



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

1200 West Third Street
Little Rock, AR 72201-1904
501-371-2820
FAX 501-371-2629

RULE AND REGULATION 16

ACTUARIES

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Section 1. Purpose

The purpose of this Regulation is to establish standards for the use of the terms "actuary" or "actuarial" by licensed insurers; and to interpret certain provisions of Arkansas insurance laws and Rule and Regulation 22 as they relate to the responsibilities of actuaries, with special consideration to the certification duties of actuaries as to the annual statements of domestic insurers, hospital or medical service corporations, fraternal benefit societies, and health maintenance organizations.

Section 2. Authority

This Rule is issued pursuant to the authority vested in the Insurance Commissioner in Ark. Code Ann. §§ 23-61-108, 23-63-216, 23-71-103, 23-74-705, 23-75-102, 23-76-125, 23-91-224, and 25-15-202, et seq., and other applicable provisions of Arkansas law.

Section 3. Applicability and Scope

This regulation shall apply to all reports, statements, and other documents filed with the Insurance Commissioner or issued to the public in relation to the business of insurance by licensed insurers, health maintenance organizations, fraternal benefit societies, and hospital and medical service corporations.

Section 4. Effective Date

The provisions of this Rule shall be effective on September 2, 1991.

Section 5. Qualified Actuary Defined

For the purpose of this Regulation, a qualified actuary includes:

- (1) A member of the American Academy of Actuaries; or
- (2) With respect to matters involving property and casualty insurers, a member of the Casualty Actuarial Society; or
- (3) With respect to matters involving pension plans, an "enrolled actuary"; or
- (4) An individual who has demonstrated to the satisfaction of the Commissioner that he has the educational background necessary for the practice of actuarial science and that he has had not less than seven (7) years actuarial experience.

Section 6. Restriction of Signing as Actuary

No report, statement, or document shall be filed with the Insurance Commissioner or issued to the public in relation to the business of insurance if it is signed by a person who represents himself in such instrument to be an actuary unless such person signing as an actuary is a qualified actuary, as defined above.

Section 7. Actuarial Representation

No person in any representation made to the public or to the Insurance Commissioner with respect to any matter subject to this Regulation shall use the word "actuary" or "actuarial" to indicate a degree, professional certification or competence unless such representation was prepared or approved by a qualified actuary.

Section 8. Annual Statements of Domestic Insurance Companies

The provisions of this Section shall apply only to domestic insurers, including title insurers, legal insurers, and insurers transacting insurance on a stipulated premium plan basis; domestic fraternal benefit societies; domestic health maintenance organizations; and domestic hospital and medical service corporations.

Ark. Code Ann. §§ 23-63-216, 23-74-602, 23-76-113, and 23-91-215 provide that annual financial statements shall be on a form prescribed by the Commissioner. The form which is prescribed by the Insurance Commissioner is the Convention Blank which has been developed by the National Association of Insurance Commissioners.

When the instructions for completion of the Convention Blank require that a statement of a qualified actuary setting forth his opinion as to actuarial items be included, the statement should be completed in accordance with those instructions and the provisions of this Regulation.

It is the responsibility of the company to provide this actuarial opinion. It may be obtained by the company from an actuary employed by the company, on either a staff or consulting basis, or from the Department's actuary, or any consulting actuary retained by the Department. The necessary information and data to render an opinion must be provided by the company and the individual of the company responsible for this compilation must submit a statement to the Department that the listings and summaries of policies in force and other information necessary to comply with this Rule are complete and accurate to the best of his knowledge and belief.

Section 9. Adverse or Qualified Opinions

An adverse or qualified opinion is an indication that corrective action is necessary. As to plans for correction of the indicated problem, the Commissioner will question any company about which such an opinion is received, whether such opinion is rendered by its own staff, its consultant or the Department. It is recommended that in any situation in which an actuary finds it necessary to give a qualified or adverse opinion, he should notify the company, then the Department.

If the Department's actuary or consultant is unable to render an unqualified opinion, the Department may require the company to obtain a separate opinion from another qualified actuary, which may be limited to the subject matter in question.

Section 10. Special Provisions for Certain Domestic Companies

The actuary valuing life business for domestic insurers for which there is no statutory basis for reserves should use any appropriate assumptions and methods to establish the true liability. He must, of course, be prepared to justify to the Commissioner his choice of assumptions and methods.

Section 11. Severability Provision

If any section or portion of a section of this Regulation or the application thereof to any person or circumstances is held invalid by a court, the remainder of this Regulation or the application of its provisions to other persons or circumstances shall not be affected.

_____[signed by Lee Douglass]_____
Insurance Commissioner

_____[July 16, 1991]_____
Date