

August 7, 2012

To: **Domestic Workers' Compensation Group Self-Insurance Funds**

Re: **Actuarial Report Filing Instructions**

As authorized by L.R.S. 23:1196A(8) and Regulation 42:5(C), the Commissioner of Insurance requests your filing of an Actuarial Report on the reasonableness and adequacy of loss and loss adjustment expense reserves.

The Actuarial Report must be certified either by an associate or a fellow of the Casualty Actuarial Society, or by a member of the American Academy of Actuaries who is familiar with workers' compensation insurance. The Actuarial Report must meet the following requirements:

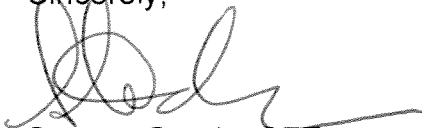
1. The Actuarial Report must be received by the Department within six months after the end of the Fund Year.
2. The Actuarial Report must identify the actuary and the actuary's relationship with the Fund.
3. The Actuarial Report must include the actuary's signature and follow procedures recommended by the Actuarial Standards Board.
4. The Actuarial Report must disclose the extent of data quality tests that have been performed on paid loss and case reserves.
5. The loss reserves must include reserves for loss adjustment expenses, including both allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE). Such an inclusion must be clearly identified in the Actuarial Report.
6. The loss reserves must be reported both gross and net of excess insurance.
7. If the Fund wishes to discount its loss and loss adjustment expense reserves, the Actuarial Report must identify the historical investment yields of the Fund and discuss if the selected interest rate is (A) consistent with the historical investment yields of the Fund, (B) reasonable considering the likelihood of insufficient loss reserves as the loss experience develops, and (C) reasonable considering the size of invested assets relative to undiscounted loss reserves of the Fund.
8. The Actuarial Report must include exhibits listing the cumulative development of loss and claim count of each fund year. The exhibits must include the age-to-age

development of the following items: paid loss (including paid ALAE), incurred loss (including paid ALAE), closed claim counts, and reported claim counts.

9. The Actuarial Report must include a list of claims in excess of \$250,000. Information on claims must include the accident date and the paid and incurred loss amounts. Information of claimants is not necessary.
10. If the Fund's data is insufficient and the use of industry data is necessary, Louisiana data must be given the priority over other types of industry data. The Actuarial Report must clearly identify the source of such data.
11. The Actuarial Report must list the following information of the specific and aggregate excess insurance purchased by the Fund: retention, insurance limits, effective dates, and names of insurers. The Actuarial Report must identify any excess insurance coverage commuted by the Fund, and the dates on which commutations were booked by the Fund.
12. The Actuarial Report must reconcile actuarial claims data, which include both paid loss and case reserves, to the accounting data in the financial statements of the Fund.
13. The Actuarial Report must include an exhibit separately listing recoveries received from excess insurance, the Second Injury Fund, salvage and subrogation, and other sources.
14. The Actuarial Report must include an exhibit separately listing anticipated recoveries on paid loss or case reserves from excess insurance, the Second Injury Fund, salvage and subrogation, and other sources.
15. The Actuarial Report must include an exhibit listing current and all previous loss projections for each fund year.

If you have any questions, please contact Wei Chuang by phone at (225) 342-4657, or by email at wchuang@ldi.state.la.us.

Sincerely,



Stewart Guerin, CFE
Chief Examiner
Office of Financial Solvency