



Loss and Claims Processing Questionnaire

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A. Underwriting

1. Describe the changes made in policy limits and aggregate limits over the last five years.
2. If applicable, please describe the changes made in the Insurer's pooling operations over the last five years.
3. Describe any large or special risks that are not characteristic of your general book of business. What are the retentions on these risks?
4. Have there been any changes in underwriting guidelines over the last five years? Similarly, what staffing changes have occurred over the last five years?
5. If there is a difference of opinion between the underwriters and pricing actuaries, how are those differences resolved?
6. How does under-pricing affect future underwriting practices and guidelines?
7. Do underwriting practices vary for different lines of business?
8. Do underwriting decisions take any predictive modeling into account?

B. Claims

9. What specific objectives and guidelines does the Company have in setting case loss and loss adjustment expense reserves? Are reserves established on the basis of what it would cost to settle the case today, or has a provision for inflation between now and the estimated time of settlement of the claim been included in the reserve? How have these objectives and guidelines changed in the last five years?
10. How are case reserves established when a claim is first reported? How are these recorded in the system?
11. Have there been any significant changes during the last five years in the length of time required from the reporting to recording of a claim? Please describe the past and present procedures.
12. During the last five years, has the Company established bulk reserves for additional development of reported claims? If so, what formula has been used to set the reserves? Have there been any changes over the last five years?
13. Are any special procedures and guidelines applied in reserving large, catastrophic accidents or accidents involving multiple claims? Have there been any changes in these procedures and guidelines over the last five years? If so, please describe.
14. What procedures are followed in recording reopened claims? Are such claims coded to the report date of the original claim or to the date of reopening? Have there been any changes over the last five years?
15. Have there been any noticeable shifts in the reporting or non-reporting and procedures for the recording of small or trivial claims? How have these procedures changed in the last five years?
16. Are claims being closed more quickly or more slowly now than in previous years?

17. What has been the Company's philosophy and practice on settling claims vs. rigorous defense? Any changes in this area?
18. Are there any changes to third-party claims administrator if the Company utilizes one for its claims handling in the last five years? Does the Company review their files? Has there been any shift from the employment of company adjusters to independent adjusters in the last five years? If so, how has this affected the claims operations?
19. Are claim counts booked on a per occurrence, per claimant basis or any other basis? Have there been any changes over the last five years?
20. Have there been any material staffing changes over the last five years? Has there been a material change in the claim load per adjuster in the last five years? If so in either instance, please describe.
21. Has the claims department management changed over the last 5 years? If so, how did this impact claims practices/procedures?
22. How does the Company monitor the adequacy of case reserves?

C. Actuarial

General Questions:

23. Provide copies of the biographies and Qualification document for all credentialed actuaries (reserving and/or pricing) in the Company.
24. Do you compile a reserving and/or pricing procedures manual? If so, please provide. If not, please describe how new staff are trained.
25. Describe the Chief Actuary's role in the establishment, performance, and monitoring of internal controls such as reserving guidelines, pricing philosophy, peer reviews of work performed, etc. What is the Chief Actuary's role in establishing the booked reserves?
26. How does the Company establish actuaries' objectives and monitor their fulfillment? Who performs this function?
27. How are the actuaries' performance evaluated? Is it dependent/independent of the performance of the Company as a whole?
28. Describe the overall reporting structure of the reserving and pricing actuarial functions. Describe the interaction and data repository shared between reserving and pricing actuaries.
29. Describe the interaction between the various departments, such as actuarial, claims and underwriting etc.
30. Discuss any recent changes in the key staff, data, or processes within the actuarial area.
31. Describe any significant change in the composition of business by type of risk in the last five years and the reasons for the change.

General Ratemaking Questions:

32. Briefly describe the procedures for establishing the rates and price levels for the major business segments, including bureau rates and deviations.
33. Outline any price monitoring system in place in the last five years. Has this caused the Company to change pricing levels or underwriting criteria in the last five years? How was the premium adequacy level determined for the last five years?
34. Have there been any changes in the Company's operations or procedures that have caused the Company to depart from these ratemaking procedures? If so, please describe those changes and how they were treated. Describe the impact on the reserve analysis, if any.
35. Is the same data that is currently used for ratemaking purposes also used in evaluating loss reserves? Are the resulting indications of both consistent with each other?
36. Have there been any material rate changes for any lines of business written in the last five years? Please elaborate, including amount of increase/decrease and dates of implementation.

General Reserving Questions:

37. In general, how are the carried Loss and Loss Adjustment Expense reserves determined? Is there a Reserving Committee within the Company? If so, how is it organized and who are the members? What are its main functions? How often does the committee meet?
38. Does the Appointed Actuary make an annual presentation of their actuarial findings to the Board of Directors or Reserving Committee? If so, does this presentation include an explanation of the reserving assumptions and methodology as well as an analytical review of the Company's reserves? Is the presentation supported by written documentation? Does the Appointed Actuary provide their Qualification Document to the Board?.
39. Are the company's carried reserves within the Appointed Actuary's reasonable range in the last five years? If not, please explain why. If reserves are within the reasonable range but not the central estimate, please explain how the Company supports and documents this selection.
40. If the Company uses an external Appointed Actuary for the Statement of Actuarial Opinion filing, has the Appointed Actuary changed in the last five years? If so, were there any differences of opinion that contributed to the change of Appointed Actuary?
41. How often does the Company perform a full-scale reserve analysis and more limited analysis (e.g., Actual vs. Expected)? Discuss the level of internal and/or external peer reviews of the actuarial analysis performed.
42. What controls are in place to ensure reserving guidelines are followed?
43. What areas/lines of business concern the Company the most and why? What are the most concerning risks?

Specific Reserving Questions:

44. What methodologies are used by the Company and/or the Appointed Actuary to compute

loss and loss expense reserves? Have there been any changes in these methodologies in the last five years? If so, please describe these changes.

45. Does the Company and/or the Appointed Actuary perform separate analysis for gross and net reserves?
46. Does the Company and/or the Appointed Actuary perform separate analysis for losses and Defense and Cost Containment (DCC/ALAE)? Does the Company perform the analysis on an accident year/underwriting year/report year basis?
47. Does the Company and/or the Appointed Actuary establish a reasonable range for the actuarial central estimate of the reserves? If so, how are the upper and lower bounds determined?
48. If applicable, please describe the assumptions and methods used to establish reserves for claims such as asbestos, environmental, lead paint, other toxic torts, natural or man-made catastrophes and cyber risk. Have there been any changes within the last five years?
49. If applicable, please describe the assumptions and methods used to establish reserves for claims arising from business generated through pools, syndicates or associations etc.
50. How are quarterly reserves determined?
51. How are the reserves for Defense and Cost Containment ("DCC") and Adjusting and Other ("A&O") expenses established? Have these procedures changed in the last five years?
52. When are Defense and Cost Containment expenses usually paid? For example, are such payments made as these expenses are incurred or when the claim is closed? Is a Third-Party Administrator ("TPA") involved in paying these expenses?
53. When are Adjusting and Other expenses ("A&O") usually paid? Does the Company allocate A&O Expenses in accordance with Regulation 30?
54. Does the Company compile expense data using the "Adjusting and Other" definition or the "ULAE" definition? Is there a difference as to how these expense reserves are categorized in the actuarial database versus the financial statements?
55. Does the Company discount reserves? Both loss and LAE reserves? IBNR and known case reserves? What is the discount rate and how is it selected?
56. How does the Company's actuarial data reflect paid Salvage and Subrogation? How does the Company's actuarial data reflect anticipated Salvage and Subrogation?
57. Does the Company monitor actual loss emergence and adjust estimated reserves on a regular basis? If yes, please describe.
58. Does the Company reconcile underlying actuarial data to filed annual statements? Is this function performed by accounting or actuarial staff? Is it performed on a line-by-line basis or in the aggregate? Is it performed on a calendar year, accident year or some other basis? Is it performed for amounts as well as claim counts? Do the outside auditors also perform a similar type of reconciliation?
59. Does the Company perform a premium deficiency reserve ("PDR") calculation? Who is responsible for calculating the PDR? How does the Company determine the selection of groupings in the PDR calculation? Is the PDR calculation consistent from year to year?

Questions regarding Regulatory Documents and Ratios:

60. If applicable, describe how the permitted practices (if any) impact Schedule P in the last five years.
61. Within the last five years, has there been a restatement of Schedule P? If so, please describe.
62. Within the last five years, has the Appointed Actuary issued any Statements of Actuarial Opinion which were not "Reasonable"? If so, identify the opinion issued and year(s) affected and explain the underlying causes for this Opinion.
63. Within the last 5 years, has the Company booked reserves which differed from the Appointed Actuary's recommended reserves? Explain/document this variation.
64. Within the last five years, has the Appointed Actuary issued any Statements of Actuarial Opinion which were "Reasonable", but the Company's subsequent adverse Loss and Loss Adjustment Expense reserve development was at/exceeded the high end of the Appointed Actuary's reasonable range? If so, identify the opinion issued and year(s) affected and explain any actions taken by the Company to rectify the situation.
65. Within the last five years, has the Company fallen into any Risk Based Capital categories that indicated capital inadequacies and necessitated further action? If so, what actions have been taken to correct this?
66. Within the last five years, has the Company performed the Risk Based Capital trend test to determine the likelihood that it will fall below the Company Action Level in the subsequent year?
67. If applicable, have the actuaries been involved in the compilation of the ORSA report? If so, describe the actuaries' level of participation. Who are the employees from other departments that are also responsible for preparing the ORSA report?
68. Within the last 5 years, what were the Company's AM Best ratings? Has there been an increase or decline in these ratings?

Questions regarding Changes Impacting Reserves:

69. How are underwriting changes, including changes in rates, considered in reserving assumptions and methodologies?
70. How are changes in the case reserving process (i.e., coding of reserve changes over time), considered in reserving assumptions and methodologies?
71. How are changes in the claims handling process, such as changes in claim-setting philosophy, backlogs in claims processing, staffing issues, or any other significant changes, considered in reserving assumptions and methodologies?
72. How are changes in the legal environment, such as changes in case law, award amounts, and trends in the number of claims being litigated, properly considered in reserving assumptions and methodologies. Could any legislative changes impact reserves (i.e., collateral source rule or caps on awards etc.)?
73. Describe the impact of inflation (both economic and social) on estimating reserves and how they are considered in reserving. List any lines of business that are especially affected by inflation.

D. Systems and Accounting

74. Has the Company entered into any loss portfolio transfer arrangement in the last five years? If yes, describe how the consideration for the transaction was calculated?
75. Has there been a change in the date on which the books are closed for the quarter or year?
76. Have new data processing systems been implemented in recent years? If so, was there any material impact on company's data or accounting systems?
77. Is there more than one claims/data system in place? How are the databases on each system reconciled to each other? Are there material discrepancies between the actuarial data produced by the various systems?

E. Reinsurance

78. Provide a summary of your current and future reinsurance programs. This summary should include the general purpose of the program, names of the reinsurers, type of reinsurance contracts, lines of business covered, deductibles, attachment points, limits, etc.
79. Have there been any major changes in the company's reinsurance programs in the last five years? If so, how would they change the company's net retained risks?
80. Have there been any changes in the Company's per-risk, per-occurrence or aggregate retentions which would significantly change the magnitude of average reported outstanding losses in the last five years (i.e., total case outstanding at year end divided by the number of reported outstanding claims by line of business). What rationale led to the changes that have occurred?
81. Is there any unresolved litigation regarding your ceded reinsurance? If so, briefly describe the nature of the litigation and the potential magnitude of the recoveries.
82. How does the Company apply ceded reinsurance (credits) to the gross reserve to derive the net reserve?
83. Does the Company incorporate a catastrophe reinsurance program ("CAT")? If yes, describe the program and the monitoring system implemented by the Company to ensure that the CAT program corresponds to the Company's current business profile.
84. Have there been any commutations in the last five years? If so, how are they reflected in the loss development triangles and Schedule P?
85. Has the Company or Reinsurer performed transfer of risk analyses for the reinsurance contracts? What standard is used? Please provide the underlying transfer of risk analyses upon request.

Note: While there may be further questions, we wish to thank you and express our appreciation for your time and consideration in making the above requested information available.

