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BULLETIN 06-06

To: Presidents, Property and Casualty Insurers Domiciled in Maryland

Re: Actuarial Opinion Summary and other Changes to Property and Casualty Actuarial Reporting Requirements for 2006

Date: March 24, 2006

Under Code of Maryland Regulations No. 31.04.01.04, insurers licensed to transact business in Maryland are required to file financial statements with the Administration using the Annual Statement Instructions and Accounting Practices and Procedures Manual adopted by the National Association of Insurance Commissioners. The purpose of this letter is to advise you of certain changes in the Property/Casualty Annual Statement Instructions related to actuarial reporting that will become effective beginning with Annual Statements reporting an insurer's financial condition as of December 31, 2005.

Specifically, in addition to Statements of Actuarial Opinion filed with Annual Statements on or before March 1 each year, the new Instructions provide, at the option of the domiciliary state, for the filing of an Actuarial Opinion Summary (AOS) by March 15 of each year. In the event that the Administration determines that it would be appropriate for a particular insurer to file an AOS, the insurer will be so notified by letter. In anticipation of such a request, domestic property and casualty insurers should consider having their Appointed Actuaries prepare an AOS.

An AOS must be prepared as prescribed by the Instructions, including but not limited to:

- the actuary's range of reasonable estimates and/or point estimates for loss and loss adjustment expense reserves;
- the difference between the insurer's carried reserves and the point estimate and/or range of reasonable estimates; and
- an explanation of any exceptional adverse development.

Because the AOS will be filed separate from the Statement of Actuarial Opinion that is due by March 1, the NAIC has developed the following recommended format for the actuary's cover note to the AOS:

Date:

Subject:

Company:

NAIC#:

Appointed Actuary:

I have attached a copy of the Statement of Actuarial Opinion that I signed on XXX to this Actuarial Opinion Summary. These two documents are closely linked; the Actuarial Opinion Summary is an extension of the Statement of Actuarial Opinion. Therefore, all limitations, caveats and reliances in the Statement of Actuarial Opinion should also be applied to the Actuarial Opinion summary. Moreover, it is my understanding that, consistent with the Annual Statement Instructions, the Actuarial Opinion Summary will be held confidential by state regulators and is not intended for public inspection.

As is the case with all non-public documents and information we obtain through our examination and analysis process, the Administration intends to maintain the AOS as confidential information pursuant to Sections 2-207 to 2-209 of the Insurance Article.

In addition to the AOS, the new Instructions require an insurer to notify the Administration if its appointed actuary is replaced, including notice of disagreements with the former appointed actuary regarding the content of the actuarial opinion.

If you have any questions regarding this matter, please contact Neil Miller, Chief Financial Analyst, at (410) 468-2122.

R. STEVEN ORR
INSURANCE COMMISSIONER

By: Signature on file with original document
Lester C. Schott
Associate Commissioner
Examination and Auditing Section