

TEXAS CAPTIVE ANNUAL REPORT INSTRUCTIONS

A. GENERAL INSTRUCTIONS

Captive insurance companies must complete the Texas Captive Annual Report in accordance with Insurance Code §964.060 and 28 Texas Administrative Code §§6.401 - 6.411. The Texas Captive Annual Report includes the following filings that the captive insurance company must submit to the Texas Department of Insurance by the due dates described below.

- Captive Annual Report Form (CARF) - an Excel spreadsheet the captive insurance company must use to prepare and file its annual reports. The captive insurance company must submit the CARF to the department no later than March 1 for the preceding calendar year or, if the Commissioner has granted written approval for a captive insurance company to file on a fiscal year end other than a calendar year end, 60 days after the date of the captive insurance company's fiscal year end.
- Unless the department has granted a request to waive the actuarial opinion under 28 Texas Administrative Code §6.401(c), an actuarial opinion including Exhibit A and Exhibit B (see Part B and Appendix A) - must be submitted with the CARF. The captive insurance company must submit the actuarial opinion to the department no later than March 1 for the preceding calendar year or, if the Commissioner has granted written approval for a captive insurance company to file on a fiscal year end other than a calendar year end, 60 days after the date of the captive insurance company's fiscal year end. If the department has granted a request to waive the actual opinion under 28 Texas Administrative Code §6.401(c), the approved annual opinion waiver must be submitted with the CARF. Please submit a [Waiver Affidavit](#) if seeking an exemption from filing an actuarial opinion.
- Updated financial projections - the captive insurance company must submit to the department with the CARF updated financial projections every third reporting year covering the next four-years prepared in the same format as the CARF for the balance sheet (pages 2 and 3), income statement (page 4), and cash flow statement (page 5). A form adjusted for providing projections is available on the department's website.

Basis of Accounting: The captive insurance company must prepare the required CARF financial statements using United States generally accepted accounting principles (GAAP) modified for letters of credit provided for original capitalization and in accordance with Insurance Code §964.056 to be treated as an asset of the captive insurance company.

Definitions: The terms used in this document have the same meaning as the terms defined in Insurance Code §964.001 and 28 TAC §6.1.

Filings: The captive insurance company must submit a copy of the CARF in excel format and all additional required documents to the department electronically as indicated on the department's website. The captive insurance company must not submit a PDF file or other electronically imaged form of the CARF excel spreadsheet. Captive insurance companies that submit incomplete filings or that do not make filings within the prescribed time frame are subject to penalties. Submit filings to FACaptives@tdi.texas.gov.

Signatures: The captive insurance company must verify the CARF under oath by affixing two executive officers' original signatures on the Jurat Page. The signatures must be notarized and submitted electronically using a scanned PDF file.

Technical Instruction: Information regarding entering data, printing the CARF and spreadsheet protection can be found on the department's website.

B. ACTUARIAL OPINION

An actuarial opinion on the reasonableness of the captive insurance company's loss and loss adjustment expense reserves is an essential and required component of the Texas Captive Annual Report and must be rendered by a qualified actuary.

Refer to Appendix A of this document for guidelines and instructions on preparing the actuarial opinion.

The Commissioner may request an actuarial opinion more frequently than annually if the department's analysis of the annual report determines that the captive insurance company's financial condition subjects its policyholders, claimants, and other creditors to unusual financial risk.

C. AUDITED FINANCIAL REPORT

An independent certified public accountant must perform an annual audit of the captive insurance company's financial statements. The audited financial report is due June 1 for the preceding calendar year, or 150 days after the CARF is due, if the Commissioner has granted written approval for the company to file on a fiscal year end other than a calendar year end. Employees of the captive insurance company's parent company or affiliates are not considered "independent" and cannot issue an opinion on the captive insurance company's financial statements. The independent certified public accountant must also provide a Letter of Qualification that must be filed with the audited financial report in accordance with Insurance Code Chapter 401.

D. FINANCIAL STATEMENT INSTRUCTIONS FOR PREPARING THE CARF

JURAT PAGE

The Jurat Page must be:

- 1) completed in its entirety
- 2) have the original signatures of two executive officers
- 3) certified by a notary public with an original stamp, and
- 4) submitted to the department electronically as a scanned PDF.

Officers and directors that have been newly elected during the year must have a "#" sign next to their name. The captive insurance company must submit with the CARF a biographical affidavit for each of these individuals if the captive insurance company has not already done so.

The designated *Annual Report Contact Person* must be the individual responsible for preparing the CARF.

ASSETS PAGE

Assets reported on Page 2 must be valued in accordance with GAAP unless otherwise instructed by the department. Appropriate valuation reserves must be established for any amounts where collection may be doubtful. Space has been provided for write-in miscellaneous assets for *Other Invested Assets* and *Other Assets*. Contact the department for assistance if space is insufficient for the captive insurance company's miscellaneous assets.

Cash and Invested Assets: Invested assets must be valued and reported in accordance with GAAP. Do not include loans and other advances to affiliates on these lines. Captive insurance companies filing on this form are generally exempt from Texas investment limitation statutes unless instructed otherwise by the department. If you have any questions regarding these limitations, please contact the Financial Analysis section of the department. Amounts reported for *Cash and Cash Equivalents, Investments in Fixed-Maturity, and Equity Securities*, must reconcile with amounts reported on Schedule A.

Premium Receivables: This line item must include uncollected premium balances, bills receivable for premiums, and any amounts due from agents or brokers.

Reinsurance Recoverable: Reinsurance recoverable amounts must include amounts recoverable from ceded reinsurance on both paid and unpaid loss and loss adjustment expenses (LAE). This line item must reconcile with the reinsurance recoverable columns for paid and unpaid losses and LAE reported on Schedule F - Part 2.

Funds Held by Ceding Reinsurers: The amount reported on this line represents funds due and withheld from the captive insurance company by its fronting insurers and must agree to the amounts reported on Schedule F - Part 1.

Prepaid Reinsurance Premiums: Include all premiums forwarded to reinsurers for the unexpired portion on ceded reinsured policies, referred to as ceded unearned premiums. Amounts must agree to the total reported for ceded unearned premium on Schedule F - Part 2.

Letters of Credit (LOC): Include the value of any outstanding LOCs that have been issued as part of the stated capitalization of the captive insurance company with the Commissioner as the beneficiary. Other LOCs are inadmissible as assets in the CARF.

Investments in and Advances to Affiliates: Advances to affiliates must have received prior written approval from the department and must be reported as noninvested assets under this caption.

Other Assets: Include any other admissible assets that are not included under any other account in the balance sheet.

LIABILITIES, CAPITAL, AND SURPLUS PAGE

Loss and Loss Adjustment Expense Reserves (LAE): Loss and LAE reserves must be reported gross of ceded reinsurance. The current year outstanding loss reserves must agree with amounts reported on Schedule P - Part 1 - Unpaid Losses, columns 1 and 3. The current year outstanding LAE reserves must agree with amounts reported on Schedule P - Part 1 - Unpaid LAE, columns 6 and 8.

Unearned Premiums: Unearned premiums are reported gross of amounts ceded under reinsurance agreements.

Reinsurance Payable: Include amounts currently payable to reinsurers.

Funds Held under Reinsurance Ceded: Include reinsurance premiums withheld by the captive insurance company as specified in the reinsurance contract or advances to the captive insurance company by the payment of losses before the captive insurance company makes an accounting.

Loans and Notes Payable: The captive insurance company must report all loans and notes outstanding at year end.

Amounts Due to Affiliates: The captive insurance company must report all amounts due to parent company or affiliates, including amounts due to asset sales and amounts due under management service agreements. If the captive insurance company is part of an insurance holding company system, the captive insurance company must submit agreements between affiliates to the department for prior approval.

Dividends and Distributions Payable: Include on this line unpaid policyholder and equity interest holder dividends and distributions declared by the governing body. As required in 28 Texas Administrative Code §6.409(a), policyholder dividends and distributions require that notice be given to the Commissioner within 30 days of issuing the dividends and distributions.

As required under 28 Texas Administrative Code §6.409(b), dividends and distributions to holders of equity interests that are not policyholder dividends or distributions under 28 Texas Administrative Code §6.409(a) must be approved by the Commissioner before payment. The captive insurance company must notify the Commissioner of its intent to make such a payment at least 30 days prior to the payment date.

Taxes Payable: Taxes payable must include estimated amounts due at year end that have not been paid, plus any deferred tax liabilities.

Surplus Notes: Funds loaned to the captive insurance company and supported by a written document.

Other Liabilities: Space has been provided for the captive insurance company to include all other liability items that are not included elsewhere.

Capital and Surplus: *Paid-in Capital* must include any issued common and preferred stock at par value. *Paid-in Surplus* is any other amount paid into the captive insurance company's capital that is in excess of the par value of stock. *Unassigned Surplus (Retained Earnings)* represents the cumulative earnings from operations and must agree with reconciliation amounts on page 4 for *Changes in Capital and Surplus*.

INCOME STATEMENT

Gross Premiums Written: The current year gross written premium including direct and assumed premiums must reconcile to the amount reported on Schedule C - Premiums. Note disclosure on page 4 is required to capture the amount of return premiums.

Net Earned Premiums: The current year earned premium amount must reconcile to the amount reported on Schedule C - Premiums.

Net Loss and LAE Incurred: The *Net Loss and LAE Incurred* equals the amounts paid during the current year plus any changes in reserves. *Net Loss and LAE Incurred* must agree with the amounts reported on Schedule P - Part 2 - Loss and LAE Incurred, columns 7 and 15.

Remaining Revenue and Expense Items: These items correspond to common industry terms.

CASH FLOW STATEMENT

The cash flow statement must include all cash inflows and outflows that will reconcile prior-year cash and equivalents to current year cash and equivalents.

SCHEDULE C - PREMIUMS

Schedule C - Premiums must disclose direct written premiums and all premiums ceded and assumed, by line, to achieve net earned premiums. Net earned premiums must agree with the amount reported on the income statement.

SCHEDULE F - PART 1 REINSURANCE ASSUMED and PART 2 REINSURANCE CEDED

Schedule F Part 1 and Part 2 must disclose the breakdown of amounts ceded to and assumed from specific carriers, and any amounts securing reserves for unauthorized insurers (insurers not admitted in Texas). The totals for premiums ceded and assumed must reconcile to the Schedule C - Premiums.

SCHEDULE P - PART 1 - UNPAID LOSS AND LOSS ADJUSTMENT EXPENSES

Schedule P - Part 1 must disclose the breakdown of ending reserves, net of reinsurance, by line of business.

Ending Unpaid Loss Reserves columns 1 plus 3 and Unpaid LAE Reserves columns 6 plus 8 must agree with the Loss and LAE reserves reported on the balance sheet.

SCHEDULE P - PART 2 - LOSS AND LOSS ADJUSTMENT EXPENSE INCURRED

Schedule P - Part 2 - Loss and LAE Incurred, columns 7 and 15 must agree with the amounts reported on the income statement.

SCHEDULE P - LOSS DEVELOPMENT BY LINE OF BUSINESS

Net loss triangles are included for each line of business. The historical data on these schedules is carried forward from year to year. Separate sections should be filled out for cumulative paid, outstanding case reserves, and IBNR. These sections are then accumulated automatically to calculate cumulative incurred losses for the current and prior years. One-year loss development of each loss year is calculated as the difference between total incurred losses for the current year less the cumulative incurred losses for that loss year at the prior year end.

SCHEDULE P - SUMMARY LOSS DEVELOPMENT - ALL LINES OF BUSINESS

This summary schedule for the aggregate of all lines of business is automatically built from links to the individual line development schedules on the previous pages. No input is required.

QUESTIONNAIRE

Dropdown menus are provided to answer many questions in this section. Most questions have been designed such that the answers will be simply a "yes" or "no." "No" answers may represent concerns that the department will focus on during its review of the filing. The captive insurance company must review these matters carefully and address the response in the space provided.

Question #1: Provide the full name of the ultimate controlling person.

Question #2: A dropdown menu is provided to answer this question as to whether the captive insurance company writes direct business, assumes business, or does both.

Questions #3 through #9: The captive insurance company must provide the individual contact name, firm name and address in response to each of these questions regarding the captive manager, service providers, and firms providing administrative services for the operations of the captive insurance company. A change in a captive management company is considered a material change in the captive's plan of operation and must have received prior approval from the department.

Question #10: Disclose if the captive insurance company insurer has a member of the governing body who is a Texas resident and the identity of that member.

Question #11: Disclose if the captive insurance company insurer had a meeting of the governing body in the State of Texas and the date of that meeting.

Question #12: In response to this question, the captive insurance company must provide a complete listing of all classes of capital stock outstanding. If the captive insurance company was formed as a nonstock insurer, this question must be left blank.

Question #13: This question asks if all transactions of the captive insurance company before the close of business were truthfully and accurately entered on its books.

Question #14: Disclose the largest net amount of insured or reinsured risk on any single risk per occurrence and in the aggregate.

Disclose if the aggregate risk on any single exposure has increased during the year and by what amount the risk increased.

Question #15: This question asks the captive insurance company insurer to disclose if it writes deductible reimbursement coverages and to identify those coverages.

Question #16: Disclose the captive insurance company's minimum capital and surplus.

Question #17: Disclose whether any changes were made during the filing year to the captive insurance company's charter, by-laws, or organizational documents. Material changes are subject to department approval.

Question #18: Select the method of accounting utilized by the captive insurance company: 1) GAAP, or 2) modified GAAP.

The department requires the captive insurance company to confirm whether it has changed its accounting method in the current annual report from the prior year. If so, please explain in the space provided.

If modified GAAP is selected, please include in the space provided a brief description of the methods of accounting used that do not conform to GAAP as required in Part A of these instructions.

Question #19: Disclose if reserves are discounted and the discount.

Question #20: Disclose if the captive insurance company has adopted a conflict of interest policy for its governing body, directors, officers, and key employees.

Question #21: Disclose whether there have been any changes to the captive insurance company's plan of operation. Changes to the plan of operation include:

- changes in affiliated and/or unaffiliated management contracts
- changes to claims contracts
- changes to reinsurance contracts
- changes to loan contracts
- changes to rates or underwriting criteria
- changes to risk limits and retentions, and
- changes in lines written and assumed.

Question #22: Disclose whether any assets of the captive insurance company or its outstanding capital stock have been pledged as collateral for any loans to the captive insurance company or its affiliates. If so, provide an explanation in the space provided.

Question #23: Disclose if the captive insurance company is only writing coverage on a direct basis, or if it is reinsuring business produced by another carrier. This would exclude coverage on individuals or business entities defined as "controlled unaffiliated business," under Insurance Code §964.001.

If the answer to this question is "no" and the captive insurance company is writing or assuming controlled unaffiliated business, disclose the percentage of total premiums written that relate to the controlled unaffiliated business during the year.

Question #24: For those captive insurance company insurers issuing a contractual reimbursement policy to an affiliate, disclose (a) whether the affiliate still qualifies as a self-insurer pursuant to Chapter 407 of the Labor Code (or a similar affiliated entity expressly authorized by analogous laws of another state) and (b) whether the affiliate is primarily insured with an underlying workers' compensation insurance policy.

Question #25: For a captive insurance company recording loans or advances to its parent company or affiliate on its balance sheet, disclose if approval has been obtained from the department.

Question #26: Disclose if the captive insurance company is direct writing employee benefit policies subject to the Employee Retirement Income Security Act of 1974 or reinsuring employee benefits, and identify the lines of business and related premium amounts.

Question #27: Disclose by lines of business direct written premium for risks located in Texas versus risks located in all other states by line of business. Lines of business are the lines that the department will authorize for a captive insurance company.

Question #28: Disclose if credit for ceded reinsurance is claimed under §964.052 and that the requirements for the credit have been met.

Appendix A

ACTUARIAL OPINION

1. Unless the department has granted a request to waive the actuarial opinion under 28 Texas Administrative Code §6.401(c), as part of the Texas Captive Annual Report, the captive insurance company must include the statement of a qualified actuary, titled “Statement of Actuarial Opinion,” setting forth the actuary’s opinion relating to reserves specified in the *SCOPE* paragraph. The actuarial opinion, both the narrative and required exhibits, must be in the format of and contain the information required by these instructions.

The statement of actuarial opinion and the supporting actuarial report and work papers, must be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including ASOPs 23, 36, 41, and 43, as promulgated by the Actuarial Standards Board, and Statements of Principles adopted by the Casualty Actuarial Society.

1a. Definitions

“Actuarial Report” means a document or other presentation, prepared as a formal means of conveying to the state regulatory authority and the governing body the 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 actuary’s opinion or findings, and documenting the analysis underlying the opinion. The required content of the report is described in paragraph 7.

“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 thirteen months, and 2) the insurer can neither cancel nor increase the premium during the contract term.

2. The statement of actuarial opinion must consist of an *IDENTIFICATION* paragraph identifying the qualified actuary; a *SCOPE* paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the actuary’s work; an *OPINION* paragraph expressing the actuary’s opinion with respect to such subjects; and one or more additional *RELEVANT COMMENT* paragraphs. These four sections must be clearly designated.
3. The *IDENTIFICATION* paragraph must specifically indicate the actuary’s relationship to the company and qualifications for acting as the company’s actuary.
4. The *SCOPE* paragraph must 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 Captive Annual Report Form of the Company as prepared for filing with the Texas Department of Insurance, as of December 31, 20__, and reviewed information provided to me through [XXX date].”

Exhibit A must list those items and amounts for which the actuary is expressing an opinion.

The actuary must state that the items in the *SCOPE*, on which he or she is expressing an opinion, reflect the disclosure items in Exhibit B.

The *SCOPE* paragraph must include a paragraph such as the following regarding the data the actuary used in forming the opinion:

“In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by _____ (name, affiliation and relation to company). I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P of the company’s annual report. 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 must include a sentence such as the following that covers at least 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 insurance laws of (state of domicile).
- b. Are computed in accordance with accepted actuarial standards and principles.
- c. Make a reasonable provision for all unpaid loss and loss expense obligations of the company under the terms of its contracts and agreements.”

If the *SCOPE* includes material unearned premium reserves for long duration contracts, the *OPINION* must cover the following illustration:

- d. “Make a reasonable provision for the unearned premium reserves for long duration contracts of the company under the terms of its contracts and agreements.”

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

If the actuary has made use of the work of another actuary, the other actuary must be identified by name and affiliation within the *OPINION* paragraph.

A statement of actuarial opinion must be made in accordance with one of the following sections a-e. The actuary must explicitly identify in Exhibit B which category applies.

- a. Determination of Reasonable Provision. When the stated reserve amount is within the actuary’s range of reasonable reserve estimates, the actuary must issue a statement of actuarial opinion that the stated reserve amount makes a reasonable provision for the liabilities associated with the specified reserves.

- b. Determination of Deficient or Inadequate Provision. When the stated reserve amount is less than the minimum amount that the actuary believes is reasonable, the actuary must issue a statement of actuarial opinion that the stated reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves.
- c. Determination of Redundant or Excessive Provision. When the stated reserve amount is greater than the maximum amount that the actuary believes is reasonable, the actuary must issue a statement of actuarial opinion that the stated reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves.
- d. Qualified Opinion. When, in the actuary's opinion, the reserves for a certain item or items are in question because they cannot be reasonably estimated or the actuary is unable to render an opinion on those items, the actuary must issue a qualified statement of actuarial opinion. Such a qualified opinion must state whether the stated 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 actuary is not required to issue a qualified opinion if the actuary reasonably believes that the item or items in question are not likely to be material.
- e. No Opinion. The actuary's ability to give an opinion is dependent on data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the actuary cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions, or related information, then the actuary may issue a statement of no opinion. A statement of no opinion must include a description of the reasons why no opinion could be given.

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

- a. Risk of Material Adverse Deviation

The actuary must provide specific *RELEVANT COMMENT* paragraphs to address the risk of material adverse deviation. The actuary must identify the materiality standard and the basis for establishing this standard. The materiality standard must be disclosed in \$US in Exhibit B: Disclosures. The actuary must explicitly state whether he or she reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation. If such risk exists, the actuary must include an explanatory paragraph to describe the major factors, combination of factors, or particular conditions underlying the risks and uncertainties that the actuary reasonably believes could result in material adverse deviation. The explanatory paragraph must 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 actuary required to include an exhaustive list of all potential sources of risks and uncertainties.

- b. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs must describe the significance of each of the remaining

Disclosure items in Exhibit B. The actuary must address the items individually and in combination when commenting on a material impact.

c. Reinsurance

RELEVANT COMMENT paragraphs must address retroactive reinsurance, financial reinsurance, and reinsurance collectability. Before commenting on reinsurance collectability, the actuary must 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. The comment must 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 actuary's comments do not imply an opinion on the financial condition of any reinsurer.

d. Reserve Development

If the company reserves will cause the ratio of one-year development (shown in Schedule P - Summary Loss Development - All Lines of Business, Difference Between Prior and Current Year) to the prior year's surplus to be greater than 20 percent, the actuary must include relevant comments on the factors that led to the exceptional reserve development.

e. Methods and Assumptions

If there has been any significant change in the actuarial assumptions and/or methods from those previously employed, that change must be described in a *RELEVANT COMMENT* paragraph.

7. The actuarial opinion must include assurance that an actuarial report and underlying actuarial work papers supporting the actuarial opinion will be maintained at the company and available for regulatory examination for seven years. The actuarial report contains significant proprietary information. It is expected that the report be held confidential and is not intended for public inspection. The report must be available by May 1 of the year following the year end for which the opinion was rendered, or within 60 days following the year end for which the opinion was rendered if other than calendar year end, or within two weeks after a request from the department.

The actuarial report must be consistent with the documentation and disclosure requirements of ASOP #41. The actuarial report must contain both narrative and technical components. The narrative component must provide sufficient detail to clearly explain the findings, recommendations and conclusions, as well as their significance to company management, the governing body, the regulator, or other authority. The technical component must 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 report must also include:

- An exhibit that ties to the Captive Annual Report Form and compares the actuary's conclusions to the carried amounts on an aggregate basis and consistent with the segmentation of exposure or liability groupings used in the analysis. The actuary's conclusions must include the actuary's point estimate(s), range(s) of reasonable estimates or both.

- An exhibit that reconciles and maps the data used by the actuary, consistent with the segmentation of exposure or liability groupings used in their analysis, to the Captive Annual Report Form Schedule P line of business reporting.
- An exhibit or appendix showing the change in the estimates from the prior actuarial report, including extended discussion of factors underlying any material changes.
- Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.
- Extended comments on factors that led to exceptional reserve development, as defined in 6d, and how these factors were addressed in prior and current analyses.

8. The opinion must conclude with the signature of the actuary responsible for providing the actuarial opinion and the date when the opinion was rendered. The signature and date must appear in the following format:

- Signature of actuary
- Printed name of actuary
- Employer's name
- Address of actuary
- Telephone number of actuary
- Email address of actuary
- Date opinion was rendered

Exhibit A: SCOPE

<u>Loss Reserves:</u>	<u>Amount</u>
1. Reserve for Unpaid Losses (Liabilities, Capital and Surplus page, Col 1, Line 1)	\$_____
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Capital and Surplus page, Col 1, Line 2)	\$_____
3. Reserve for Unpaid Losses – Direct and Assumed (Must equal Schedule P, Part 1, Total from Col. 5)	\$_____
4. Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Must equal Schedule P, Part 1, Total from Col. 10)	\$_____
5. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$_____

<u>Premium Reserves:</u>	
6. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$_____
7. Reserve for Net Unearned Premiums for Long Duration Contracts	\$_____
8. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$_____

Exhibit B: DISCLOSURES

NOTE: Exhibit B must 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 Qualified Actuary: Last, First, MI _____

2. The 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 Actuary has the following designation (indicated by the following letter code): _____

- F if a Fellow of the Casualty Actuarial Society (FCAS)
- A if an Associate of the Casualty Actuarial Society
- M if not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Commissioner.
- 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 US dollars (used to answer Question #6). \$ _____

- 6. Are there significant risks that could result in Material Adverse Deviation? Yes [] No [] Not Applicable []
- 7. Capital and Surplus (Liabilities, Capital and Surplus page) \$ _____
- 8. Anticipated net salvage and subrogation included as a reduction to loss reserves \$ _____
- 9. Discount included as a reduction to loss reserves and loss expense reserves
 - 9.1 Nontabular Discount \$ _____
 - 9.2 Tabular Discount \$ _____
- 10. The net reserves for losses and expenses for the company’s share of voluntary and involuntary underwriting pools’ and associations’ unpaid losses and expenses that are included in reserves \$ _____
- 11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities
 - 11.1 Asbestos \$ _____
 - 11.2 Environmental \$ _____
- 12. The total claims made extended loss and expense reserve
 - 12.1 amount reported as loss reserves \$ _____
 - 12.2 amount reported as unearned premium reserves \$ _____
- 13. Other items on which the Actuary is providing Relevant Comment (list separately) \$ _____

* The reserves disclosed in item 11 above, must 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.