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Board of Governors  
Citizens Property Insurance Corporation

Re: Qualification documentation required under the 2019 NAIC Instructions for Property & Casualty Statement of Actuarial Opinion

This letter serves as my response to the qualification documentation requirements as Appointed Actuary for Citizens Property Insurance Corporation.

### **Background**

The NAIC Instructions for the Property & Casualty (P&C) Statement of Actuarial Opinion (SAO) were changed in 2019. The most significant change is around the definition of “Qualified Actuary” for purposes of signing the Statement of Actuarial Opinion (SAO). The 2019 Instructions include updated requirements of both the Appointed Actuary and the subject company’s Board of Directors. The 2019 Instructions state:

*The Appointed Actuary shall provide to the Board of Directors qualification documentation on occasion of their appointment, and on an annual basis thereafter, directly or through company management. The documentation should include brief biographical information and a description of how the definition of “Qualified Actuary” is met or expected to be met (in the case of continuing education) for that year. The documentation should describe the Appointed Actuary’s responsible experience relevant to the subject of the Actuarial Opinion. The Board of Directors shall document the company’s review of those materials and any other information they may deem relevant, including information that may be requested directly from the Appointed Actuary. The qualification documentation shall be available for inspection upon regulator request or during a financial examination*

### **Definitions**

According to the 2019 Instructions:

“Qualified Actuary” is a person who:

- i. *meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards), promulgated by the American Academy of Actuaries (Academy), and is either:*

- ii. *has obtained and maintains an NAIC-Accepted Actuarial Designation; and*
- iii. *is a member of a professional actuarial association that requires adherence to the same Code of Professional Conduct promulgated by the Academy, requires adherence to the U.S. Qualification Standards, and participates in the Actuarial Board for Counseling and Discipline when practicing in the U.S.*

*An exception to parts (i) and (ii) of this definition would be an actuary evaluated by the Academy's Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities.*

*“NAIC-Accepted Actuarial Designation,” strictly for purposes of defining a Qualified Actuary, is an actuarial designation accepted by the NAIC as meeting or exceeding the NAIC's Minimum Property/Casualty (P/C) Actuarial Educational Standards for a P/C Appointed Actuary (published on the NAIC website). The following actuarial designations, with any noted conditions, are accepted by the NAIC as meeting or exceeding basic education minimum standards on or after Jan. 1, 2021:*

*(i) Fellow of the CAS (FCAS) – basic education must include Exam 6 – Regulation and Financial Reporting (United States);*

*(ii) Associate of the CAS (ACAS) – basic education must include Exam 6 – Regulation and Financial Reporting United States) and Exam 7 – Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management;*

*(iii) Fellow of the SOA (FSA) – basic education must include completion of the general insurance track, including the following optional exams: the United States' version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam.*

### **Required qualification documentation**

I, Brian Donovan, have met the definition of “Qualified Actuary” for purposes of signing the 2020 Statement of Actuarial Opinion for the Company.

1. I meet the basic education, experience and continuing education requirements of the Specific Qualification Standards for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards), promulgated by the American Academy of Actuaries (Academy). The following describes how I meet these requirements:
  - a. Basic education has been met through relevant examinations administered by the Casualty Actuarial Society.
  - b. In accordance with section 3.2 Experience Requirement of the Specific Qualification Standards within the U.S. Qualification Standards. I have obtained at least three years of responsible experience relevant to the subject of the Statement of Actuarial Opinion for the Company, on topics including

(but not limited to) P&C personal lines and commercial lines property insurance. This experience has been obtained through my employment at Citizens Property Insurance Corporation (CPIC) for the last 13 years and over 25 years of actuarial experience in the P&C insurance industry.

I have obtained specific knowledge of CPIC's operations and businesses through my work over the past 13 years. Within the P&C industry, over 25 years of experience has allowed me to gain comprehensive knowledge of other topics identified in section 3.1.1.2 of the U.S Qualification Standards (namely items (a) policy forms and coverages, underwriting and marketing; (b) principles of ratemaking; (c) statutory insurance accounting and expense analysis; (d) premium, loss, and expense reserves; and (e) reinsurance), prior to issuing my first P&C Statement of Actuarial Opinion, and to further expand knowledge of these items throughout my career.

I also maintain continuing education on topics relevant to CPIC, as described in further detail below.

- c. Continuing education requirements were met by December 31, 2020, through a combination of industry conferences, seminars, committee work, self-study, and other coursework. A detailed log of my continuing education credit hours is provided.
2. I have obtained and maintain an Accepted Actuarial Designation. I am a Fellow of the CAS (FCAS) and my basic education includes credit for Exam 6 – Regulation and Financial Reporting (U.S.).
3. I am a member of the Casualty Actuarial Society and the American Academy of Actuaries. These associations require adherence to the Code of Professional Conduct promulgated by the Academy, require adherence to the U.S. Qualification Standards, and participate in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.

Included is a brief history of my work experience.

*Brian Donovan*

Brian Donovan, FCAS, MAAA  
Vice President, Chief Actuary

**Brian Donovan, FCAS, MAAA – Vice President, Chief Actuary**

Fellowship in the Casualty Actuarial Society (2004)

Member of American Academy of Actuaries (2002)

Master of Science, Mathematics, *North Carolina State University, NC*

Bachelor of Arts, Mathematics, *Rowan University, NJ*

Fellowship Requirements

The Casualty Actuarial Society (CAS) has set the following as requirements for Actuarial Accreditation as described below.

## CAS MEMBERSHIP REQUIREMENTS

### ASSOCIATESHIP

To become an Associate member of the Casualty Actuarial Society, a candidate must fulfill the following requirements: successful completion of, or credit for, Exams 1-6; the two CAS Online Courses; credit by Validation by Educational Experience (VEE) for the required topics of economics, corporate finance, and applied statistical methods; and the CAS Course on Professionalism.

Once a candidate has fulfilled all of the Associateship requirements, the candidate may submit the membership application and related materials immediately. The application and instructions are posted online under “[Admission of New Associates and Fellows](#)” along with an explanation of the application process.

### FELLOWSHIP

To become a Fellow of the Casualty Actuarial Society, a candidate must meet all of the Associateship requirements plus successfully complete Exams 7-9.

If a person is already an Associate of the CAS in good standing when completing the Fellowship requirements, it is not necessary to submit another membership application. The person will be automatically be recognized as a Fellow. If a person is not already a member of the CAS when completing all Fellowship requirements, the candidate may submit the membership application and related materials immediately upon completion of all the requirements. The application and instructions are posted online under “[Admission of New Associates and Fellows](#)” along with an explanation of the application process.

### CAS COURSE ON PROFESSIONALISM

The [CAS Course on Professionalism](#) is designed to present candidates with real situations that contain ethical and professional issues for the actuary. Volunteer Fellows of the CAS facilitate small group discussions of actual case studies.

Although grades are not given for the Course on Professionalism, candidates must actively participate in order to receive credit. Successful completion of this course is required before a candidate can become a member of the Casualty Actuarial Society. Candidates are urged to register for this course when they have passed five or more CAS Examinations. (A candidate must have passed five Associateship examinations to be eligible to take the Course on Professionalism.)

To maintain accreditation from the CAS, annual continuing educations credits (CE credits) must be completed. Each accredited actuary must complete no less than 30 hours of CE credits each year. These credits are earned by attending industry actuarial seminars, relevant webinars, self-study and other actuarial related meetings that keeps the actuary abreast of new developments, and/or broadens ones' actuarial knowledge. Each year the actuary is required to attest to meeting this requirement in a given calendar year to be qualified to provide actuarial opinions in the upcoming calendar year. Below is a detailed listing of the CE credits earned in 2020. Similar detail is available for prior years.

<u>Date</u>	<u>CE Hours</u>	<u>Description</u>	<u>Organization</u>
1/9/2020	0.6	Review of Property and Casualty Practice Note	Self Study
3/27/2020	1.2	Data Science Course	Citizens
4/10/2020	1.2	Data Science Course	Citizens
4/23/2020	1.8	Casualty Actuarial Society Webinar: Professionalism in Novel Situations	CAS
4/30/2020	1.8	The New Modeling ASOP: ASOP No. 56 Inter active	AAA
5/7/2020	1.8	Don't Put All Your AALs in One Basket: Catastrophe Concentration Pricing for Primary Insurers	CAS
5/8/2020	0.6	AAA- Committee on Professional Responsibility call	AAA
5/11/2020	1.5	Unintended Consequences of Data	CAS
5/11/2020	1.5	COVID-19 Coverage Issues	CAS
5/11/2020	1.5	Actuarial Case Reserves	CAS
5/12/2020	1.5	Climate Change and Catastrophic Trends	CAS
5/12/2020	1.5	ERM and Climate Change Risk	CAS
5/13/2020	1.5	A Visual Walk Through Reserving	CAS
5/13/2020	1.5	Est. of Individual Claim Liabilities: Traditional and Machine Learning Methodologies	CAS
5/13/2020	1.8	Insurtech: Disruption in the Industry	CAS
5/22/2020	1.2	Data Science Course	Citizens
6/1/2020	1.8	State of the Reinsurance Market	CAS
6/1/2020	0.75	Public Entites	CAS
6/16/2020	1.2	2020 Storm Season	Demotech, Inc
6/17/2020	1	COPR Explaining Professionalism	AAA
7/28/2020	1.5	Insurance on Demand	CAS
7/28/2020	1.5	Back to the Future of Professionalism	CAS
7/29/2020	1.5	Unlocking th Power of Text Data	CAS
7/29/2020	1.5	Predictive Modeling - A Regulator's Perspective	CAS
7/29/2020	1.5	Data Visualization for the P&C Actuary	CAS
9/15/2020	1.5	Professionalism Trivia	CAS
9/16/2020	1.5	Florida Homeowners: The 21st Century Version of Whack-A-Mole	CAS
9/16/2020	1.5	Current Issues for Your 2021 Statement of Actuarial Opinion	CAS
9/16/2020	1.5	Stochastic Cape Cod:An Old Friend in a New Suit	CAS
<u>9/17/2020</u>	<u>1.5</u>	<u>Picture This: Using Data Visualization to Drive Results</u>	<u>CAS</u>
	42.25		

### Relevant Work Experience

Have worked in the Property and Casualty actuarial field for over 25 years. For the last 13 years I have worked at CPIC, where my primary functions have been overseeing the loss reserving process and insurance product pricing functions of the company.

### Loss Reserving

I have been the Appointed Actuary since 2010. This entails overseeing and approving of the loss and loss expenses for the following segments of business:

Personal Lines Account (PLA) - Homeowners and Fire/Allied lines of business

Commercial Lines Account (CLA) – Commercial Residential and Commercial Non-Residential lines of business

Coastal Lines Account – Homeowners, Fire/Allied, Commercial Residential, Commercial Non-Residential, and Wind-only policies (both commercial and personal) lines of business.

The above segments are further refined into catastrophe and non-catastrophe separately. Non-catastrophe is further refined into sinkhole and non-sinkhole losses. Non-sinkhole losses are further refined into litigated and non-litigated losses.

As part of the loss reserving process, I work closely with the Claims Department to understand and quantify trends and changes in the claim settlement process. Additionally, work very closely with the Accounting Department in ensuring that the proper loss reserves are booked to account for payments that will be made in the future for events that have already happened. This is completed on a quarterly basis. And work with the external auditors to ensure all results are properly documented.

### Pricing

Responsible for determining the overall rate need (Actuarial Sound Premium) and recommended rate changes after the application of the glide-path cap for the following 17 segments of business:

- HO3/HW2 – Homeowners multiperil and wind-only policies in the PLA and Coastal Account
- HO4/HW4 – Renters multiperil and wind-only policies in the PLA and Coastal Account
- HO6/HW6 – Condo multiperil and wind-only policies in the PLA and Coastal Account
- DP1/DP3/DW2 – Dwelling multiperil and wind-only policies in the PLA and Coastal Account
- MHO3/MW2 – Mobile homeowners multiperil and wind-only policies in the PLA and Coastal Account
- MDP1/MD1 – Mobile Dwelling multiperil and wind-only policies in the PLA and Coastal Account

- CRM/CRW – Commercial Residential multiperil and wind-only policies in the CLA and Coastal Account
- CNRM/CNRW – Commercial Non-Residential multiperil and wind-only policies in the CLA and Coastal Account

This process includes working closely with Product Development to incorporate any product language changes into the projected rate need as well as to implement the rate changes in the rating manuals and rating system. Once rate recommendations are approved by the Board, I oversee the process of filing and getting approval from the Florida Office of Insurance Regulation.

Prior to CPIC, I worked in the private insurance industry for 13 years. This experience includes but is not limited to work in loss reserve, pricing and data management.

#### Loss Reserving

For over five years, as first a senior actuarial analysis and later Associate Actuary (ACAS), was responsible for quarterly loss reserving for homeowners, personal auto, commercial auto, and trucking liability. This included supporting the Appointed Actuary responsible for signing the yearend reserving report. Was also personally responsible for producing Schedule P for the Annual Statement.

#### Pricing

Responsible for pricing for Auto, Homeowners, and BOP products. Also provided more senior actuaries pricing support for General Liability, Commercial Property, Commercial Auto and Workers Compensation. Work with Underwriting and Marketing to implement recommended rate levels. Oversaw the design and implementation of a new auto multivariate auto rating plan based on predictive modeling in 14 states.

#### Data Management

As an actuarial analysis, worked a rotation in the IT Department, serving as the liaison between the Commercial Line actuaries and the IT programmers. In addition, provided support for the creation of a new data warehouse and data mart for companywide use.