

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1118

H.P. 786

House of Representatives, March 13, 1991

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative CARLETON of Wells.

Cosponsored by Senator SUMMERS of Cumberland and Representative ERWIN of Rumford.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

**An Act to Require Casualty Insurers to Provide an Annual Valuation of
Loss Reserves.**



Be it enacted by the People of the State of Maine as follows:

24-A MRSA, c. 11, sub-c. II-A is enacted to read:

SUBCHAPTER II-A
PROPERTY CASUALTY INSURANCE RESERVES

§941. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Covered kinds of insurance. "Covered kinds of insurance" include:

A. Property insurance as defined in section 705; and

B. Casualty insurance as defined in section 707. Property insurance written by domestic mutual assessment insurers pursuant to chapter 51 is not subject to the requirements of this subchapter.

2. Qualified actuary. "Qualified actuary" means a person who is a member of the American Academy of Actuaries who has obtained a designation either as a Fellow or an Associate in the Casualty Actuarial Society and, if an Associate, has at least 5 years experience in actuarial practice obtained in the kinds of insurance covered in this subsection. A qualified actuary is independent of the insurer upon which a certification is rendered.

§942. Property and casualty insurance reserves; required annual certifications

A reserve certification prepared by a qualified actuary that meets the requirements of this subchapter must be filed annually on or before March 1st by each insurer writing any of the covered kinds of insurance pursuant to a certificate of authority issued by the superintendent.

§943. Statement of certifying actuary

1. Opinion and statement. The reserve certification must contain an opinion and statement pursuant to this section. The opinion of the certifying, qualified actuary must be expressed on the letterhead of the actuary, indicate the address of the office rendering the certification and be manually executed and dated. The statement must include the actuary's relevant experience, the absence in the engagement of any actual or potential conflict of interest and the actuary's subscription to the code of professional ethics of the Casualty Actuarial Society.

2 2. Statement content. The actuary's statement must outline
3 the scope of work performed and set out qualifications or
4 limitations respecting the opinion rendered. If the actuary has
5 relied on other persons to test data underlying the actuary's
6 calculations of required reserves, the actuary shall state the
7 names of the persons performing those tests and include the
8 extent of testing required by the actuary as necessary to express
9 an opinion pursuant to subsection 3.

10 3. Opinion content. An opinion expressed must identify any
11 material changes in assumptions or methods employed in any
12 previous certification. Opinions must state that reserves are
13 calculated in accordance with generally accepted actuarial
14 loss-reserving standards and are stated fairly and in conformity
15 with sound loss-reserving principles based upon policy provisions
16 and that recorded reserves make good and sufficient provision for
17 obligations of the insurer.

18 **§944. Exceptions**

19 Insurers otherwise subject to the requirements of this
20 subchapter are excused from providing a certification of reserves
21 when in any year:

22 1. Percentage of aggregate writings. Casualty insurance
23 premiums are not more than 20% of annual aggregate writing of
24 premiums subject to the subchapter; and

25 2. Gross direct premium limitation. Gross direct premiums
26 subject to this subchapter do not exceed \$10,000,000.

27 **§945. Transition period**

28 The certifications required under this subchapter are due on
29 April 1, 1992 and March 1st of each year thereafter.

30 **§946. Required notice**

31 If, subsequent to the date of the required certification,
32 the certifying qualified actuary becomes aware of material facts
33 that alter the report given, the actuary shall promptly notify
34 the insurer, its board of directors and the superintendent.

35 **§947. Rules authorized**

36 The superintendent may adopt rules necessary to effectuate
37 this subchapter.

