

PROJECT HISTORY - 2003

PROPERTY AND CASUALTY ACTUARIAL OPINION MODEL LAW (#745)

1. Project Description

A property and casualty insurer's Annual Financial Statement is required to be filed with an insurance department on March 1. The insurer is also required to submit an Actuarial Opinion on loss and loss adjustment expense reserves. The Actuarial Opinion is a public document. A detailed Actuarial Report including all work papers supporting the Actuarial Opinion is then required to be available for examination by May 1.

The model law was created to require insurers to annually submit to regulators an "Actuarial Opinion Summary" of the Actuarial Report, and to provide confidential treatment to the Summary and to the Report. The summary must provide information on the opining actuary's point estimate and/or range of reasonable estimates and include additional information as required by the Annual Statement Instructions. The summary is due shortly after the time the Actuarial Opinion and Financial Statement are filed so regulators can detect companies in need of further investigation in a more timely manner.

2. Group Responsible for Drafting Model and States Participating

The Actuarial Opinions Instruction Working Group of the Casualty Actuarial (C) Task Force was responsible for drafting the model. Richard Marcks of Connecticut chaired the working group. The following states were members: California, Connecticut, Illinois; Ohio, Pennsylvania, and Texas. The concept of the Actuarial Opinion Summary Model Law was first proposed to the Actuarial Opinion Instructions Working Group by Texas in May of 2002.

3. Charge Authorizing Project

The Casualty Actuarial Task Force was charged in 2003 to re-appoint an Actuarial Opinion Instructions Working Group to consider, among other issues, the development of a model law to address confidential disclosure to regulators of an "Actuarial Opinion Summary" of the Actuarial Report. The summary was to include such items as point estimate and/or range of reasonable reserve estimates.

4. General Description of Drafting Process

The Standard Valuation Law contains the requirement that valuation of reserve liabilities for life insurers be provided in the Actuarial Opinion submitted with the Life Annual Statement. The Actuarial Opinions Instructions Working Group used this law as a basis for developing a similar requirement for property and casualty reserves. Annual Statement instructions for the P/C Actuarial Opinion were drafted to provide guidance to actuaries and companies as to the information that should be included in the Summary.

Throughout the drafting process input was solicited from all interested parties, including the American Academy of Actuaries and representatives from the insurance industry. To ensure that all aspects of confidentiality were considered, the group sought assistance from the NAIC Information Sharing Working Group and obtained legal advice from insurance department attorneys, and the NAIC Legal Division. Working group meetings regarding development of the model law were open to all interested parties. All revised drafts of the model were posted on the NAIC Website and circulated for public comment.

5. Significant Issues Raised

The significant issues raised involved the specific requirement for disclosure of a point estimate and/or a range of reserve estimates; the reasonableness of the proposed due date for such information given the numerous financial information already requested; and whether regulatory authority could ensure confidentiality of the information under all circumstances, including federal requests for information. Whether indemnification for the opining actuary was appropriate and whether summary information should be released to the American Academy of Actuaries' Actuarial Board for Counseling and Discipline were also discussed.