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Actuarial Report Guidance **Individual Workers' Compensation Self-Insured Employers**

Self-insurers are required to provide an actuarial report certified by an independent qualified actuary. The independent actuarial report should provide an unpaid self-insured claims estimate based upon accepted actuarial standards of practice. Unpaid self-insured claims shall mean, for purposes of determining liabilities, all New York State (NYS) self-insured workers' compensation claims, including those incurred but not reported (IBNR), and the expenses associated therewith which the self-insurer is obliged to settle and adjust. Such unpaid self-insured claims must be determined on an actuarial basis. Unpaid self-insured claims may be variously referred to as claim liabilities, claim reserves, loss reserves or reserves for loss and loss adjustment expenses (LAE) in self-insurers' financial statements and actuarial reports.

The following items are intended to clarify this regulation and provide guidance to the self-insurer's administrator and retained actuary.

Actuarial Report - Certified by an Independent Actuary – A signed and dated actuarial report must be submitted by April 1st each year. The Board considers this report to be held to the same standard as a Statement of Actuarial Opinion and conform to the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Unpaid Claim Estimates. The Board recommends that the actuaries review all standards of practice published by the American Academy of Actuaries (AAA) Committee on Property and Liability Financial Reporting (COPLF).

The actuarial report should be able to be evaluated as a standalone document. All of the key assumptions and methods used in the report should be documented so that they can be reviewed for reasonability. If the report relies on findings of a different report provided to the self-insurer, then that other report should also be provided to the Board. For example, if loss rates or loss development patterns are based on findings in a separate pricing report, then that pricing report should also be provided.

The actuarial report must include a Legal Disclosure clearly stating that one of the purposes of the report is to assist the Board in determining the security deposit required to self-insure in NYS. It must also authorize the Board to provide the report to a consulting actuary hired by the Board. In the event it is determined to be defective, it is not exempt from being reported to the American Academy of Actuaries (AAA) and/or the Actuarial Board of Counseling and Discipline (ABCD).

Qualified Actuary - The self-insurer's actuary must be a member of the Casualty Actuarial Society and a member in good standing of the American Academy of Actuaries meeting the qualification standards to issue an actuarial opinion on workers' compensation reserves. In

addition, the actuary must be independent and should not be an employee, principal or direct or indirect owner of the self-insurer.

Valuation Date - Each report must include liabilities valued as of two dates. One liability estimate is required to be valued as of the most recent past calendar year end. The other liability estimate is required to be projected as of the next calendar year end. Any large differences between these valuations should be adequately explained.

Claim Reserve Components - The self-insured claim liabilities estimated in the actuarial report should include loss and Allocated Loss Adjustment Expenses (ALAE). ALAE may be defined as Defense and Cost Containment Expenses (DCCE). This should **not** include Unallocated Loss Adjustment Expenses (ULAE).

Data Quality Considerations - The actuarial report should disclose data inconsistencies and document whether these have impacted the actuary's ability to render an estimate and/or whether data issues have resulted in a risk of material adverse deviation.

Gross vs. Net Claims and Assets Recorded for Excess Receivables - The actuarial report should provide an estimate of both gross and net claims liabilities.

Variability - The "expected value" or mean estimate should be reported to the Board.

Net Present Value - The liabilities should be "undiscounted" meaning they do **not** reflect net present values or time value of money.

Additional Data - In addition to an actuarial study the Board requires additional data be submitted for the purposes of evaluating security requirements. This includes but is not limited to the following:

- a. Excess Insurance: Information including the name of the self-insurer, self-insured retention amount, limit, policy number and policy date.
- b. Claims Data: The number of open and closed claims
- c. Payroll: A payroll report filed by classification code.
- d. Contact Information: Current contact information for the self-insurer and the actuary signing the independent actuarial report.

Exemptions – Self-insureds' may be exempt from providing actuarial reports if they have less than 20 open claims or less than \$1,000,000 in case reserves. To apply for this exemption, e-mail the Office of Self-Insurance.

Reviews and Dispute Resolution - Various diagnostics will be performed to ensure the report meets the above stated requirements and assumptions are reasonable. At any time the Board may utilize a hired actuarial consulting firm to consult and/or perform a more detailed review. If the consulting actuary hired by the Board determines that the liability estimated by the self-insured actuary is materially understated, the self-insurer and their actuary will be notified and given the opportunity to discuss the differences. If the actuaries are unable to resolve the differences between their findings, the Board has the authority to reject the report. If a rejection occurs, the self-insurer may either accept the findings of the Board's actuary or hire an alternative actuary to prepare another report.