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MEMO #2020-01

TO: Vermont Approved Actuaries

CC: Vermont Captive Manager Contacts; Direct Company Contacts; RRG Contacts; Legal Contacts; Other Industry Contacts; Service Provider Industry Contacts

FROM: David Provost, Deputy Commissioner of Captive Insurance

SUBJECT: Guidance on Appointed P&C Actuaries effective 12/31/2019

DATE: January 16, 2020

There are now competing property/casualty actuarial educational organizations, and no specific standards setting the minimum level of education expected for an Appointed Actuary in the United States insurance industry. The NAIC has developed new minimum standards designed to avoid any potential development of lower educational standards in a competitive environment, to ensure Appointed Actuaries can be expected to have a minimum level of education to perform the duties of an Appointed Actuary, and to provide regulatory expectations of a profession that provides a vital service for regulators and the public by issuance of the financial statement actuarial opinion. The new standards are incorporated into the P&C annual statement instructions and are to be implemented commencing with the 2019 annual statement.

The NAIC's updated "*2019 Property/Casualty Annual Statement Instructions*" changed the definition of "Qualified Actuary" and requires each company's Appointed Actuary to provide documentation of how their Appointed Actuary meets that definition. Vermont Risk Retention Groups should ensure their Appointed Actuary follows this guidance beginning with reserve opinions as of December 31, 2019.

The Appointed Actuary shall provide the qualification documentation on occasion of their appointment, and annually thereafter. To allow some transition for Vermont companies, actuaries that were appointed prior to 12/31/2019 can deliver the qualifications communication to the companies when the 2019 opinions are issued. When the Board of Directors meets sometime during 2020, they can formally accept the documentation for 2019 year-end opinions. For the avoidance of doubt, we are not requiring special meetings of the Board to implement this change. Subsequent annual qualification documents can then be part of regularly scheduled meetings. New appointees after 1/1/2020 should provide their qualifications upon appointment. Like the actuary appointment itself, we will expect the qualifications acknowledgement to be documented in the Company's Board of Director meeting minutes.

Here are some helpful links:

- NAIC annual statement instructions changes: [NAIC Instructions](#)
- The American Academy of Actuaries website: www.actuary.org , look for the 2019 practice note. Some content is available only to members of the Academy.
- Regulatory Guidance from the NAIC, including sample communications template: https://content.naic.org/sites/default/files/inline-files/Regulatory%20Guidance%202019%2010-25-19_0.pdf

These new requirements are the de-facto industry standard, required for all companies that file with the NAIC, including Vermont-domiciled risk retention groups. We plan to update Vermont Regulation C-1981-02 to implement the new standards for all captives in the near future and will revise our Approved Actuary application accordingly.

Thank you