

## THE INSURANCE ACT

## REGULATIONS

*(Under section 144)*THE INSURANCE (ACTUARIES) (GENERAL INSURANCE COMPANIES)  
REGULATIONS, 2002*(Made by the Financial Services Commission and approved by the Minister  
on the 6th day of March, 2002)*

L.N.16G/2002

1. These Regulations may be cited as the Insurance (Actuaries) (General Insurance Companies) Regulations, 2002. Citation.

2. In these Regulations— Interpretation.

- "acquisition costs" means all expenses incurred in relation to the production of new and renewal business including specifically identifiable and allocated expenses relating to commissions, bonuses, allowances and other compensation paid to agents and brokers;

"actuarial liabilities" means the total of policy and claims liabilities;

"actuary" means a fully qualified professional member of an actuarial body accredited by the International Actuarial Association and recognised by the Commission as qualified to opine on the reserves of a general insurance company;

"annual filing" means the annual financial statements required to be deposited with the Commission, together with reports from the actuary;

"appointed actuary" means an actuary appointed as such by the insurer and notified in writing to the Commission;

"case reserves" means the sum of all the individual claim file estimates;

"claims adjustment expense reserves" means the estimated amounts needed to cover all future expenses required to investigate and settle claims incurred including internal and external claims adjustment expenses;

"claims adjustment expenses" means all expenses incurred in connection with the settlement of claims, including both external and internal expenses;

"claims liabilities" means the estimated amount net of recoveries which must be paid after the valuation date to settle all claims reported and

unreported (including adjustment expenses) which have occurred before the valuation date;

"conflict of interest" means a situation arising when an actuary is faced with a situation where the duties to the insurer or statutory duties come into conflict with the personal interests of the actuary or with the duties of the actuary to another party;

"incurred but not reported (IBNR)" includes the following items—

- (a) provision for future adjustments to case reserves;
- (b) provision for claims files that are closed but may reopen;
- (c) provision for claims incurred but not reported; and
- (d) provision for claims reported but not recorded;

"individual claim file estimate" means the estimate of the expected ultimate claim payment (net of recoveries) for a pending claim based on the severity of the loss or other pertinent information;

"internal expenses" include all direct expenses of the claim department and any part of the general administration expenses that may be assigned to the claim function;

"net written premium" means the gross premium receivable on an insurance policy less the premium for reinsurance ceded;

"policy liabilities" means all the anticipated net costs to discharge the insurance company's obligations with respect to its insurance policies and reinsurance contracts except claims liabilities, including unearned premium reserves and unexpired risks;

"trend factor" means a factor calculated and applied to past experience data in order to estimate current or future claims, taking into account inflation, changes in minimum benefits, technical advances, operational changes and any changes in applicable legislation;

"unearned premium reserve" means the amount set aside out of net premiums at the end of the financial period in respect of risks to be borne by the insurer subsequent to the accounting period under contracts of insurance entered into on or before that date;

"unexpired risks" means a reserve established in cases where the expected value of claims and related expenses, whether reported or unreported, attributable to the unexpired periods of policies in force at the balance sheet date exceeds the related unearned premium reserve; after deduction of any deferred acquisition costs.

3.—(1) An actuary shall not perform the duties of an appointed actuary where there exists a potential or actual conflict of interest between the actuary and the insurance company or a third party; or both, unless—

Conflict of Interest.

- (a) the actuary's ability to act fairly and objectively is unimpaired;
- (b) there has been full disclosure of the potential or actual conflict to all parties involved (including the Commission); and
- (c) all parties have agreed that the actuary may perform the duties of appointed actuary to the insurance company.

(2) If a potential or actual conflict of interest exists, the appointed actuary shall submit a Conflict of Interest Statement to the Commission in accordance with Appendix 2.

4. The annual filing shall be prepared in accordance with generally accepted accounting principles (GAAP), as promulgated by the Institute of Chartered Accountants of Jamaica (ICAJ), with any additional directions from the Commission.

Preparation of annual filing.

5.—(1) The actuary shall conform to professional standards of practice and these Regulations.

Generally accepted actuarial practice.

(2) Where any provisions of these Regulations differ from the standards of practice, then these Regulations shall prevail.

(3) Where the actuary considers application of any provisions of these Regulations to be inappropriate, in any circumstances, the actuary shall notify the Commission in writing as soon as possible and before the issuance of the appointed actuary's reports.

(4) The notice required under paragraph (3) shall contain an outline of the circumstances and the proposed alternate methodology, a justification of its application and a clear indication of the financial impact of the change.

(5) The Commission shall review the circumstances and advise the actuary whether the alternate methodology may be applied.

(6) Where at least thirty days have elapsed since the actuary notified the Commission in writing, then, pending the advice of the Commission, the actuary may use the alternate methodology and regard the valuation as conforming to these Regulations or generally accepted actuarial practice, or both and the effect of the change, if material, shall be disclosed in the financial statements.

6. In performing his duties under these Regulations, the actuary shall—

Documentation.

- (a) compile and retain work papers and other documentation which show compliance with these Regulations;

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- (b) be able to show that each approximation does not materially increase or decrease the policy liabilities, claims liabilities or net income;
- (c) choose a standard of materiality which will reasonably satisfy each normal user of the financial statements.

Matters to be included in reports.

7.—(1) The matters contained in Appendix 1 shall be submitted to the Commission by the actuary as follows—

- (a) a copy of the actuary's report to the shareholders and policyholders;
- (b) the actuary's report to the Commission and the Minimum Asset Test (MAT) and Confirmation of Instructions shall be submitted with the annual filing;
- (c) a copy of the Special Adverse Condition Report shall be submitted to the Commission, if, in the actuary's opinion, suitable action is not being taken by the company to rectify matters, and the report shall be sent immediately to the Commission by registered mail, courier or bearer as the situation requires;
- (d) copies of any actuarial reports, solvency tests, and financial reports on foreign companies operating a branch in Jamaica, being reports required by the regulatory bodies in the respective foreign jurisdictions.

Verification of date.

8.—(1) In order to verify data, the actuary shall take such steps as are necessary to ensure that—

- (a) he is familiar with—
  - (i) the general characteristics of the insurance portfolio for which liabilities are to be established and the procedures for the administration and accounting of the insurer's business;
  - (ii) contractual guarantees and obligations under policies in force as well as other attributes such as deductibles, policy limits and reinsurance provisions, which may have a bearing on reserves; and
- (b) in relation to the evaluation of policy liabilities, he has information about the nature and timing of recent rate changes and the allocation of expenses by categories and lines of business.

(2) The actuary—

- (a) shall, subject to paragraph (b), establish suitable control procedures to verify that the data utilized is reliable and sufficient for the determination of liabilities; or

- (b) may rely on an independent accountant or external auditor for the accuracy of the data used in the valuation.

(3) Where paragraph (2) (a) applies the actuary shall obtain from the accountant or auditor, a signed statement of accuracy of policy records in accordance with paragraph (4).

- (4) The statement referred to in paragraph (3) shall be as follows—

**STATEMENT OF ACCURACY OF POLICY RECORDS**

**I, Accountant or Auditor Name, Title of Company Name, Address of Company** hereby affirm that the policy and claims data as of **31st December, 2001**, prepared for and submitted to **Actuary Name** are to the best of **my/our** knowledge and belief, substantially accurate and complete.

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*Signature of the Accountant, Auditor or Accounting Firm*

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*Address of the Accountant, Auditor or Accounting Firm*

**The words in bold should be adapted to the situation.**

- (5) The actuary shall—

- (a) verify that the assumptions and methods used in the calculation of the liabilities and the corresponding results are consistent with the basis selected by the actuary, and that any errors are corrected;
- (b) put in place appropriate measures to detect such inconsistencies and errors.

(6) The actuary shall verify the consistency of the current data with the previous data and with the financial statements.

**DETERMINATION OF CLAIMS LIABILITIES**

9.—(1) The actuary shall endeavour to group together those claims exhibiting similar characteristics, such as comparable claim experience patterns, settlement patterns or size of loss distributions.

Homogeneity of data.

(2) For the purposes of this regulation, the actuary shall, to the extent that he is dealing with a heterogeneous product, such as a miscellaneous liability insurance, consider breaking apart these products into more homogeneous groupings.

(3) Where possible, claims data which have been relatively unaffected by changes in company procedures and operations shall be used or adjustments made to compensate for changes in company procedures and operations.

(4) Where a small group of claims is involved the actuary may use external information such as industry aggregates.

(5) The actuary may determine the claims liabilities by any method in accordance with these Regulations, generally accepted accounting principles (GAAP) and generally accepted actuarial practice.

(6) Where any provisions of these Regulations specifically differ from generally accepted actuarial practice, then these Regulations shall be followed.

(7) Any material change in methods from the prior determination shall be disclosed in the published financial statements and in the actuary's report to the Commission.

(8) The actuary shall continually review the procedure for handling claims and whenever there is a change in that procedure, adjustments shall be made to the claims liabilities in order to represent the most recent practice.

(9) The actuary shall carefully—

- (a) review the pattern of development on known cases, having regard to the frequent use of case reserves established by the claims department as a starting point in evaluating total claims liabilities;
- (b) analyse a low frequency/high severity group of claims having regard to the fact that claims liabilities estimates will tend to be more accurate for losses resulting from a high frequency/low severity group of claims.

(10) In reviewing groups of claims where aggregate limits apply, the actuary shall pay proper attention to defence costs which may not be limited by the aggregate limit.

(11) In circumstances where an asset value is held for salvage, the actuary shall make appropriate adjustments to the net claims liability and take into consideration the impact of coinsurance, deductibles, co-ordination of benefits and any pertinent collateral sources.

(12) To the extent that current arrangements for reinsurance cessation may differ from plans in effect during the claim experience period, the actuary shall—

- (a) estimate the likely effect of such differences on observed emergence and development patterns;
- (b) perform his calculations on a gross and net basis whenever the ceded outstanding claims are material in order to—
  - (i) assess the likelihood of recovering of claims under reinsurance contracts;

- (ii) evaluate the policy liability where sliding scale commissions or premiums are used;
- (iii) provide gross outstanding claims on the annual statement, where required; and
- (iv) provide information to the reinsurer, if required.

(13) The actuary shall have regard to the fact that the total claims liabilities within an insurance company depend to some degree on forces beyond its control, such as business assumed or business obtained through participation in underwriting pools and associations and that the operating and reserving policies and loss development patterns of such business may be different from the insurance company's own operation.

10.—(1) The actuary shall review the existing business practices and verify the continued applicability of past assumptions and where changes which affect the continuity of the loss experience are observable and the effects thereof are measurable, the actuary shall make appropriate compensating adjustments in the procedures for evaluating liabilities.

Reviews  
and  
adjustments.

(2) Where contractual changes which affect the frequency and severity of actual claims are observable and the effects of the changes are material, the actuary shall make appropriate adjustments to past experience to reflect current circumstances.

(3) The actuary shall have regard to the impact of external influences, including the judicial environment, regulatory and legislative changes, residual or involuntary market mechanisms, and economic variables such as inflation and shall—

- (a) whenever the impact of internal or external changes on claim data can be isolated or reasonably quantified, adjust the data before applying various reserving methods;
- (b) whenever possible, test the assumptions underlying each method statistically and if possible, adjust historical data so that the underlying assumptions are more nearly satisfied.

11.—(1) The actuary shall take the necessary steps to ensure that he is aware of the methodology used by the adjuster in calculating case reserves and shall verify a sample of the estimates.

Calculation  
of case  
reserves.

(2) In paragraph (1), case reserves include—

- (a) the final amounts pending payment only of fully processed losses and the costs incurred as a result of such processing;

- (b) the estimated amounts of losses, whose processing has not commenced, or which has commenced but has not been completed at the end of the financial period and the anticipated costs resulting from the adjustment of such losses; and
- (c) the estimated or final amounts of all losses and associated costs which, having occurred during the financial period which is ending, are reported after that period but before the closure of the accounts.

(3) The assessment of a loss shall include all the information on the factors and circumstances affecting the final cost of the loss including reinsurance, salvage realisation, inflation and changes in legislation.

(4) For high frequency, low severity, fast closing (under six months) lines of business, the actuary may provide the adjuster with an average reserve based on past experience adjusted by a trend factor.

(5) Where the claim file remains open beyond six months, an individual case estimate shall replace the average reserve.

Calculation  
of BNR.

12.—(1) The actuary shall select the most appropriate method of reserve estimation and shall examine the indications of more than one method before arriving at a proper provision for an insurance company's claims liabilities.

(2) Acceptable methods that may be utilized to estimate IBNR include—

- (a) Loss Development Triangle Method;
- (b) Expected Loss Ratio Method;
- (c) Bornhuetter-Ferguson Method.

(3) A simple percentage or flat amount added to case reserves to estimate the IBNR is not an acceptable method except under the following circumstances—

- (a) the percentage can be substantiated by empirical data;
- (b) the data is insufficient; or
- (c) the portfolio being estimated is immaterial to the overall business.

Discounting.

13.—(1) In the interest of conservatism, the claims liabilities shall not be discounted to reflect the time value of money except for claims liabilities for disability benefits utilizing mortality tables.

(2) Where claims liabilities are discounted in accordance with paragraph (1), the following additional information shall be disclosed—

- (a) the interest rate;

- (b) the payment pattern (paid or incurred) or disability table; and
- (c) the specific provision for adverse deviation.

Calculation of  
unearned  
premium

#### DETERMINATION OF POLICY LIABILITIES

14.—(1) Unearned premium shall be computed on the basis of the net written premium and the following methods are recommended for particular circumstances—

- (a) the time apportionment method whereby each premium is apportioned over the period that it covers and the unearned premiums reserve is the aggregate of the unearned premiums, calculated on a *pro-rata* basis, in respect of the unexpired periods of the respective insurance policies at the end of the financial period;
- (b) the 1/24th method, whereby, at the end of the financial period, the unearned premium reserve is the aggregate of the unearned premiums, calculated on a monthly *pro-rata* basis, in respect of the unexpired periods of the insurance policies at that date;
- (c) the 1/365th method which is a refinement of the 1/24th method for computing the unearned premium reserve and may be used instead of the 1/24th method where the Insurance Company has the technological competence to do so.

(2) The 1/24th and 1/365th methods are normally not applicable to insurance policies with terms less than or exceeding one year and accordingly, in the case of premiums that normally cover a period of risk of one year, the 1/24th or 1/365th method shall be used.

(3) For policies extending coverage over a period of more or less than twelve months, the time apportionment method shall be used unless the number of such policies and their impact are not material.

(4) In the case of Marine and Transportation Insurance, the unearned premium reserve shall be maintained at 100% of net premiums in respect of trip risks not terminated.

15.—(1) An unexpired risks reserve shall be established for each class of business where the actuary determines that the expected value of claims and related expenses, whether reported or unreported, attributable to the unexpired periods of policies in force at the balance sheet date exceeds the related unearned premium reserve, after deduction of any deferred acquisition costs.

Unexpired  
risks.

(2) Allowances should be made in the unexpired risks reserve for cases where the ultimate premiums are not yet known on policies already in force such as policies with provisional and adjustment premiums and retrospectively rated risks.

(3) The estimated claim ratios of the unexpired policies shall be evaluated in light of the results of current and previous years taking into account the changes in average premium level.

(4) Appropriate trend factors shall be applied to past and current claim ratios in order to evaluate the claim level for the unexpired portion of the policies in force.

(5) The seasonal effect of the nature (frequency and severity) of claims shall be evaluated.

(6) In relation to claim liabilities, the actuary shall know and consider the types of reinsurance plans, their conditions, and the retentions currently in force as well as those that will apply to the run-off of the unexpired portion of the policies in force, and for the purposes of this paragraph—

- (a) projected future losses and premiums shall be adjusted to the new conditions and retention level if there is a change;
- (b) all future adjustments to reinsurance commissions or reinsurance premium as provided by the reinsurance contracts shall be taken into consideration in the valuation of the net policy liabilities and shall be consistent with the anticipated reinsurance recoveries.

#### **METHODS AND ASSUMPTIONS**

Appropriateness.

16.—(1) Each method and assumption shall be appropriate to the circumstances of the company and the policies in force and the appointed actuary's responsibility to select assumptions appropriate for the portfolio being valued shall not be affected by the capital requirements stipulated by the Minimum Asset Test.

(2) The actuary shall give more careful study to those assumptions to which policy and claims liabilities are more sensitive.

(3) Assumptions shall be determined prospectively at each valuation date in the context of the current experience and the actuary shall reflect improvements or deterioration in experience, if such changes are statistically significant and material.

(4) The effect of a change in assumption shall not be spread over more than one valuation except as provided in paragraph (5).

(5) Where the change in the environment or in emerging experience is occurring in an uncertain manner, the actuary may conclude that, based on currently available data, only part of the observed change should be reflected in the current valuation assumption, and that the balance should be reflected in a

future valuation to the extent that further data develops to confirm the observed change in experience or environment.

(6) Action taken under paragraph (5) is not in violation of the requirement that the effect of a change in assumption not be spread over more than one valuation.

(7) Where—

(a) the methods or assumptions differ from those in the prior valuation; and

(b) the difference is material at the current and prior valuation dates,

then the effect of the change on the current accounting statements shall be disclosed in accordance with Appendix 16.

(8) In evaluating liabilities, the actuary shall consider the insurer's obligations to policyholders and claimants, and the inherent variability of conditions affecting future claim payments.

(9) Such consideration will result in the estimation of liabilities on a conservative basis and the degree of conservatism is a matter of actuarial judgement and depends upon the following factors—

(a) the actuary's confidence in the expected development pattern;

(b) the quality and depth of historical data forming the basis on which the reserve is evaluated;

(c) the statistical fluctuations affecting ultimate claim frequency and severity;

(d) the inflation rate (implicitly or explicitly) assumed in the valuation; and

(e) the implicit conservatism of not discounting the policy and claims liabilities for the time value of money.

(10) The actuary shall not include as a part of the provision for adverse deviation, any provision for contingent events which have a remote probability of occurrence.

(11) The actuary shall consider the reasonableness of the indications produced by the evaluation procedures employed and accordingly—

(a) the incurred losses implied by the provisions shall be measured against relevant parameters, such as premium, exposures or number of policies, and expressed wherever possible in terms of frequencies, severities and loss ratios;

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(b) no material departure from past results shall be accepted without attempting to find an explanation for the variation.

MINIMUM ASSET TEST CALCULATION AND CONFIRMATION OF INSTRUCTIONS

Minimum Asset Test return.

17.—(1) The Minimum Asset Test (MAT) return shall be prepared in compliance with the Commission's guidelines and be submitted to the Commission with the annual filing.

(2) The actuary shall confirm that the instructions in the guidelines have been followed, as follows—

CONFIRMATION OF MINIMUM ASSET TEST INSTRUCTIONS

I, **Actuary Name**, Appointed Actuary of **Company Name**, **Address of Company** hereby affirm that the instructions of the Commission have been followed in the calculation of the Minimum Asset Test.

Signature of the Actuary

Date

The words in bold should be adapted to the situation.

(3) The MAT shall be calculated in accordance with the Commission's guidelines as updated from time to time.

(4) General insurance companies shall have a minimum MAT percentage that is calculated by dividing available assets by required assets as follows—

Financial Year End	Minimum Percentage
2001–2003	100%
2004–2005	110%
2006–2007	120%
2008–2009	135%
2010 and on	150%

(5) Any general insurance company not meeting these minimum percentages shall be subject to closer supervision by the Commission.

(6) An insurance company which has reason to believe that it will fail the MAT requirement shall immediately inform the Commission by notice in writing, accompanied by a plan of action to achieve the additional capital required.

**APPOINTED ACTUARY'S REPORT IN PUBLISHED  
FINANCIAL STATEMENTS**

18. This Part applies where a Report of the Appointed Actuary is included in the annual financial statements for the operations of a general insurance company registered under the Act and is presented at its Annual General Meeting or intended for the information of the shareholders, policyholders or general public. Application

19. The following is recommended for the financial statements of a general insurance company—

**REPORT OF THE APPOINTED ACTUARY**

I have examined the financial condition and valued the **policy and claims liabilities** of **ABC General Insurance Company** for its **balance sheet** as at **31st December, 2001** and the corresponding change in the policy and claims liabilities in the **statement of operations** for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. (I have relied upon **XYZ accounting firm** for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement). Report format.

In my opinion:

- (i) the methods and procedures used in the verification of the data are sufficient and reliable and fulfil acceptable standards of care;
- (ii) the valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;
- (iii) the methods and assumptions used to calculate the **policy and claims liabilities** are appropriate to the circumstances of the company and of the said policies and claims;
- (iv) the amount of the **policy and claims liabilities** represented in the balance sheet of **ABC General Insurance Company** makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;
- (v) a proper charge on account of these liabilities has been made in the **statement of operations**;

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- (vi) there is sufficient capital available to meet the solvency standards as established by the Commission

\_\_\_\_\_  
Name of Appointed Actuary

\_\_\_\_\_  
Signature of Appointed Actuary

\_\_\_\_\_  
Date

**<Insert name, title and qualification>**

NOTE

- (i) If the report does not cover all of the policy and claims liabilities, then the expression "policy and claims liabilities" should be replaced with an appropriate phrase which defines the portion of them covered in the report;
- (ii) The actuary should delete the references to statement of operations (or income statement) where the financial statements do not include one. The words in bold should be adapted to the situation of the actuary;
- (iii) The bracketed wording should be omitted if the actuary does not rely on another party for the accuracy of the data;
- (iv) With the exception of opinion statements (i) which should be omitted if the actuary relies on another party to verify the accuracy of the data, and (v), which should be omitted if there is no printed statement of operations, all other opinion statements are mandatory. If the actuary can not opine on a particular matter or does not agree with the opinion statement for a particular set of circumstances, then the opinion should be withheld or a qualified opinion given. In this case, additional disclosure on the circumstances is required;
- (v) It is assumed that the opinion given in the published financial statements should also apply to the Report to the Commission. This report should be attached to the Report to the Commission.

Disclosure.

20.—(1) The situations that may be disclosed in the financial statements include but are not limited to—

- (a) additional surplus appropriated on the actuary's advice;
- (b) off-balance-sheet obligations;

- (c) restatement of items for preceding accounting periods;
  - (d) the impracticality of restating any items which are reported in current period financial statements that were reported inconsistently in preceding period financial statements;
  - (e) inconsistency among accounting periods;
  - (f) an unusual relationship between the items in current period financial statements and the expected corresponding items in future period financial statements;
  - (g) a change in the method of valuation which does not have a material effect in the current accounting period but which is expected to have a material effect in future accounting periods;
  - (h) a difference between the company's present practice and that which the actuary assumed in making the valuation;
  - (i) a subsequent event, that is to say, an event occurring between the balance sheet date and the date of the actuary's report which is not anticipated in the valuation but which affects cash flow after the balance sheet date or the company's ability to meet its obligation to its policyholders, including a catastrophic claim, imposition of a new tax, and a change in the scale of shareholder dividends.
- (2) If additional disclosure is required for any circumstance, then the disclosure note shall be structured as follows—

- (a) the note shall—
  - (i) describe the situation;
  - (ii) state its effect on liabilities, surplus, and net income for the current year and each past year reported on in the financial statements; and
  - (iii) indicate its projected future financial effect;
- (b) the ordinary dictionary meaning of words shall be used and unnecessary jargon should be avoided;
- (c) matters covered by a note that do not lend themselves to an unqualified assertion of fact shall be qualified by words such as "in the opinion of the actuary" or "in my opinion".

#### **APPOINTED ACTUARY'S REPORT TO THE COMMISSION**

21. This Part applies where the actuary prepares the appointed actuary's report to be attached to the annual filing of a general insurance company registered under the Act. Application.

Confidentiality. 22. Details disclosed in the body of the report shall be treated as confidential but the exhibits attached to the report (or a subset or summary thereof) may be published by the Commission for statistical purposes.

Report language. 23.—(1) The actuary may use terminology and formulate which will be understood by another actuary, but which need not necessarily be understood by a layman.

(2) When the actuary uses a term defined in these Regulations, it is understood to have the same meaning unless otherwise specified.

(3) Matters in the report which do not lend themselves to an unqualified assertion of fact should be qualified by words such as "in my opinion".

Report format. 24.—(1) The format of the report shall be as outlined in this regulation and Appendices 1 to 16.

(2) If sections of the report are not applicable to the company, then this should be stated.

(3) The following exhibits are required and should preface the report—

- (a) Report for Published Financial Statement;
- (b) Minimum Asset Test (MAT) Calculation and Confirmation of Instructions;
- (c) Compliance Checklist;
- (d) Conflict of Interest Statement;
- (e) Item Reference;
- (f) Policy and Claims Liabilities—Summary and Detailed;
- (g) Data Exhibits for each line of business;
- (h) Provisions for Adverse Deviations;
- (i) Changes in Actuarial Assumptions and Methods.

(4) The reserves shall be calculated on a gross and a net basis, and the relevant exhibit submitted for each basis.

(5) The body of the report shall contain at least the following sections—

- (a) executive summary, containing a summary of the key findings of the report and any recommendations, identification of any information in the report, the publication of which would, in the actuary's opinion, be injurious to the company's competitive position;

- (b) verification of data, containing—
  - (i) a statement of the procedures used in the verification of valuation data and if applicable, details as to the extent of the actuary's use of the work of the accountant, auditor or any other party (such as consultants);
  - (ii) the type of data provided and the review and verification procedures utilized;
  - (iii) the procedures and methodology used to transform the data into valuation data;
  - (iv) the procedures and steps undertaken to ensure that the valuation data are sufficient, reliable and accurate;
- (c) conformity with regulations, containing a statement that the methods required by these Regulations have been followed, or, as the case may be, a reference to the circumstances in which the actuary wishes to deviate from those methods and is awaiting formal advice from the Commission, the pending application for a dispensation of these regulations;
- (d) approximations and materiality, containing a description of any approximations used in the valuation, and any materiality standard applied;
- (e) policy and claims liabilities by line of business containing—
  - (i) a discussion of the policy and claims liabilities by line of business as identified in the Appendices;
  - (ii) if significant blocks of business are held outside of Jamaica, a summary that gives the proportion of liabilities by jurisdiction and by line of business, and a report on any additional reserves required by other jurisdictions;
  - (iii) a commentary on each line of business as set out in paragraphs (6) and (7);
- (f) assumptions, containing a detailed determination in accordance with these Regulations and a justification of all assumptions as follows—
  - (i) a new assumption shall include the reasons for selecting it and the tests of its appropriateness;
  - (ii) an assumption continued from the prior valuation shall describe the study of its continued appropriateness;

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- (iii) the complexity of the determination, the sensitivity of the liability to changes in the assumption and the materiality of the liability;
  - (g) assets supporting the liabilities, containing a description and discussion of the assets supporting the policy and claims liabilities, including—
    - (i) comments on the adequacy, suitability and liquidity of the assets;
    - (ii) details as to whether or not the company actively trades assets, with references to the management and auditing procedures;
    - (iii) if the insurance company has an insurance subsidiary operating outside of Jamaica, a comment on the profitability and solvency of the subsidiary and any potential risks or capital requirements that the subsidiary may impose upon the parent company; and the actuary may rely upon the work of another actuary or auditor in order to give an opinion;
  - (h) reinsurance, containing the matters set out in paragraphs (8) and (9);
  - (i) capital adequacy and financial condition containing a summary of the key findings of the test, highlighting any concerns the actuary may have on the financial condition of the company in this section of the actuary's report and summarising any exposure of the company to significant risks, and in particular, catastrophes.
- (6) The commentary on—
- (a) each line of business shall include the following if applicable—
    - (i) a description of the principal characteristics of each line of business including frequency and severity of losses;
    - (ii) a full description of the case reserving process and any sampling and checking performed by the actuary;
    - (iii) an explanation of how the reserves were calculated supported by data provided in the report and the methods or assumptions or both, used;
    - (iv) a description and justification of any significant changes in techniques or assumptions from the previous report and the financial impact of the changes;

- (v) any significant change in the company's marketing strategy, mix of business, level of retention, level or type of reinsurance coverage, method of recording data, settlement policies or year-end cut-off dates, to the extent that such changes are relevant to the valuation of the liabilities;
  - (vi) the expected ultimate claims and claim ratios for each accident year;
  - (vii) impact of participation in industry pools;
  - (viii) impact of inter-company pooling agreements with a full description of those in which the insurer participates; and
  - (ix) the provision for adverse deviation (PFAD) and the considerations made in the determination of PFAD;
- (b) the claims liabilities shall include the following if applicable—
- (i) the derivation of the net, direct and assumed reserve for unpaid claims and adjustment expenses and other obligations that have been incurred by the company prior to the date of the return, including claims and obligations that arose before that date but were not reported to the company on or before that date;
  - (ii) the ultimate loss ratio history of the company over the last few years;
  - (iii) any significant trends in the severity and frequency of claims;
  - (iv) any important changes in the coverage of the policies;
  - (v) the changes in the cost of reinsurance or in reinsurance arrangements or both (properly allocated to unearned premiums and unpaid claims liabilities);
  - (vi) any significant lags in the reporting of claims and in the payment of claims;
  - (vii) the existence of any significant deficiencies in the run-off of the reserves that had been set up in prior years;
  - (viii) the existence of any significant amounts in respect of salvage;
  - (ix) frequency and severity of large losses;

- (x) provisions for participation in pools;
- (c) the policy reserves shall contain details concerning the following items—
  - (i) the derivation of the gross and net unearned premium liabilities;
  - (ii) all ultimate claims and other obligations expected to arise after the date of return under the policies in force at the date of the return;
  - (iii) all adjustment expenses (including unallocated loss adjustment expenses) expected to be associated with the ultimate claims and other obligations;
  - (iv) all expenses relating to the servicing of the policies in force; and
  - (v) all reinsurance costs;
  - (vi) any other net liabilities such as an adjustment for excess of loss treaties where the premium rate varies with the claims experience, an adjustment for proportional treaties where the ceding commission varies with the claims experience, an adjustment relating to an inflation clause, an adjustment relating to an automatic reinstatement premium, and any expected increase in profit commissions to agents;
  - (vii) the derivation of the gross deferred policy acquisition expenses and the unearned commissions.

(7) In determining the provisions set out in sub-paragraph (c), the author of the report shall take into account, among other factors, at least the following—

- (a) the ultimate loss ratio history of the company over the last few years;
- (b) any changes in premium rates;
- (c) any significant trends in the severity and frequency of claims;
- (d) any significant trends in the servicing costs of policies;
- (e) any important changes in the coverage under the policies;
- (f) any changes in the cost of reinsurance or in reinsurance arrangements or both; and

- (g) any significant lags in the collection of premiums.
- (8) Each report in relation to reinsurance shall—
- (a) indicate the amounts that were assumed to be recoverable from reinsurers in giving the opinion stated in the report; and
- (b) specify any unusual problems or delays known by the person signing the report that are expected to be encountered in the collection of the relevant amounts from the reinsurers;
- (c) contain—
- (i) a description of the company's reinsurance arrangements (type of arrangements, significant terms and conditions, and order of application of treaties) and any changes in the arrangements (including changes in retention or limits) during the experience period used in the report;
- (ii) a clear indication whether any changed arrangements were taken into account;
- (iii) a description of some of the problems or delays if relevant including situations in which—
- (A) a reinsurance contract or cover note is not signed;
- (B) a dispute has arisen with a reinsurer;
- (C) the reinsurer has a history of not settling accounts promptly;
- (D) the reinsurer's experience under the treaty is so minimal or other circumstances exist that cause there to be a high probability that the reinsurer will deny liability;
- (E) the reinsurer has significant financial exposure to Jamaica or the Caribbean, or both, in the event of a catastrophe;
- (F) the reinsurer is known to have been the subject to regulatory restrictions in its home jurisdiction.

(9) For the purposes of paragraph (8) (c) (iii), the actuary may discuss reinsurance matters with the management and the external auditors of the

company regarding whether there are unusual problems or delays or both expected to be encountered in collecting the relevant amounts from the reinsurers.

Reviews by  
Commission.

25.—(1) The Commission may, in reviewing the annual filings reject assumptions and methods where it appears that the policy liabilities produced are inappropriate.

(2) The review of an actuary's report may take place over an extended period after filing, and the Commission may notify the actuary that supplemental detail is required to sufficiently assess the assumptions and methods.

(3) The actuary shall respond promptly to all supplemental requests.

(4) Working papers required to support the computation of the claims and policy liabilities reported in the annual filing and the actuary's report shall be made available at all times at the company's head office, and shall be made available to the Commission upon request.

(5) If the questioning of particular assumptions or methods do not sufficiently demonstrate the appropriateness of the policy liabilities produced, the Commission shall require the actuary to choose other acceptable assumptions or methods, and to re-compute the policy liabilities.

(6) In such a situation, the actuary shall re-file the actuary's report.

(7) The Commission may—

- (a) require the company to amend the annual filing or to reflect the changes in the annual filing for the following year;
- (b) if it deems necessary, request an independent actuary's report in accordance with section 44 (5) of the Act.

**APPENDICES**

**1. COMPLIANCE CHECKLIST**

ITEM	YES/NO	REPORT REFERENCE
<b>The following items are attached to the Report to the Commission:</b>		
Report for Published Financial Statements		
Minimum Asset Test (MAT) Calculation and Confirmation of Instructions		
Compliance Checklist		
Conflict of Interest Statement (if applicable)		
Item Reference		
Policy and Claims Liabilities—Summary and Detailed		
Data Exhibits		
Provisions for Adverse Deviations		
Changes in Actuarial Assumptions and Methods		
<b>The following statement applies:</b>		
The Actuarial Regulations, generally accepted accounting principles and generally accepted actuarial practice have been applied in the valuation of the policy and claims liabilities and in the preparation of the Report to the Commission.		

If the answer is "NO" to any of the items above, please provide further detail below:

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## **2. CONFLICT OF INTEREST STATEMENT**

I confirm that there exists a potential or actual conflict of interest between myself and my client or employer and/or a third party.

I confirm that there has been full disclosure of the potential or actual conflict to all parties involved (including the Commission), and that all parties have agreed that I may perform the duties of Appointed Actuary for my client or employer:

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I confirm that my ability to act fairly and objectively is unimpaired, and that I have performed my duties as Appointed Actuary without regard to any personal considerations or to any influence, interest or relationship that may impair my professional judgement or objectivity.

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**Appointed Actuary**

**3. ITEM REFERENCE**

ITEM	YES/NO	REPORT REFERENCE
Did the Appointed Actuary rely on another party for the verification of data and/or assistance with the valuation?		
Was there any change in assumptions or methods?		
Was any application made to the Commission for a dispensation from the regulations?		
Was there any significant change in company operations that would be relevant to the valuation of the liabilities?		
Were there any significant trends in the severity or frequency of claims?		
Were there any significant lags in the reporting and/or payment of claims?		
Were there any significant trends in the acquisition or servicing costs of policies?		
Any important changes in the coverage under the policies?		
Are the assets adequate, suitable and sufficiently liquid to support the liabilities?		
Was there any significant new reinsurance in the past year?		
Is there any reason to doubt the financial condition of the reinsurer(s)?		
Is there any reason to doubt the financial condition of the insurance company?		
Did the company meet the requirements of the Minimum Asset Test?		

Insert "yes" or "no" in the second column, and the relevant page number of the report or "N/A" in the third column.

*THE INSURANCE (ACTUARIES) (GENERAL INSURANCE COMPANIES)  
REGULATIONS, 2002*

**4. POLICY AND CLAIMS LIABILITIES—SUMMARY**

\$ thousands

Category	Current Year		Prior Year	
	Claims Liabilities	Policy Liabilities	Claims Liabilities	Policy Liabilities
Liability				
Property				
Motor Vehicle				
Pecuniary Loss				
Marine, Aviation and Transport				
Other (list below)				
<b>TOTAL</b>				





















**15. PROVISIONS FOR ADVERSE DEVIATIONS**

\$ thousands

Line of business	Claims Liabilities		Policy Liabilities		Report Reference
	Amount (net of provision)	Provision for adverse deviation	Amount (net of provision)	Provision for adverse deviation	
Liability					
Property					
Motor Vehicle					
Pecuniary Loss					
Marine, Aviation and Transportation					
Other (List below)					
<b>TOTAL</b>					

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**16. CHANGES IN ASSUMPTIONS AND METHODS**

Plan Code or Homogenous Group of Plans and/or Report Reference	Report Reference	Prior Valuation Basis	Current Valuation Basis	Reason for Change	Impact of Change: Increase/ Decrease in policy or claims liabilities (\$'000)
<b>TOTAL</b>					

[The inclusion of this page is authorized by L.N. 33A/2005]