Appointed Actuary is not a Qualified Actuary but was approved by the domiciliary commissioner, the company must attach, each year, the approval letter and reference such in the identification paragraph.

4. The SCOPE paragraph should contain a sentence such as the following:

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

Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.

The Appointed Actuary should state that the items in the SCOPE paragraph, on which he or she is expressing an opinion, reflect the Disclosure items (8 through 1~~3~~4) in Exhibit B.

The SCOPE paragraph should include a paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion:

"In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by _________ (officer name~~, affiliation~~ and ~~relation to~~title at the Company). I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P, Parts 1 and 2 of 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."

**Commented [MF2]:** Julie Lederer notes: The parenthetical should say 8 through 13 instead of 8 through 14 because line 14 is an item on which the actuary is providing relevant comment, not necessarily an opinion.

5. The 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:

A. Meet the requirements of the insurance laws of (state of domicile).

B. Are computed in accordance with accepted actuarial standards.

C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements."

If there is any aggregation or combination of items in Exhibit A, the opinion language should clearly identify the combined items.

Insurance laws and regulations shall at all times take precedence over the actuarial standards.

If the Appointed ~~a~~Actuary has made use of the work of another actuary not within the Appointed Actuary's control (such as for pools and associations, for a subsidiary or for special lines of business) for a material portion of the reserves, the other actuary must be identified by name, credential and affiliation within the OPINION paragraph. If the Appointed Actuary has made use of the work of a non-actuary (such as for modeling) for a material portion of the reserves, that individual must be identified by name and affiliation and a description of the type of analysis performed must be provided.

A Statement of Actuarial Opinion should be made in accordance with one of the following sections (a through e). The Appointed A~~a~~ctuary must explicitly identify in Exhibit B which type applies.

a. Determination of Reasonable Provision. When the carried reserve amount is within the Appointed A~~a~~ctuary's range of reasonable reserve estimates, the Appointed A~~a~~ctuary should issue a Statement of Actuarial Opinion that the carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves.

b. Determination of Deficient or Inadequate Provision. When the carried reserve amount is less than the minimum amount that the Appointed A~~a~~ctuary believes is reasonable, the Appointed A~~a~~ctuary should issue a ~~s~~Statement of ~~a~~Actuarial ~~o~~Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the Appointed A~~a~~ctuary should disclose the minimum amount that the Appointed A~~a~~ctuary believes is reasonable.

c. Determination of Redundant or Excessive Provision. When the carried reserve amount is greater than the maximum amount that the Appointed A~~a~~ctuary believes is reasonable, the Appointed A~~a~~ctuary should issue a Statement of Actuarial Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the Appointed A~~a~~ctuary should disclose the maximum amount that the Appointed A~~a~~ctuary believes is reasonable.

d. Qualified Opinion. When, in the Appointed A~~a~~ctuary's opinion, the reserves for a certain item or items are in question because they cannot be reasonably estimated or the Appointed A~~a~~ctuary is unable to render an opinion on those items, the Appointed A~~a~~ctuary should issue a qualified Statement of Actuarial Opinion. The Appointed A~~a~~ctuary should disclose the item (or items) to which the qualification relates, the reason(s) for the qualification~~,~~ and the amounts for such item(s), if disclosed by the Company. Such a qualified opinion should state whether the ~~stated~~carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves, *except for* the item (or items) to which the qualification relates. The Appointed A~~a~~ctuary is not required to issue a qualified opinion if the Appointed A~~a~~ctuary reasonably believes that the item (or items) in question are not likely to be material.

e. No Opinion. The Appointed A~~a~~ctuary's ability to give an opinion is dependent upon data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the Appointed A~~a~~ctuary cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions, or related information, then the Appointed A~~a~~ctuary may issue a statement of no opinion. A statement of no opinion should include a description of the reasons why no opinion could be given.

6. The Appointed Actuary must provide RELEVANT COMMENT paragraphs to address the following topics of regulatory importance.

A. Company-Specific Risk Factors

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 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.

~~a~~B. Risk of Material Adverse Deviation~~.~~

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~~, with respect to the relevant characteristics of the Company~~. The materiality standard must also be disclosed in U.S. dollars in Exhibit B: Disclosures. ~~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 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.~~ 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.

~~b~~C. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items (8 through 14) in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

~~If the Company's reserves will cause the ratio of One-Year or Two-Year Known Claims Reserve Development (shown in Schedule P, Part 3) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed Actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.~~

**Commented [MF3]:** Combined with the other reserve development item (now item E. in the list)

~~c~~D. Reinsurance

RELEVANT COMMENT paragraphs should address reinsurance collectability, retroactive reinsurance and financial reinsurance .

The Appointed Actuary's comments on reinsurance collectability should address any uncertainty associated with including potentially-uncollectable amounts in the estimate of ceded reserves. 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 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.

Retroactive reinsurance refers to agreements referenced in *SSAP No. 62R—Property and Casualty Reinsurance* of the *Accounting Practices and Procedures Manual*.

Financial reinsurance refers to contracts referenced in *SSAP No. 62R—Property and Casualty Reinsurance* of the *Accounting Practices and Procedures Manual* 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.

~~d~~E. Reserve Development

If the Company's reserves will cause the ratio of One-Year or Two-Year Known Claims Reserve Development (shown in Schedule P, Part 3) or One-Year or Two-Year Reserve Development (shown in Schedule P, Part 2) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.

Commented [MF4]: This portion moved from item C. above

~~e~~F. Methods and Assumptions

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 newly ~~-~~appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

7. The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for examination for seven (7) years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Actuarial Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to ~~c~~Company management, the Board of Directors, the regulator, or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions.

The Actuarial Report must also include:

A. A description of the Appointed Actuary's relationship to the Company, with clear presentation of the Appointed Actuary's role in advising the Board of Directors and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board and, where applicable, to the officer(s) of the Company responsible for determining the carried reserves.

B. An exhibit that ties to the Annual Statement and compares the Appointed Actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The Appointed Actuary's conclusions include the Appointed Actuary's point estimate(s), range(s) of reasonable estimates or both.

C. An exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary's analysis, to the Annual Statement Schedule P.

D. An exhibit or appendix showing the change in the Appointed Actuary's estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes. The exhibit or appendix should illustrate the changes on a net basis but should also include the changes on a gross basis, if relevant. If the Appointed Actuary is newly-appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

E. Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.

F. Extended comments on factors that led to exceptional reserve development, as defined in 6E~~C and 6D~~, and how these factors were addressed in prior and current analyses.

8. The ~~statement~~ Actuarial Opinion should conclude with the signature of the Appointed Actuary responsible for providing the Actuarial Opinion and the date when the Opinion was rendered. 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

The same information should be reproduced within the Actuarial Report, along with the date the Actuarial Report was finalized.

9. The Insurer required to furnish an Actuarial Opinion shall require its Appointed Actuary to notify its Board of Directors or its audit committee in writing within five (5) business days after any determination by the Appointed Actuary that the Actuarial Opinion submitted to the domiciliary commissioner was in error as a result of reliance on data or other information (other than assumptions) that, as of the balance sheet date, was factually incorrect. The Opinion shall be considered to be in error if the Actuarial Opinion would have not been issued or would have been materially altered had the correct data or other information been used. The Actuarial Opinion shall not be considered to be in error if it would have been materially altered or not issued solely because of data or information concerning events subsequent to the balance sheet date or because actual results differ from those projected. Notification is required when discovery is made between the issuance of the Actuarial Opinion and Dec. 31 of that year. Notification should include a summary of such findings.

Commented [MF5]: Content of this item has been rearranged to match the P&C instructions. Highlighted items below show additional wording changes for consistency with P&C.

~~Notification shall be required for any such determination made between the issuance of the Actuarial Opinion and the balance sheet date for which the next Actuarial Opinion will be issued. The notification should include a summary of such findings and an amended Actuarial Opinion.~~

~~An Insurer who is notified pursuant to the preceding paragraphs shall forward a copy of the summary and the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the summary and amended Actuarial Opinion being furnished to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that the submitted Actuarial Opinion should no longer be relied upon or such other notification recommended by the actuary's attorney~~.

If the Appointed Actuary learns that the data or other information relied upon was factually incorrect, but cannot immediately determine what, if any, changes are needed in the Actuarial Opinion, the Appointed ~~a~~Actuary and the Company should quickly undertake ~~as quickly as is reasonably practical those~~ procedures necessary for the Appointed Actuary to make ~~the~~such determination ~~discussed above~~. If the Insurer does not provide the necessary data corrections and other support (including financial support) within ten (10) business days, the Appointed ~~a~~Actuary should proceed with the notification to the Board of Directors and the domiciliary commissioner~~discussed above~~.

An Insurer who is notified pursuant to the preceding paragraphs shall forward a copy of the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the letter and amended Actuarial Opinion being furnished to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that an amended Actuarial Opinion has been finalized.

No Appointed Actuary shall be liable in any manner to any person for any statement made in connection with the above paragraphs if such statement is made in a good faith effort to comply with the above paragraphs.

10. Data in Exhibit A and Exhibit B are to be filed in both print and data capture format.

STATEMENT OF ACTUARIAL OPINION

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

| LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES: | | Amount |
|---|---|---|
| 1. Unpaid Losses and Loss Adjustment Expenses (Schedule P, Part 1, Total Column 24 * 1000 or Total Column 34 * 1000 if discounting is allowable under state law) | $ | __________ |
| 2. Unpaid Losses and Loss Adjustment Expenses - Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Columns 17, 18, 20, 21, and 23, Line 12 ~~x~~* 1000) | $ | __________ |
| 3. Other items on which the Appointed Actuary is expressing an Opinion (list separately, adding additional lines as needed) | $ | __________ |

**Commented [MF6]:** From this point on, there are formatting differences between the P&C and title instructions, but I have not proposed these formatting edits. (For example, "LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES" are not in all caps in the P&C instructions.)

**Commented [MF7]:** These items are in $000s in Schedule P

**Commented [MF8]:** P&C instructions use * instead of x

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

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.

| | Last | First | Middle |
|---|---|---|---|
| 1. Name of the Appointed Actuary | __________ | __________ | __________ |

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 has the following 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)

   M - If not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter.

   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? ________
7. Statutory Surplus (Liabilities, Surplus, and Other Funds Page, Line 32) $ ________
8. Known claims reserve (Liabilities, Surplus, and Other Funds Page, Line 1) $ ________
9. Statutory premium reserve (Liabilities, Surplus, and Other Funds Page, Line 2) $ ________
10. Aggregate of other reserves required by law (Liabilities, Surplus, and Other Funds Page, Line 3) $ ________
11. Supplemental reserve (Liabilities, Surplus, and Other Funds Page, Line 4) $ ________
12. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P $ ________
13. Discount included as a reduction to loss reserves and loss adjustment expense reserves as reported in Schedule P $ ________
14. Other items on which the Appointed Actuary is providing relevant comment (list separately, adding additional lines as needed) $ ________

Draft: 8/23/23

Actuarial Opinion (C) Working Group
Virtual Meeting
August 23, 2023

The Actuarial Opinion (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met Aug. 23, 2023. The following Working Group members participated: Miriam Fisk, Chair (TX); Anna Krylova, Vice Chair (NM); Amy Waldhauer (CT); Chantel Long (IL); Julie Lederer (MO); Tom Botsko (OH); and Kevin Clark and James DiSanto (PA). Also participating was: Kevin Dyke (MI).

1. Discussed P/C Actuarial Opinion Instructions

The Working Group continued its Aug. 2 discussion of potential changes to instructions for the 2024 Property/Casualty (P/C) Statement of Actuarial Opinion (SAO) and the Title SAO.

Beginning with discussion of the P/C instructions, Lederer suggested not removing the requirement for the Board of Directors to appoint a qualified actuary as the appointed actuary. She said that the Board not doing a good job at this time is not the best reason for removal of the requirement. Fisk said limiting the actions around qualification documentation to be only at the initial appointment (and not annually) limits the responsibility of the Board.

Fisk said there are problems getting information about known disagreements from the Appointed Actuary. She said changing instruction wording might not improve the situation.

The Working Group discussed whether the Appointed Actuary's address needs to be in the signature section of the SAO. Dyke suggested that knowing the city and state of location might be helpful in the signature line and maybe even legally needed. Given the appointed actuary's address is included in an interrogatory, Fisk suggested leaving the requirement as is. Michelle Iarkowski (Academy) suggested changing the lead-in to the list of items needed in the signature block so that Appointed Actuaries can include additional useful information in the signature block. She added the current language seems unnecessarily prescriptive.

2. Discussed Title Actuarial Opinion Instructions

Fisk walked through proposed changes to the Title SAO instructions, which would make the Title instructions more consistent with the P/C instructions and would correct a few instructions.

The Working Group discussed whether part (ii) of the definition of "Qualified Actuary" should be changed from "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." to "An actuary evaluated by the Casualty Practice Council of the American Academy of Actuaries and determined to be a Qualified Actuary for particular lines of business and business activities." Iarkowski said the application for the process allows someone to request approval for all areas of loss reserve assignments or approval for specific areas or a specific company. Fisk asked whether "particular lines of business" could be changed to "title insurance." Rich Gibson (Academy) will ask the Casualty Practice Council.

Fisk asked if anyone wanted to include the more detailed definition of "Appointed Actuary" and/or include the Society of Actuaries specifically in the definition. No one voiced interest in either option. Fisk said we should be consistent and apply the same decision about inclusion of the Appointed Actuary's address as will be made for P/C.

Regarding the instructions about errors, Fisk asked for a proposal on adding a pictorial to make it easier to understand. She said the same should be considered for P/C instructions.

3. Discussed the Timing for Adoption of the Regulatory Guidance

Iarkowski asked how soon the Regulatory Guidance can be adopted. She said the Academy will not be submitting a comment letter on the Regulatory Guidance. Fisk suggested that depending on the extent of comments to be received by Sept. 1, the Working Group might conduct an E-vote at the beginning of September.

Having no further business, the Actuarial Opinion (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2023_Fall/CASTF/AOWG/AOWG 082323 min.docx

Draft: 11/9/23

Statistical Data (C) Working Group
Virtual Meeting
October 30, 2023

The Statistical Data (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met Oct. 30, 2023. The following Working Group members participated: Sandra Darby, Chair (ME); Qing He, Vice Chair (CT); David Christhilf (DC); Arthur Schwartz and John Sobhanian (LA); Brad Gerling (MO); Alexander Vajda (NY); Tom Botsko (OH); Andrew Schallhorn and Landon Hubbart (OK); David Dahl and Ying Liu (OR); and Brian Ryder (TX). Also participating were: Luciano Gobbo (CA); and Mari Kindberg (MT).

1. <u>Discussed Proposed Changes to NAIC Statistical Reports</u>

Having no further business, the Statistical Data (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2023_Fall/CASTF/SDWG/StatDataWGmin_1030

 

*Draft: 10/01/23*

Statistical Data (C) Working Group
E-Vote
September 29, 2023

The Statistical Data (C) Working Group conducted an e-vote that concluded September 29, 2023. The following Working Group members participated: Sandra Darby, Chair (ME); Qing He, Vice Chair (CT); David Christhilf (DC); Arthur Schwartz (LA); Christian Citarella (NH); Carl Sornson (NJ); Tom Botsko (OH); Andy Schallhorn (OK); and Brian Ryder (TX).

1. Adopted the 2021 Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report

The Working Group reviewed and considered for adoption the 2021 *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report).

A majority of the Working Group members voted in favor of adopting the Homeowners Report. The motion passed.

Having no further business, the Statistical Data (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/C CMTE/2023_Fall/CASTF/SDWG/SDWG-evote-0929

Draft: 11/7/23

Statistical Data (C) Working Group
Virtual Meeting
September 18, 2023

The Statistical Data (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met Sept. 18, 2023. The following Working Group members participated: Sandra Darby, Chair (ME); Qing He, Vice Chair, and George Bradner (CT); David Christhilf (DC); Arthur Schwartz and John Sobhanian (LA); Cynthia Amann (MO); Christian Citarella (NH); Carl Sornson (NJ); Alexander Vajda (NY); Tom Botsko (OH); Landon Hubbart (OK); David Dahl and Ying Liu (OR); and Brian Ryder (TX). Also participating were: Luciano Gobbo (CA); Mari Kindberg (MT); and Mike Andring (ND).

1. Discussed Proposed Changes to NAIC Statistical Reports

Darby said the first item to review would be a follow up item from the last Working Group meeting in early 2023. She said the Working Group had discussed adding higher and more granular ranges to the "Amount of Insurance" data element in the Homeowners Report. She said regulators saw a need for a change to the ranges collected based on current trends in homeowners insurance industry. She said a survey was sent to participating statistical agents asking for their exposure amounts by policy form in more granular ranges for "Amount of Insurance."

Schwartz said because home values vary widely in every state, the Working Group should consider including average home values in the report.

Darby said the report currently includes a range of "Amount of Insurance" of $200,000-$299,999. She said based on the survey results, a large portion of exposures lie in that range, and it would be helpful to break down that range into smaller buckets. She said that the exposure amounts aren't as meaningful in the smaller buckets on the higher end, so those buckets may not need to be broken down as granularly to keep the data table from getting too large.

Gobbo asked if the request for data should exclude coverage amounts of $0. He said certain policies in California are reported with $0 for Coverage A, but those policies are not currently reported by California for this report. Darby agreed that those policies should continue to be excluded.

Citarella said it makes sense to collect the data in smaller buckets, even in the ranges that don't have as many exposures, because it could account for changes in the market in the future.

Darby said if the data was collected in the same manner as it was collected in this survey, the Working Group would have more granular data to look at and then the data could be rolled up to be displayed less granular, if necessary, in the report.

Citarella made a motion, seconded by Bradner, to collect homeowners owner-occupied data in the following insurance ranges: $49,999 and under; $50,000 to $74,999; $75,000 to $99,999; $100,000 to $124,999; $125,000 to $149,999; $150,000 to $174,999; $175,000 to $199,999; $200,000 to $224,999; $225,000 to $249,999; $250,000 to $274,999; $275,000 to $299,999; $300,000 to $324,999; $325,000 to $349,999; $350,000 to $374,999; $375,000 to $399,999; $400,000 to $424,999; $425,000 to $449,999; $450,000 to $474,999; $475,000 to $499,999; $500,000 to $524,999; $525,000 to $549,999; $550,000 to $574,999; $575,000 to $599,999;

 

$600,000 to $624,999; $625,000 to $649,999; $650,000 to $674,999; $675,000 to $699,999; $700,000 to $724,999; $725,000 to $749,999; $750,000 to $774,999; $775,000 to $799,999; $800,000 to $824,999; $825,000 to $849,999; $850,000 to $874,999; $875,000 to $899,999; $900,000 to $924,999; $925,000 to $949,999; $950,000 to $974,999; $975,000 to $999,999; 1,000,000 to 1,249,999; 1,250,000 to 1, 499,999; 1,500,000 to 1,749,999; 1,750,000 to 1,999,999; and 2,000,000 and up. The motion passed unanimously.

Darby said she would like the Working Group to think about how the data will be presented in the report and whether the underlying granular data can be made available to the public even if it is presented in the report in larger buckets.

Darby said the insurance ranges for the tenants and condominium owner forms that were collected in the survey differ from the ranges shown in the report currently and would not be able to be rolled up in the same buckets. Citarella said it is better to have more granular data, even if the ranges don't align with ranges from previous year reports.

Citarella made a motion, seconded by Amann, to collect tenant and condominium owner data in the following insurance ranges: $9,999 and under; $10,000 to $14,999; $15,000 to $19,999; $20,000 to $24,999; $25,000 to $29, 999; $30,000 to $34,999; $35,000 to $39,999; $40,000 to $44,999; $45,000 to $49,999; $50,000 to $54,999; $55,000 to $59,999; $60,000 to $64,999; $65,000 to $69,999; $70,000 to $74,999; $75,000 to $79,999; $80,000 to $84,999; $85,000 to $89,999; $90,000 to $94,999; $95,000 to $99,999; $100,000 to $124,999; $125,000 to $149,999; $150,000 to $174,999; $175,000 to $199,999; $200,000 to $224,999; $225,000 to $249,999; $250,000 to $274,999; $275,000 to $299,999; and $300,000 and up. The motion passed unanimously.

Schwartz proposed a change to the Competition Database Report that would involve breaking out the number of sellers column into two columns for mutual companies versus stock companies. Rich Gibson (American Academy of Actuaries) said a potential complication would be that some stock companies are not publicly traded and therefore this change may not show what Schwartz is proposing. Schwartz said his intent is to show the number of mutual and reciprocal sellers which have a less profit-heavy need and have a more long-term competitive time horizon than stock companies which, in general, have a higher need for return on capital.

Darby asked if this proposed change is possible in terms of formatting in the report. Libby Crews (NAIC) said additional columns could be implemented into the report with minimal changes to formatting.

Schwartz made a motion, seconded by Bradner, to split the number of sellers column in the Competition Database Report to show a column for number of mutual and reciprocal sellers and a column for number of stock insurer sellers. The motion passed unanimously.

Schwartz said his next proposal is to change the Top 4 Market Share Column to show the Top 20 Market Share. He said this economic factor, while used in other industries, is not a good indicator of insurance competition because there are many more competitors. Bradner agreed that only looking at the top 4 writers in a market would not be helpful when reviewing competition in that market. Darby said the top 10 is the metric that is most often used when looking at market share and other industry data points. Aaron Brandenburg (NAIC) said the top 4 data point is often used as an economic indicator, but this number could be changed if regulators agree that it does not make sense for the insurance industry. Darby said if the top 4 is an important economic indicator that people are using, it may not make sense to remove it from the report. She said the Working Group could think about adding another column with the Top 10 or Top 20 data. Schwartz said another possibility would be to show, for each state and line of business, the number of sellers writing 50% of the market share.

Schwartz said his next proposal would be to add a metric on price variability which could be measured by the coefficient of variation for several hypothetical policyholders. He said the range of variation is going to be much greater in a market that is more competitive than a market that is less competitive. Darby said the Working Group would need to consider how they would get the information on hypothetical policyholders. She said the Working Group will continue the discussion on these open items during the next meeting.

Having no further business, the Statistical Data (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2023_Fall/CASTF/SDWG/StatDataWGmin_0918

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

# Update on the Cybersecurity Insurance Supplement Blank Exposure

*Mike McKenney (PA) and Sara Robben, NAIC*

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

1



## High-Level Summary of Changes

- The data being collected was being misreported. To collect better data, some changes were made in the following areas:
  - Standalone vs. Package Reporting
  - Claims-Made vs. Occurrence
  - First-Party vs. Third-Party
    - Initially proposed to eliminate this breakdown
    - After discussion with state insurance regulators and insurers it was decided to be left in the blank
  - Removal of Identity Theft Reporting
  - Strengthening and Consistency of Definitions
  - Asking for Incurred on Estimated Premium



2

## Reporting

- Standalone vs. Package Policies
  - Package policies were being reported incorrectly
    - Industry's definition was interpreted as combining two or more coverages, like D&O and Cyber, and packaging the policies
    - Reporting of package policies was meant to be just Cyber endorsements
  - Cyber insurance policies provide a combination of coverage options
  - Cyber insurance policies generally have both first-party and third-party coverage on one policy





2023 FALL NATIONAL MEETING NAIC

## New Policy Buckets

- Primary Policies
- Endorsements to Another Policy
- Excess Policies

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

## Claims-Made Vs. Occurrence

- Third Party Coverage - Claims Made
- First Party Coverage - Occurrence (Discovery-Triggered)







**Added Definitions and Strengthened Instructions on Cybersecurity Coverage**

Primary/Excess/Endorsement

**Added Cybersecurity Coverage Type by State**

Added a chart that identifies the types of coverage written in each state

**2023 FALL NATIONAL MEETING**

Part 5 – Blank

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT

PART 5 – CYBERSECURITY COVERAGE BY STATE

| STATE | 1<br>STAND-ALONE | 2<br>PACKAGED | 3<br>EXCESS | 4<br>ENDORSEMENT |
|---|---|---|---|---|
| Alabama | | | | |
| Alaska | | | | |
| Arizona | | | | |
| Arkansas | | | | |
| California | | | | |
| Colorado | | | | |
| Connecticut | | | | |
| Delaware | | | | |
| District of Columbia | | | | |
| Florida | | | | |
| Georgia | | | | |
| Hawaii | | | | |
| Idaho | | | | |
| Illinois | | | | |
| Indiana | | | | |
| Iowa | | | | |
| Kansas | | | | |
| Kentucky | | | | |
| Louisiana | | | | |
| Maine | | | | |
| Maryland | | | | |
| Massachusetts | | | | |
| Michigan | | | | |
| Minnesota | | | | |
| Mississippi | | | | |
| Missouri | | | | |
| Montana | | | | |
| Nebraska | | | | |
| Nevada | | | | |
| New Hampshire | | | | |
| New Jersey | | | | |
| New Mexico | | | | |
| New York | | | | |
| North Carolina | | | | |
| North Dakota | | | | |
| Ohio | | | | |
| Oklahoma | | | | |
| Oregon | | | | |
| Pennsylvania | | | | |
| Rhode Island | | | | |
| South Carolina | | | | |
| South Dakota | | | | |
| Tennessee | | | | |
| Texas | | | | |
| Utah | | | | |
| Vermont | | | | |
| Virginia | | | | |
| Washington | | | | |
| West Virginia | | | | |
| Wisconsin | | | | |
| Wyoming | | | | |
| American Samoa | | | | |
| Guam | | | | |
| Puerto Rico | | | | |
| U.S. Virgin Islands | | | | |
| Northern Mariana Islands | | | | |
| Canada | | | | |
| Aggregate Other Alien | | | | |



**2023 FALL NATIONAL MEETING**

## Data Collected

**Primary Policies**

- Direct Written Premiums Written & Earned
- Direct Losses Paid & Incurred
- Direct Defense and Cost Containment Paid & Incurred
- Number of claims Reported, Open, Closed with Payment, Closed without Payment (separated by First Party/Third Party
- Number of Policies in Force (Totals)

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

2023 FALL NATIONAL MEETING NAIC

## Data Collected

**Excess Policies**

- Same as for Primary Policies

**Endorsements**

- Same as for Primary Policies Except:
- Now asking for Incurred instead of Case

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

9

2023 FALL NATIONAL MEETING NAIC

## Cybersecurity Bank Exposure

## This is located on the Blanks (E) Working Group page in the Exposure Tab

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

10

## NAIC BLANKS (E) WORKING GROUP

**Blanks Agenda Item Submission Form**

| | |
|---|---|
| **DATE:** ______ | **FOR NAIC USE ONLY** |
| **CONTACT PERSON:** Kris DeFrain | Agenda Item # 2023-16BWG |
| **TELEPHONE:** 816-783-8229 | Year 2024 |
| **EMAIL ADDRESS:** kdefrain@naic.org | Changes to Existing Reporting [ X ]<br>New Reporting Requirement [ ] |
| **ON BEHALF OF:** Casualty Actuarial and Statistical (C ) Task Force | **REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**<br>No Impact [ X ]<br>Modifies Required Disclosure [ ] |
| **NAME:** Christian Citarella | Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ No ]<br>****If Yes, complete question below**** |
| **TITLE:** Chair of CASTF | **DISPOSITION** |
| **AFFILIATION:** New Hampshire Insurance Department | [ ] Rejected For Public Comment<br>[ ] Referred To Another NAIC Group<br>[ ] Received For Public Comment |
| **ADDRESS:** ______ | [ ] Adopted Date ______<br>[ ] Rejected Date ______<br>[ ] Deferred Date ______<br>[ ] Other (Specify) |

**BLANK(S) TO WHICH PROPOSAL APPLIES**

| | | |
|---|---|---|
| [ X ] **ANNUAL STATEMENT** | [ X ] **INSTRUCTIONS** | [ X ] **CROSSCHECKS** |
| [ ] **QUARTERLY STATEMENT** | [ X ] **BLANK** | |
| [ ] Life, Accident & Health/Fraternal | [ ] Separate Accounts | [ ] Title |
| [ X ] Property/Casualty | [ ] Protected Cell | [ ] Other ______ |
| [ ] Health | [ ] Health (Life Supplement) | [ ] Life (Health Supplement) |

Anticipated Effective Date: Annual 2024

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Change Schedule P to show 10 years of data and a “prior” row for all lines of business beginning in 2024. This modifies requirements for seven lines of business that currently only show 2 years of data and a “prior” row.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE****

See Next Page

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

Not available elsewhere

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: ______

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE****

While all 10 years of accident-year data are required for every line of business to produce summary data and comply with risk-based capital (RBC) requirements, only 2 years of accident-year data is required to be shown in the Schedule P exhibits for seven lines of business: the property lines of business, pet insurance plans, and financial guaranty/mortgage guaranty business. Some of the current 2-year lines of business are experiencing significant loss development after 2 years. A review of industry aggregate Schedule P—Part 2 results across these 2-year lines shows the prior line regularly has 25% or more of the reported one-year loss development. The information for more accident years will aid regulatory review of reserves for these lines.

P/C companies currently maintain 10 years of data for the current “short-tailed” lines to prepare the Schedule P Summaries and report for Risk-Based Capital (RBC). There are multiple reasons for the proposed change: 1) The 2-year reporting requires unneeded calculations that can easily result in errors on the “prior row.” 2) With all lines having 10 years of data, Schedule P will be easier to understand because one would be able to reconcile the summary data and line of business data. 3) Given current technology, there seems to be no material time, printing or cost savings derived by only showing two years of data for six lines of business.

We recommend this change from two to ten years of data be completed in one step, because the data for ten years has been collected and stepwise progression would be prone to issues akin to those in the 2-year lines.

## SCHEDULE P

There are seven parts and the interrogatories within Schedule P. Part 1 provides detailed information on losses and loss expenses. Part 2 provides a history of incurred losses and defense & cost containment expenses. Part 3 provides a history of loss and defense & cost containment payments. Part 4 provides a history of bulk and incurred but not reported (IBNR) reserves. Part 5 provides a history of claims. Part 6 provides a history of premiums earned. Part 7 provides a history of loss sensitive contracts. Schedule P Interrogatories provides for additional calculation and explanation of various amounts.

Schedule P is intended to display ten years of historical data for all lines of business.

**Detail Eliminated To Conserve Space**

**SCHEDULE P – PART 1**

Part 1 – Summary is the total of the Schedule P lines. Non-proportional assumed reinsurance – Property, Liability and Financial Lines can be summed together as reported.

**Detail Eliminated To Conserve Space**

Line 1, "Prior," Columns 4 through 11should only reflect amounts paid or received in the current calendar year.

SCHEDULE P – PART 7

**Detail Eliminated To Conserve Space**

**Detail Eliminated To Conserve Space**

**Detail Eliminated To Conserve Space**

## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

## SCHEDULE P – PART 1I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)

**($000 OMITTED)**

| | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | |
| Years in Which Premiums Were Earned and Losses Were Incurred | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | Number of Claims Reported Direct and Assumed |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | | | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | 21 Direct and Assumed | 22 Ceded | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
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| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | | | | | | | | | | | |
| 7. | | | | | | | | | | | |
| 8. | | | | | | | | | | | |
| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

## SCHEDULE P – PART 1J – AUTO PHYSICAL DAMAGE
**($000 OMITTED)**

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported Direct and Assumed |
| | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | Direct and Assumed | Ceded | | | |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
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| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
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| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

# SCHEDULE P – PART 1K – FIDELITY/SURETY
**($000 OMITTED)**

| | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported Direct and Assumed |
| Years in Which Premiums Were Earned and Losses Were Incurred | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | Direct and Assumed | Ceded | | | |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
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| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
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| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

## SCHEDULE P – PART 1L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)
**($000 OMITTED)**

| | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | |
| Years in Which Premiums Were Earned and Losses Were Incurred | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | Number of Claims Reported Direct and Assumed |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
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| 9. | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
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| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

**Detail Eliminated To Conserve Space**

# SCHEDULE P – PART 1S – FINANCIAL GUARANTY/MORTGAGE GUARANTY
**($000 OMITTED)**

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned<br>1<br>Direct and Assumed | Premiums Earned<br>2<br>Ceded | Premiums Earned<br>3<br>Net (Cols. 1 – 2) | Loss and Loss Expense Payments<br>Loss Payments<br>4<br>Direct and Assumed | Loss Payments<br>5<br>Ceded | Defense and Cost Containment Payments<br>6<br>Direct and Assumed | Defense and Cost Containment Payments<br>7<br>Ceded | Adjusting and Other Payments<br>8<br>Direct and Assumed | Adjusting and Other Payments<br>9<br>Ceded | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12<br>Number of Claims Reported Direct and Assumed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid<br>Case Basis<br>13<br>Direct and Assumed | Case Basis<br>14<br>Ceded | Bulk + IBNR<br>15<br>Direct and Assumed | Bulk + IBNR<br>16<br>Ceded | Defense and Cost Containment Unpaid<br>Case Basis<br>17<br>Direct and Assumed | Case Basis<br>18<br>Ceded | Bulk + IBNR<br>19<br>Direct and Assumed | Bulk + IBNR<br>20<br>Ceded | Adjusting and Other Unpaid<br>21<br>Direct and Assumed | Adjusting and Other Unpaid<br>22<br>Ceded | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding Direct and Assumed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | |
| 8. | | | | | | | | | | | | | |
| 9. | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred<br>26<br>Direct and Assumed | 27<br>Ceded | 28<br>Net | Loss and Loss Expense Percentage (Incurred/Premiums Earned)<br>29<br>Direct and Assumed | 30<br>Ceded | 31<br>Net | Nontabular Discount<br>32<br>Loss | 33<br>Loss Expense | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount<br>35<br>Losses Unpaid | 36<br>Loss Expenses Unpaid |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | | | | | | | | | | | |
| 7. | | | | | | | | | | | |
| 8. | | | | | | | | | | | |
| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

# SCHEDULE P – PART 1T - WARRANTY

**($000 OMITTED)**

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported Direct and Assumed |
| | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | |
| 8. | | | | | | | | | | | | | |
| 9. | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | | | | | | | | | | | |
| 7. | | | | | | | | | | | |
| 8. | | | | | | | | | | | |
| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

## SCHEDULE P – PART 1U – PET INSURANCE PLANS
**($000 OMITTED)**

| | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | |
| Years in Which Premiums Were Earned and Losses Were Incurred | Direct and Assumed | Ceded | Net (Cols. 1 – 2) | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | Number of Claims Reported Direct and Assumed |
| 1. Prior | XXX | XXX | XXX | | | | | | | | | XXX |
| 2. 2015 | | | | | | | | | | | | XXX |
| 3. 2016 | | | | | | | | | | | | XXX |
| 4. 2017 | | | | | | | | | | | | XXX |
| 5. 2018 | | | | | | | | | | | | XXX |
| 6. 2019 | | | | | | | | | | | | XXX |
| 7. 2020 | | | | | | | | | | | | XXX |
| 8. 2021 | | | | | | | | | | | | XXX |
| 9. 2022 | | | | | | | | | | | | XXX |
| 10. 2023 | | | | | | | | | | | | XXX |
| 11. 2024 | | | | | | | | | | | | XXX |
| 12. Totals | XXX | XXX | XXX | | | | | | | | | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Anticipated | Total Net Losses and Expenses Unpaid | Number of Claims Outstanding Direct and Assumed |
| 1. | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | |
| 8. | | | | | | | | | | | | | |
| 9. | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | Inter-Company Pooling Participation Percentage | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | | | | | | | | | | | |
| 7. | | | | | | | | | | | |
| 8. | | | | | | | | | | | |
| 9. | | | | | | | | | | | |
| 10. | | | | | | | | | | | |
| 11. | | | | | | | | | | | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 2I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 | 11<br>One Year | 12<br>Two Year |
| 1. Prior | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 2. 2015 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 3. 2016 | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 4. 2017 | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 5. 2018 | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 6. 2019 | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

## SCHEDULE P – PART 2J – AUTO PHYSICAL DAMAGE

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 2. 2015 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 3. 2016 | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 4. 2017 | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 5. 2018 | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 6. 2019 | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

## SCHEDULE P – PART 2K – FIDELITY, SURETY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 2. 2015 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 3. 2016 | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 4. 2017 | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 5. 2018 | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 6. 2019 | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

## SCHEDULE P – PART 2L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 2. 2015 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 3. 2016 | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 4. 2017 | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 5. 2018 | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 6. 2019 | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 2S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 2. 2015 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 3. 2016 | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 4. 2017 | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 5. 2018 | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| 6. 2019 | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... | .... |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... | .... |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... | .... |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | .... | .... |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .... | .... | .... | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

## SCHEDULE P – PART 2T – WARRANTY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 ........ | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 ........ | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 ........ | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 ........ | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 ........ | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 ........ | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 9. 2022 ........ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 10. 2023 ........ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

## SCHEDULE P – PART 2U – PET INSURANCE PLANS

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 ........ | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 ........ | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 ........ | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 ........ | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 ........ | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 ........ | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 9. 2022 ........ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 10. 2023 ........ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| | | | | | | | | | | 12. Totals | | |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 3I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED) 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 | 11<br>Number of Claims Closed With Loss Payment | 12<br>Number of Claims Closed Without Loss Payment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 000 | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 2. 2015 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 3. 2016 | XXX | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 4. 2017 | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 5. 2018 | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 6. 2019 | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | XXX | XXX |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | XXX | XXX |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | XXX | XXX |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

## SCHEDULE P – PART 3J – AUTO PHYSICAL DAMAGE

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 000 | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 2. 2015 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 3. 2016 | XXX | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 4. 2017 | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 5. 2018 | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 6. 2019 | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | XXX | XXX |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | XXX | XXX |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | XXX | XXX |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

## SCHEDULE P – PART 3K – FIDELITY/SURETY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 000 | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 2. 2015 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 3. 2016 | XXX | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 4. 2017 | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 5. 2018 | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 6. 2019 | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | XXX | XXX |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | XXX | XXX |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | XXX | XXX |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

## SCHEDULE P – PART 3L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 000 | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 2. 2015 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 3. 2016 | XXX | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 4. 2017 | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 5. 2018 | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 6. 2019 | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | XXX | XXX |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | XXX | XXX |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | XXX | XXX |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 3S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | 000 | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 2. 2015 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 3. 2016 | XXX | ... | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 4. 2017 | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 5. 2018 | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 6. 2019 | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | ... | XXX | XXX |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | ... | XXX | XXX |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | ... | XXX | XXX |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | ... | XXX | XXX |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ... | ... | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

## SCHEDULE P – PART 3T - WARRANTY

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior ................. | 000 | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 2. 2015 ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 3. 2016 ................. | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 4. 2017 ................. | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 5. 2018 ................. | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 6. 2019 ................. | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 7. 2020 ................. | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 8. 2021 ................. | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | XXX | XXX |
| 9. 2022 ................. | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | XXX | XXX |
| 10. 2023 ................. | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

## SCHEDULE P – PART 3U – PET INSURANCE PLANS

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior ................. | 000 | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 2. 2015 ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 3. 2016 ................. | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 4. 2017 ................. | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 5. 2018 ................. | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 6. 2019 ................. | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 7. 2020 ................. | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | ................. | XXX | XXX |
| 8. 2021 ................. | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | ................. | XXX | XXX |
| 9. 2022 ................. | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | ................. | XXX | XXX |
| 10. 2023 ................. | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ................. | ................. | XXX | XXX |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 4I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 |
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SCHEDULE P – PART 4J – AUTO PHYSICAL DAMAGE

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SCHEDULE P – PART 4K – FIDELITY/SURETY

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SCHEDULE P – PART 4L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

**Detail Eliminated To Conserve Space**

## SCHEDULE P – PART 4S – FINANCIAL GUARANTY/MORTGAGE GUARANTY

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 2. 2015 .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 3. 2016 .......... | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 4. 2017 .......... | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 5. 2018 .......... | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 6. 2019 .......... | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... |
| 7. 2020 .......... | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... |
| 8. 2021 .......... | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... |
| 9. 2022 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... |
| 10. 2023 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SCHEDULE P – PART 4T - WARRANTY

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 2. 2015 .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 3. 2016 .......... | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 4. 2017 .......... | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 5. 2018 .......... | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 6. 2019 .......... | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... |
| 7. 2020 .......... | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... |
| 8. 2021 .......... | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... |
| 9. 2022 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... |
| 10. 2023 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SCHEDULE P – PART 4U – PET INSURANCE PLANS

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Prior .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 2. 2015 .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 3. 2016 .......... | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 4. 2017 .......... | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 5. 2018 .......... | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| 6. 2019 .......... | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... | .......... |
| 7. 2020 .......... | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... | .......... |
| 8. 2021 .......... | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... | .......... |
| 9. 2022 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... | .......... |
| 10. 2023 .......... | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .......... | .......... |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

**Detail Eliminated To Conserve Space**

# SCHEDULE P – PART 5T – WARRANTY

## SECTION 1

| Years in Which Premiums Were Earned and Losses Were Incurred | CUMULATIVE NUMBER OF CLAIMS CLOSED WITH LOSS PAYMENT DIRECT AND ASSUMED AT YEAR-END | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 |
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SECTION 2

| Years in Which Premiums Were Earned and Losses Were Incurred | NUMBER OF CLAIMS OUTSTANDING DIRECT AND ASSUMED AT YEAR-END | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 |
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

## SECTION 3

| Years in Which Premiums Were Earned and Losses Were Incurred | CUMULATIVE NUMBER OF CLAIMS REPORTED DIRECT AND ASSUMED AT YEAR-END | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1<br>2015 | 2<br>2016 | 3<br>2017 | 4<br>2018 | 5<br>2019 | 6<br>2020 | 7<br>2021 | 8<br>2022 | 9<br>2023 | 10<br>2024 |
| 1. Prior | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 2. 2015 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 3. 2016 | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 4. 2017 | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 5. 2018 | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 6. 2019 | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ | ........ |
| 7. 2020 | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ | ........ |
| 8. 2021 | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ | ........ |
| 9. 2022 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ | ........ |
| 10. 2023 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | ........ | ........ |
| 11. 2024 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

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11/28/23

# NAIC Rate Model Review Team's GLM Checklist

Regulators frequently using the NAIC rate model review service asked the NAIC rate model review team to create a list of rate filing documentation needed for the NAIC to complete a full-scope rate model review. The goals of such a list are to make the NAIC review process more efficient and expeditious. Regulators may evaluate this list and determine the state's needs. Regulators can share this list with insurers, can revise the state's rate filing checklist, or can communicate with insurers through rate filing objections, when needed.

The list is divided by "Essential Information" and "Sometimes Needed Information." These terms are defined in this table:

| Category | Description |
|---|---|
| Essential Information | Information that the NAIC rate model review team requests before writing a full-scope initial assessment of a model. |
| Sometimes Needed Information | Information that the NAIC model review team finds useful for model reviews but may only be needed if something appears non-standard about the modeling approach. Regulators may want to wait to request such information from insurers only when requested in the initial NAIC report. |

## Model Introduction – Essential Information

- A narrative discussing what the company is trying to accomplish with the model, including the following details:
  - Is this a new model or refresh? What is the prior model's SERFF number (if applicable)?
  - Does the filing impact existing renewals?
  - Who is the target consumer?
  - What is the GLM intended to model? (Frequency, Severity, Loss Ratios, Pure Premium, etc.)
  - What is being optimized? Does the model consider anything other than differences in loss cost?
- A narrative discussing the specifications and high-level assumptions of the model, including the following details:
  - Number & Type of models (GLM, GBM, etc.)
  - Split of the data into models (by coverage, by peril, etc.)
  - Split of the data into datasets (training, test, holdout)
  - How models were combined to derive the final rating algorithm

## Model Introduction – Sometimes Needed Information

- A narrative discussing the credentials of the modeling team, including the following details:
  - Name of each individual
  - Relevant educational experience
  - Relevant credentials and designations
  - Years of experience building predictive models
  - Years of experience in the insurance industry
- Discuss how Actuarial Standards of Practice (ASOPs) 12, 23, 41, and 56 were considered in building the models.

- Describe the software used to build the models.
- Provide copies of or links to academic references for their modeling techniques.
- A table listing the states where the model has been filed for review, the SERFF tracking number, and an indicator showing whether the filing has been approved.

**Data – Essential Information**

- A narrative providing the description of each data source including the following:
  - Informational materials or website links for each 3rd party
  - Commentary on how the company reviewed the veracity of the data source
  - Why the company believes the data source is useful for the model's intended purpose
  - Disclosure of known data errors
  - SERFF filing numbers where the use of the data was previously approved (if applicable)
- A description of the relevance of the data
  - The lines of business and companies included should be identified
  - Description of any considerations or adjustments made to make the data more applicable for its intended use
- A data dictionary provided as a table with the following columns:
  - Data Source (Vendor name or "Internal")
  - Variable name
  - Alternate names appearing in other filing documents
  - Data types (discrete, continuous, logical, categorical)
  - Treatment Type (Model, Control, Offset, Target)
  - Possible values (Empirical min and max for numerical variables, all categories for categorical variables)
- Tables showing summary metrics for each dataset by year (training, testing, holdout)
  - Year
  - Losses
  - Exposures (or Policy Count)
  - Claim Count (if applicable)
- A narrative on how the company determined the final variables to include in the final model
- A narrative on the data accuracy and data reconciliation process
  - Description of the methods used to compile, filter, and/or merge data from different sources
  - How the data was reconciled to other sources
- A listing of the rational explanation for each modeled variable that discusses why it would plausibly impact insurance risk as discussed in the CASTF white paper[1].
- A guarantee that the modeling dataset will be retained for at least 7 years
- A description of any dimensionality reduction techniques (PCA, clustering, etc.) that were applied to the data.
- An Excel file with 100 anonymized sample modeling records including all predictor variables and target variables.

**Data – Sometimes Needed Information**

- A description of steps taken to meet state requirements regarding unfair discrimination (if applicable).
- A listing of variables which are subject to the fair credit reporting act (if applicable).
- A table showing the data volume distribution by state for each dataset (training, testing, holdout)

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[1] https://content.naic.org/sites/default/files/inline-files/9-15%20CASTF%20-%20Predictive%20Model%20White%20Paper%209-09-2020_1.pdf

**Modeling – Essential Information**

- A narrative discussing the specifications and assumptions of the model, including the following details:
    - Form of the regression equation
    - Distribution assumed for the error term
    - The link function (if applicable)
    - Weights used in regression (if appliable)
    - Hyperparameter values and tuning procedure (if applicable)
- A description of how the model differs from prior versions of the model (if applicable).
- A description for each control or offset variable of why it was necessary to treat them as control/offset variables.
- A description of how the variables with null or missing values will be treated, including the following:
    - A table showing the rate of null or missing values for each variable
    - A description of the scenarios which generated null or missing values
    - A description of how each null or missing value is treated (might include imputation method or simply left in as a control)
    - A description of what happens to null and/or missing values when generated in production. (Is there a rating factor applied for null/missing or is the data populated before policy issuance?)
- A description of any large loss capping applicable to the dataset
    - Identify the size of the large loss cap
    - Identify the percentile of claim severity represented by large loss cap
- A description of adjustments and modifications to the data including trending, loss development, capping at minimums or maximums, and removal of outliers.
- A description of variable transformations applied to the data. The description should include the name of each transformation technique used and an example transformation complete with a sample unadjusted value and a final transformed value.
- A description of each feature engineered variables. The description should include the rationale behind the feature engineered variable and a sample calculation including unadjusted original variable values and the final feature engineered variable value.
- A description of how binning was applied to numeric variables and how categorical variable values were grouped together.

**Modeling – Sometimes Needed Information**

- Deviance residual plots for each model demonstrating the appropriateness of the model assumptions.

**Validation – Essential Information**

- A narrative on how the model was validated and assessed for model stability
- A narrative on how the model was assessed for improvement over the prior version of the model (if applicable)
- An Excel file containing model output in this format:
    - Each model is a separate worksheet
    - Column A is Variable Name
    - Column B is Variable Level Name
    - Column C is the coefficient
    - Column D is the p-value (if applicable)
    - Column E is the 95th confidence interval lower bound (if applicable)
    - Column F is the 95th confidence interval upper bound (if applicable)
- Ventile plots (quantile plots with at least 20 buckets) for both state specific data and countrywide data, built on data not used for model training. Each plot should include lines for both predicted averages and actual average.
- Lorenz curve for each model built on countrywide data. The plot should include the Lorenz curve and the equality reference line. The plot should also include the Gini value for the model.
- An Excel file containing correlation matrices in this format:
    - Each model's correlation matrix is a separate worksheet
    - Row 1 and Column 1 include variable names
    - The rest of the table displays the correlation metrics
- Commentary on which correlation metric (Pearson's, Cramer's V, etc.) was provided in the correlation matrix Excel file

**Validation – Sometimes Needed Information**

- A description of how often the model will be validated against new data in the future
- A double lift chart comparing the newly proposed model and the current model (if applicable)
- Actual vs. Expected plots by model and variable (aka "Univariate Plots") which show the closeness between actual averages and predicted averages.
- AIC tests showing the new AIC after the introduction of each additional predictor variable
- F-nested model tests comparing the full model to subset models excluding one variable at a time to demonstrate the significance of each term. Each test should include the following:
    - F-statistic
    - F-test critical values
    - Numerator degrees of freedom
    - Denominator degrees of freedom
- Variance Inflation Factors (VIFs) for each variable

**Implementation – Essential Information**

- A description of how the models being filed are ultimately integrated into the company's final rating algorithm
- A narrative about all post modeling adjustments, such as smoothing, mapping to scores, and tempering of factors
- A narrative identifying the variables where deviations from indicated were made and commentary on the reason for the deviations
- A dislocation analysis, including the following:
    - Histograms showing percentage premium change on uncapped and capped basis (if applicable), using buckets of 5%
    - Descriptions of the scenarios with the highest increases
    - Descriptions of the scenarios with the biggest decreases
- Commentary on the differences between rating new and existing policyholders
- An Excel file which documents deviations between indicated and selected in this format:
    - Each model is a separate worksheet
    - Column A is Variable Name
    - Column B is Variable Level Name
    - Column C is the Current Factor (if applicable)
    - Column D is the Indicated Factor
    - Column E is the Proposed Factor
    - Column F is the percentage difference between indicated and proposed. If the absolute value of the percentage difference is > 10%, the cell should be highlighted.
- Sample rating/scoring exhibits for 10 risks in Excel, which show risk characteristics, all intermediate adjustments, and the final algorithm output considering the company's final selections.

**Implementation – Sometimes Needed Information**

None are listed at this time.

# Casualty Practice Council of the American Academy of Actuaries:

## Update to the NAIC's Casualty Actuarial and Statistical (C) Task Force

Fall National Meeting
December 1, 2023

# CPC Recent Activity

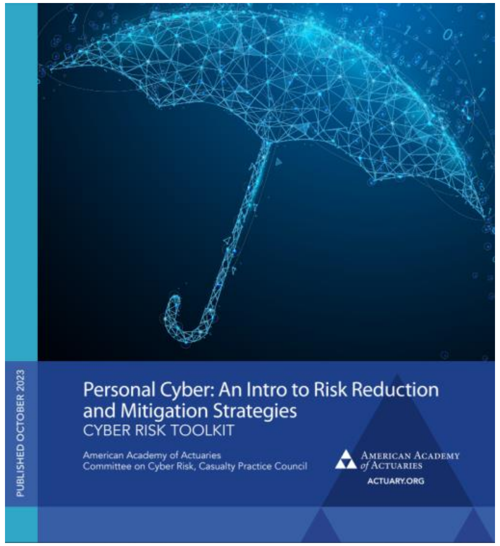
August 2023 Report to the P/C RBC Working Group on new risk factors, investment income adjustments, and catastrophe adjustments

## Equity and Fairness

- Presentation at Colorado Stakeholder Meeting on Private Passenger Auto Insurance

## Cyber Risk

- Personal Cyber: An Intro to Risk Reduction and Mitigation Strategies
- Cyber Risk Webinar



# Looking Ahead

## Equity and Fairness

- Comments on Colorado Regulation 10-1-1 (Due 12/1)
- Insurance Fraud Issue Brief (2024 Q1)

## Cyber Risk

- Cyber Vendor Model Comparison (2024 Q1)

# Committee on Property and Liability Financial Reporting (COPLFR) Update

## Recent Activity

- Comments to the Actuarial Standards Board on ASOP No. 36

## Upcoming

- Dec 4-5: Effective P/C Loss Reserve Opinions Seminar, (Charlotte, N.C.)
- December: 2023 Practice Note on P/C Loss Reserves Statements of Actuarial Opinion
- December: P/C Loss Reserve Law Manual
- January 2024: Opinion Webinar

For more information, contact:

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100 Years of Expertise, Insight & Solutions

The CAS celebrated reaching 10,000 members at its recent Annual Meeting. The achievement was recognized with videos of CAS leaders, a social media campaign, special 1K through 10K Club banners, a 10K equation competition and a special #CASTrust10KStrong fitness challenge to benefit the CAS Trust.

## Highlights of Recent CAS Research

- **Spatial-Temporal Modeling of Wildfire Losses with Applications in Insurance-Linked Securities Pricing**
    - By Hong Li and Jianxi Su
    - Authors model and predict state-specific wildfire losses in the United States using a combination of Bayesian dynamic models. In particular, the wildfire frequencies are modeled by a Bayesian multi-scale Dynamic Count Mixture Model (DCMM), which is capable of capturing a number of stylized features of wildfire data, including zero-inflation, over-dispersion compared to the Poisson distribution, and the time-varying patterns. Further, the DCMM is able to incorporate spatial dependence of different states, and thus improves the forecasting performance for individual states, especially those with low historical frequencies. The authors then apply the predictive distribution of future wildfire loss to price wildfire catastrophe (CAT) bonds with different characteristics and evaluate their hedging effectiveness for insurers in different states.
- **Climate, Spatial Dependence, and Flood Risk: A U.S. Case Study**
    - By Robert J. Erhardt, ACAS; Mathieu Boudreault; David A. Carozza; and Kejia Yu
    - The authors merge data on economic flood losses, historical climate, census population, and geological characteristics to explore drivers of flood losses and climate trends. The data cover 292 watersheds spanning the continental United States, over the period 1979–2018. The authors fit a Bayesian spatial mixed-effects model for flood loss frequency and a Bayesian mixed effects model for flood severity loss per person. Both models control for measured covariates, contain random effects to capture variation from unmeasured covariates, and quantify climate drivers of flood risk.
- **Understanding the Demand for Inclusive Insurance: A Pilot Study**
    - By Ida Ferrara, Edward Furman and Tsvetanka Karagyozova
    - The goal of this study is to pave the way for a more comprehensive assessment of the potential benefit of microinsurance (MI) to low-income households in any country, regardless of its level of development, by piloting and implementing a survey instrument to enhance our understanding of the drivers of risk- and insurance-related decisions pertaining to the purchase of health, life and property insurance.
- **Social Inflation and Loss Development**
    - By Jim Lynch, FCAS, MAAA, and Dave Moore, FCAS, CERA

    - Sponsored by the Insurance Information Institute and the Casualty Actuarial Society
    - The authors describe a method for using industrywide loss development factors to detect circumstances consistent with descriptions of a phenomenon known as social inflation. The paper focused primarily on commercial auto liability insurance as defined in Schedule P of the Annual Statement. We estimated that social inflation increased commercial auto liability claims by more than $20 billion between 2010 and 2019.
- **Social Inflation and Loss Development — An Update**
    - By Jim Lynch, FCAS, MAAA, and Dave Moore, FCAS, CERA
    - Sponsored by the Insurance Information Institute and the Casualty Actuarial Society
    - This update to the previous Research Paper focuses primarily on commercial auto liability insurance as defined in Schedule P of the Annual Statement. Authors estimate that social inflation increased commercial auto liability claims by more than $20 billion between 2010 and 2019. This paper extends the analyses through the end of 2021.
- **CAS and SOA Announce 2024 Individual Grants Competition**

## Other CAS Events

- **2023 CAS Hacktuary Challenge – The Hack is Back!**
    - Judging for the 2023 competition has been completed; announcement to follow by year's end.

- **Upcoming PE Events**
    - 2023 Virtual Wildfire Seminar — December 6
    - Webinars (through 2Q 2024)
        - 2023 CAS CE Log: The Review Process and Pitfalls — December 7
        - Bias and Insurance — The Current State of Practice — December 14
        - Professionalism Case Studies — December 19
        - Exploring Recent Trends in Health Care — January 4, 2024
        - Effectively Communicating with All Audiences — January 18, 2024
        - Akur8 Sponsored Webinar — January 28, 2024
        - Predicting Liability Losses for Autonomous Driving — February 29, 2024
    - Big Five CAS Meetings/Seminars
        - Ratemaking, Product and Modeling Seminar — New Orleans, March 17-20, 2024
        - 2024 Spring Meeting — Atlanta, May 5-8, 2024
        - Reinsurance Seminar — Boston, June 3-4, 2024
        - Casualty Loss Reserve Seminar (CLRS) — San Francisco, September 9-11, 2024
        - 2024 Annual Meeting — Phoenix, November 3-6, 2024

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CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE
November 2023
Society of Actuaries (SOA) Actuarial Research and Education Update

- Highlights of Recent Research Reports

- *Analysis of U.S. Insurance Industry Climate Risk Financial Disclosures*
  - An analysis of the NAIC climate risk disclosures to summarize insurers' efforts to govern and manage risks related to climate change and to examine how disclosures vary both across and within lines-of-business.
  - https://www.soa.org/resources/research-reports/2023/climate-risk-fin-disclosures-2021/

- *Actuarial Weather Extremes*
  - Reports that identify and examine unusual or extreme single-day or multi-day weather events.
  - https://www.soa.org/resources/research-reports/2019/weather-extremes/
  - Recent Special Reports include:
    - Actuarial Weather Extremes Series: Five Consecutive Months of Record-High Global Temperatures: November 2023 https://www.soa.org/48ed55/globalassets/assets/files/research/cc192-actuarial-weather-extremes-january-2023-salinas-river-ca-streamflow.pdf

- *National Science Foundation Grant to Implement Wildfire Research Applications*
  - Creation of analytics tools to enable actuaries to assess the impact of wildfires, and train actuaries and public policymakers on the use of these analytics tools for wildfire risk assessment through professional development and other continuing education programs.
  - https://www.soa.org/resources/announcements/press-releases/2023/nsf-grant-wildfire-research-app/

- Primer on US Regulation of InsurTech Applications
  - Report that outlines the interaction between insurtechs and U.S. regulation
  - https://www.soa.org/resources/research-reports/2023/primer-us-regulation-insurtech/