

Information Bulletin – Responsibilities of the Appointed Actuary for Life Insurance Companies

This bulletin applies to all appointed actuaries for companies registered to conduct long term insurance business in Jamaica.

The purpose of this bulletin is to provide a summary of the responsibilities of appointed actuaries for insurance companies carrying on “long term insurance business” as defined in the Insurance Act, 2001. The bulletin is intended to be a guide for appointed actuaries and does not purport to offer legal advice on the interpretation of the Insurance Act and regulations. Where there are discrepancies between this Bulletin and the Insurance Act and regulations, the Act and regulations should take precedence.

1. Responsibilities of the Appointed Actuary

(a) Annual Valuations and Reports to the Shareholders and Policyholders

Section 44(2) of the Insurance Act requires that the actuary value the actuarial reserves and other policy liabilities annually. These valuations are to be done as at the end of each financial year. It also requires the actuary to value any other matter as directed by the FSC.

Section 44(4) of the Insurance Act requires that the valuations to be done in accordance with generally accepted actuarial practice and any directions given by the FSC. The valuation method is the Policy Premium Method (PPM). Details can be found in Regulations 3 through 15 of the Insurance (Actuaries) (Life Insurance Companies) Regulations.

Report on Valuation and any other Matter to Company’s Shareholders and Policyholders (included in the Annual Financial Statement)

Section 44(7) of the Insurance Act requires that the actuary submit a written report on the valuation and any other matter, as directed by the FSC, to the company’s shareholders and policyholders. This report is to be included in the company’s annual financial statement and is to be submitted **no later than 21 days** before the date of the annual general meeting of the company’s shareholders and policyholders.

Section 44(8) requires that the actuary state in the report whether in his/her opinion the annual financial statement fairly presents the valuation results. It is to be prepared by the actuary in the prescribed form as described in Regulation 22 on page 588 of the Insurance (Actuaries) (Life Insurance Companies) Regulations. This report must also be included as an exhibit in the actuary’s report on actuarial reserves and other policy liabilities to the FSC (part of company’s annual filing to the FSC).

(b) Report on Financial Condition to the Board of Directors

Section 44(9) of the Insurance Act requires that the actuary meet with the company's directors or with the audit committee, if the directors so require, at least once per year. The purpose of the meeting is for the actuary to report on the company's financial position and, if so directed by the FSC, on the company's expected future financial condition.

(c) Report on Matters that have serious Adverse Effects and require Rectification to the CEO and CFO

Section 44(10) of the Insurance Act requires that the actuary submit a written report to the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The actuary is required to report on any matters that have come to the actuary's attention that in his/her opinion have material adverse effects on the company's financial condition and require rectification. The actuary must send a copy of this report to the company's directors and the FSC. Section 44(11) requires that the actuary notify the company's directors and the FSC, if suitable action has not been taken by the company to rectify the matters that are referred to in the report. Section 44(15) provides protection from civil action for making such reports.

(d) DCAT Report to the Board of Directors and the FSC

Regulation 16 of the Insurance (Actuaries) (Life Insurance Companies) Regulations requires the actuary to submit a Dynamic Capital Adequacy Testing (DCAT) Report to the company's directors and to the FSC. This is a written report and is to be provided as soon as available, but no later than the company's annual filing to the FSC. The purpose of the report is to warn the board about threats to the company's solvency and to describe possible courses of action. The details can be found in Regulations 17 through 19 of the Insurance (Actuaries) (Life Insurance Companies) Regulations.

(e) MCCR Calculation

Regulations 20 and 21 of the Insurance (Actuaries) (Life Insurance Companies) Regulations require the actuary to prepare a Minimum Continuing Capital Surplus Requirement (MCCR) calculation. The calculation and confirmation of instructions are to be included in writing in the actuary's report as part of the company's annual filing to the FSC, not later than March 31 of each year. Details of the MCCR calculation can be found in Regulation 29 of the Insurance Regulations.

**(f) Report on Actuarial Reserves and other Policy Liabilities to the FSC
(Part of the Company's Annual Filing to the FSC)**

Sections 30, 44(12) and 44(13) of the Insurance Act require that the actuary submit a written report to the FSC on the company's actuarial reserves, other policy liabilities and future financial condition. This is to be included as part of the company's annual filing to the FSC, not later than March 31 of each year. This report is to be prepared by the actuary in the prescribed form as described in Regulation 22 on page 591 (which should be renumbered as Regulation 23) of the Insurance (Actuaries) (Life Insurance Companies) Regulations. The report information should include: executive summary; verification of data; valuation methods; approximations and materiality; actuarial liabilities by line of business; assumptions; matching of assets and liabilities; reinsurance; new or special risks products; cash value deficiencies and negative reserves; capital adequacy and future financial condition. The report should include exhibits: report on valuation and any other matter (included in the annual financial statement); MCCR calculation and confirmation of results; DCAT report (if not previously sent to FSC); compliance checklist; conflict of interest statement; item reference; summary and detailed actuarial liabilities; cash value deficiencies, negative reserves and other reserves; provision for adverse deviations; changes in actuarial assumptions and methods.

(g) Resignation or Termination

Section 45 of the Insurance Act requires that the actuary notify the FSC, the company's directors and the newly appointed actuary in writing of the reasons for resignation or termination by the insurer.

2. Compliance with Requirements

FSC expects that appointed actuaries become familiar with the Insurance Act and Regulations, so that they are fully aware of their obligations before they start their work.

3. Financial Services Commission Contact Persons

It is requested that appointed actuaries send their reports to:

XXXXX
XXXXXXXXXX (title)
Financial Services Commission
39-43 Barbados Avenue
P.O. Box 325
Kingston 5, Jamaica, W.I.
Telephone (876) 906-3010

For answers to any questions that appointed actuaries may have with respect to this information bulletin, please contact:

Mrs. Catherine Allen
Chief Actuary

November 28, 2002