

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

LETTER

October 12, 1990

WITHDRAWN

By Administrative
Letter 1997-29

Administrative Letter 1990-16

TO: All Insurance Companies Licensed in Virginia

RE: Actuarial Opinion Submissions in Company Annual Statements

In an effort to improve the Commission's oversight of the financial condition of licensed companies doing business in the Commonwealth, all Annual Statement filings for the calendar year ending December 31, 1990 and each year thereafter, subject to the provisions which follow, must contain the opinion of a qualified actuary regarding the adequacy of policy and claim reserves and any other actuarial items established for all lines of business written by the company. This actuarial opinion filing is being required pursuant to Sections 38.2-1109, 38.2-1203, 38.2-1300, 38.2-2506, 38.2-2613, 38.2-3804, 38.2-3903, 38.2-4004, 38.2-4126, 38.2-4214, 38.2-4307, 38.2-4408, 38.2-4509, and 38.2-4602 of Title 38.2 of the Virginia Code.

Who Must Comply

All life, accident and health, and property and casualty companies licensed to do business in Virginia under Chapter 10 of Title 38.2 of the Virginia Code and all other organizations licensed to do business under the following chapters of Title 38.2 must file an opinion by a qualified actuary in their Annual Statement submissions to the Commission, subject to the limitations and/or exemptions stated in this letter:

- a) Chapter 11 - Captive Insurers
- b) Chapter 12 - Reciprocal Insurance
- c) Chapter 25 - Mutual Assessment Property and Casualty Insurers - provided they have:
 - a) 500 members, and
 - b) \$500,000 of assessments received during a calendar year.
- d) Chapter 26 - Home Protection Companies
- e) Chapter 38 - Cooperative Nonprofit Life Benefit Companies
- f) Chapter 39 - Mutual Assessment Life, Accident and Sickness Insurers
- g) Chapter 40 - Burial Societies

- h) Chapter 41 - Fraternal Benefit Societies
- i) Chapter 42 - Health Services Plans
- j) Chapter 43 - Health Maintenance Organizations
- k) Chapter 44 - Legal Services Plans
- l) Chapter 45 - Dental or Optometric Services Plans
- m) Chapter 46 - Title Insurance

Definitions

The following terms as stated in this letter shall have the following meanings:

- a) Annual Statement means the annual financial statement required to be filed by licensed organizations with the Commission as provided in Section 38.2-1300 of the Virginia Code (Section 38.2-4307 for licensed health maintenance organizations, Section 38.2-4126 for fraternal benefit societies).
- b) A qualified actuary is either:
 - 1) an individual who is a member in good standing of the American Academy of Actuaries and is qualified to sign statements of actuarial opinion in accordance with the American Academy of Actuaries Qualification Standards for actuaries signing such statements; or
 - 2) an individual who is either a Fellow or an Associate by examination of the Society of Actuaries or the Casualty Actuarial Society.

Opinion Form and Content

The actuarial opinion is to consist of, though not necessarily be limited to, the following:

- a) an identification paragraph,
- b) a scope paragraph,
- c) a reliance paragraph (if necessary),
- d) an opinion paragraph,
- e) any additional paragraphs deemed necessary to further explain or to qualify the opinion, and
- f) date of the opinion's issuance and actuary's signature.

If the qualified actuary relied on another individual's(s') opinion(s) for determining the accuracy of the underlying records, the qualified actuary should state such in the reliance paragraph of his opinion. Additionally, the individual(s) upon whom the qualified actuary relied, should submit a signed and

dated statement certifying the accuracy and inclusion of the underlying records. This statement should be attached to the qualified actuary's opinion.

The language expressed in the opinion should follow that encompassed in the N.A.I.C. Annual Statement instructions and/or the American Academy of Actuaries Financial Reporting Recommendations and Interpretations.

The Commission shall have final authority regarding approval of the form of the actuarial opinion.

Exemptions

The Commission may allow an exemption from filing the actuarial opinion to certain companies which can demonstrate the following:

- a) They are under supervision or conservatorship pursuant to statutory provision, unless ordered by their domiciliary commissioner to file an actuarial opinion.
- b) The nature of business written and/or the nature of asset or liability items on the company's Annual Statement balance sheet would not necessitate the filing of such actuarial opinion.
- c) The filing of an actuarial opinion would be detrimental to the policyholders, contract holders, or general public.
- d) Filing the opinion would be an undue financial hardship.

If an exemption from filing or any other provision of this letter is sought by a company, a written request for an exemption must be made for each calendar year on or before December 1st of the year for which such exemption is sought. Such request must set forth the basis and reasons for which the exemption is sought. The Commission may require that the request for an exemption contain the statement of a qualified actuary, which sets forth the basis for which the exemption is sought. The Commission may then issue a written exemption.

Delay by a company in obtaining any exemption will not relieve the company from any applicable fines, penalties, and/or other appropriate regulatory action.

Due Date

The actuarial opinion or certified copy of the Commission's written exemption: (i) is to be included on or attached to Page 1 of the company's Annual Statement that is to be filed with the Commission, and (ii) is due when the Annual Statement is due. An

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Annual Statement submitted without the qualified actuary's opinion or Commission's written exemption may subject the company to applicable penalties and/or fines as well as suspension or revocation of its Virginia license as provided for in Title 38.2 of the Virginia Code. For good cause shown, the Commission may extend a company's deadline for submitting the qualified actuary's opinion or the Commission's written exemption but not beyond 60 days after its Annual Statement filing deadline.

Any and all statements in this letter take precedence over any N.A.I.C. Annual Statement instructions and any other rules and guidelines previously issued.

Any questions regarding the implementation of the contents of this letter should be directed to:

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Sincerely,



Steven T. Foster
Commissioner of Insurance

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