KAREN WELDIN STEWART
INSURANCE COMMISSIONER

Instructions for completing a Property/Casualty Statement of Actuarial Opinion

The purpose of the Statement of Actuarial Opinion (SAO) Guidelines for Captives Bulletin issued by the Delaware Department of Insurance (DEDOI), Bureau of Captive and Financial Insurance Products, is to provide regulatory guidelines for actuaries writing Property/Casualty SAOs in support of Delaware captive entities, with structures including but not limited to a Pure Captive Insurance Company; Special Purpose Captive Insurance Company to include Series and Core Captives; Special Purpose Financial Captive Insurance Company; and Sponsored Captive Insurance Company.

Title 18 – Annual Certification Requirements for All Delaware Captive Entities
Pursuant to the 18. Del. Adm. Code 302 Captive Insurance Financial Regulation, item 8.0, Certification of Life, Health and Annuity Insurance Reserves, Loss Reserves and Loss Expense Reserves, item 8.1, "The annual report shall include an opinion certifying as to the adequacy of the company's life, health, or annuity insurance reserves, or its loss reserves and loss expense reserves." Item 8.2 expands on the required qualification for the opining actuary (aka, the Appointed Actuary), noting "The individual who certifies as to the adequacy of reserves shall be approved by the Commissioner."

Guidelines for Property/Casualty SAOs
The Appointed Actuary should follow the basic structure for Property/Casualty SAOs outlined in the Property and Casualty (P&C) Annual Statement Instructions issued by the National Association of Insurance Commissioners (NAIC). Further guidance can be obtained from the Practice Note on Statements of Actuarial Opinion on P&C Loss Reserves (P&C Practice Note) developed by the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries (AAA).

The SAO should minimally contain the following four paragraphs as required in the NAIC Annual Statement Instructions and further described in the P&C Practice Note:

- **Identification** – identifying the Appointed Actuary;
- **Scope** – identifying the subjects on which an opinion is to be expressed and describing the scope of the actuary's work;
- **Opinion** - expressing his or her opinion with respect to such subjects; and

- **Relevant Comments –** discussing topics of regulatory importance.

Identification
Readers should refer to Item 3, **Identification Paragraph**, of the P&C Practice Note for specifics regarding the Identification paragraph. The SAO Guidelines for Captives do not deviate from guidance provided therein.

Scope
Readers should refer to Item 4, **Scope Paragraph, Exhibits A and B, and Reliances**, of the P&C Practice Note for specifics regarding the Scope paragraph. Regarding Exhibits A and B, the following guidelines apply:

- **Exhibit A, Loss Reserves –** line items 1 through 4 must be completed. An opinion must be provided for both gross (direct plus assumed) and net loss and loss adjustment expense reserves. Line items 5 and 6 should be presented, but may be left blank if not applicable.
- **Exhibit A, Premium Reserves –** line items 7 through 9 should be presented, but may be left blank if not applicable.
- **Exhibit B, Disclosures –** line items 1 through 7 must be completed (information regarding Appointed Actuary, Type of Opinion, and Materiality). The remaining line items are optional and depend on the exposures underwritten; however, they should be presented and left blank as appropriate. Items 8 through 13 are as follows:
    8. Anticipated net Salvage and Subrogation
    9. Discount (Tabular/Non-tabular)
    10. Net reserves for pools and associations
    11. Asbestos & Environmental liabilities
    12. Extended loss & LAE reserve
    13. Other items for Relevant Comment

Opinion
Readers should refer to Item 5, **Opinion Paragraph**, of the P&C Practice Note for specifics regarding the Opinion paragraph. The SAO Guidelines for Captives do not deviate from guidance provided therein.

Relevant Comments
Readers should refer to Item 6, **Relevant Comment Paragraphs,** of the P&C Practice Note for specifics regarding the Relevant Comment paragraphs. Because of the nature of exposures typically underwritten through captives, only some of the areas discussed in the P&C Practice Note for Relevant Comment may be applicable. Items for consideration by the Appointed Actuary are as follows:

- **Risk of Material Adverse Deviation** – commentary must be included in the Relevant Comments.
- **Other Disclosures in Exhibit B** – if any of items 8 through 13 are not applicable, there need not be commentary included in the Relevant Comments.
- **Reinsurance** – commentary regarding traditional reinsurance and/or pooling arrangement should be included as appropriate.
- **IRIS Ratios** – not applicable.
- **Methods and Assumptions** – as stated in the P&C Practice Note, 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.

Actuarial Report and Underlying Work Papers

Readers should refer to Item 7, **Actuarial Report and Underlying Work Papers**, of the P&C Practice Note for requirements pertaining to the Actuarial Report. The SAO Guidelines for Captives do not deviate from guidance provided therein, with the following exceptions:

- **Schedule P Reconciliation** – not applicable. However, it is expected that data used in the actuarial analysis should be reconciled to the booked amounts as appropriate.
- **IRIS Ratio Commentary** – not applicable.

SAOs for Special Purpose Captives: SBUs and Core Captives

Special Purpose Captives structured as a Core with related Series are subject to the guidelines outlined in this document. Specifically, an SAO must be submitted for each Series related to a single Core. An SAO is required for the Core only if the Core is retaining risk, otherwise an SAO need not be filed for the Core. To the extent that the actuarial analysis supporting the opinion serves to support the opinion for more than one Series, it is permitted to prepare one Actuarial Report for all these related opinions.

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Contacts

The Bureau of Captive and Financial Insurance Products strives to provide up to date guidance and industry changes, please contact us with any feedback, recommendations or updates that should be included. Please contact Jamie Bafundo or Rasa Zubielaite by phone or email.

On behalf of Insurance Commissioner Karen Weldin Stewart, thank you for domiciling in Delaware.

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US CAPTIVE SERVICES AWARDS 2013 WINNER US onshore captive domicile of the year