

December 28,
2001

To: All Illinois Domestic Companies Authorized to Write Property and Casualty
Insurance
From: Judy Pool Boutchee, Casualty Actuary
Re: (CB 2001 - 10) Consideration of Events of September 11, 2001 in the Statement of
Actuarial Opinion

Background

The terrorist attacks of the September 11, 2001 have impacted the insurance industry in many ways. Soon after the events occurred, preliminary loss estimates were made by insurers and by industry analysts. Although ultimate losses incurred will not be known with certainty for several years, insurance regulators must have as much information as possible to monitor the industry at this critical time. In response, the NAIC has added a new note to the financial statement for 2001, which requires disclosure of insurer liabilities and reinsurance collectible as a result of the September 11 events.

The Statement of Actuarial Opinion is a document relied on by regulators to evaluate the adequacy of loss and loss adjustment expense reserves. The Annual Statement Instructions for the Opinion call for certain specific statements and disclosures. It also calls for the appointed actuary to make judgments on the need for extended comments based on materiality. The Casualty Actuarial Task Force of the NAIC has issued a letter to Signers of Actuarial Opinions indicating that regulators will expect to see consideration of the events of September 11 in Opinions on 2001 loss reserves. Specifically, the letter states that "regulators will expect that every insurer will note whether or not there was exposure to the terrorist attacks, and if so, the extent of such exposure."

Requirement

By means of this bulletin, the Illinois Department of Insurance informs its domestic property and casualty insurance companies that a statement with respect to exposure to September 11 events will be expected from every insurer as part of the Statement of Actuarial Opinion accompanying the Annual Statement. This requirement is in accordance with 215 ILCS 5/136 and with the above-mentioned letter of the NAIC Casualty Actuarial Task Force. The expectation is that every insurer will note whether or not there was exposure to the terrorist attacks, and if so, the extent of such exposure.

The appointed actuary may find additional guidance in complying with this requirement by referring to (1) the December, 2001 letter from the Casualty Actuarial Task Force to Signers of Statements of Actuarial Opinion on Property and Casualty Loss Reserves as of December 31, 2001, and (2) the Addendum to Property and Casualty Practice Note dated December, 2001 issued by the Committee on Property and Liability Financial Reporting of the American Academy of Actuaries.

For questions related to this requirement, please contact Sarah Fore at (217)524-8361 or at sarah_fore@ins.state.il.us.

