# TURKS & CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

## Actuarial Requirements for Domestic Insurers[1]

**Background**

This Guideline applies specifically to all domestic insurers licensed to transact insurance business in or from within the Turks and Caicos Islands ("TCI"). It is issued by the Financial Services Commission ("the Commission") pursuant to Section 43 of the Financial Services Commission Ordinance ("FSCO").

It sets out the actuarial requirements of Domestic Insurers in so far as the approval and appointment of an actuary is concerned, along with the requirement to submit actuarial valuations certified by the Approved Actuary.

**1. Introduction**

The following sets out the criteria that the Commission will use for determining whether to recognize or approve an actuary:

1.1 Pursuant to section 2 of the Insurance Ordinance ("IO"), the Commission recognizes an "actuary" as being:

1.1.1 a person who has qualified as an actuary by examination of the Institute and Faculty of Actuaries[2] in the United Kingdom or the Society of Actuaries in the United States or Canada and who is in good standing with one of the aforementioned professional associations, or

1.1.2 a person of good standing with some other actuarial qualification who is recognized by the Commission for the purpose of the IO.

[1] Domestic Insurer: An insurer, licensed under section 4 (1) (a) of the Insurance Ordinance, whose principal objective is to insure risks in relation to:

(a) a person who, at the time of effecting the contract, is ordinarily resident in the Islands; or
(b) property that, at the time of effecting the contract, is in the Islands or, in the case of a vehicle, vessel or aircraft, or other movable property is ordinarily based in the Islands.

[2] Section 2 of the Insurance Ordinance stipulates The Institute of Actuaries and Faculty of Actuaries. However, both associations merged effective 1st August 2010 forming the Institute and Faculty of Actuaries.

1.2 An individual is qualified to act as an Approved Actuary of a licensed insurer if he is a Fellow by examination or equivalent professional standing of a recognized professional body and he is eligible to be appointed as an Approved Actuary for the licensed insurer under the rules of his professional body.

## 2. Appointment of Actuary

2.1 Every insurer carrying on long-term insurance business is required to appoint an Approved Actuary, as a member of its staff or as a consulting actuary.

2.2 The Commission may require that an insurer carrying on general insurance business appoint an Approved Actuary, for the purposes of submitting an Actuarial Valuation Report to the Commission.

2.3 Where the appointment of the Approved Actuary is terminated:

2.3.1 the insurer is required, within three months of the termination to appoint a new actuary approved by the Commission; and

2.3.2 to notify the Commission in writing, of the appointment of another actuary, within twenty-one days of the new appointment.

2.4 No person may carry out the function of an Approved Actuary unless the Commission is satisfied that he possesses the necessary qualifications to carry out such functions.

2.5 The Chief Executive Officer and the Chief Financial Officer or a person performing like functions may not be appointed as or hold the position of Approved Actuary of an insurer.

## 3. Requirements for Recognition as an Actuary

3.1 The Approved Actuary is required to abide by the Code of Professional Conduct of the professional actuarial association of which he is a member and the association should have clear disciplinary procedures for members who breach this code.

3.2 Where the actuary is not a member of one of the professional associations listed in Section 2 of the IO, then the Commission may recognise the person as an actuary for the purposes of the IO where the person is a fellow of an actuarial association that is a full member of the International Actuarial Association, provided that the relevant documentation is submitted to the Commission to be considered on a case by case basis.

## 4. Requirements for Approval

4.1 To be approved as an actuary by the Commission, the following criteria must be met:

4.1.1 The person must be an “actuary” as defined in Section 2 of the IO

4.1.2 The person must have experience in the relevant line of business(es)

4.1.3 The person must be in good standing with other relevant regulatory bodies

4.1.4 The person should provide the Commission with a letter of undertaking that he or she will perform their functions in accordance with the Ordinance and Guidelines issued by the Commission and the Standards of his or her relevant association.

4.1.5 The person must not be in a position of actual or potential conflict of interest, unless the Commission is satisfied that the actuary’s ability to act fairly is unimpaired and there has been full disclosure of the actual or potential conflict to the Commission.

4.1.6 The person should have the appropriate integrity, competency, professional experience, and qualifications, taking account of potential conflicts of interest so as to be deemed fit and proper to perform the role of actuary by the Commission.

4.2 A person, shall, at the request of the Commission, provide such information or documentation, regarding his actuarial experience, skills and resources as the Commission requires, to determine whether he is fit and proper to act as an Approved Actuary.

4.3 Where an actuarial firm is used to certify the valuation, the individual within the firm providing the certification must meet the criteria of 4.1 and 4.2 above.

4.4 An application for approval of an actuary may be made directly by the persons seeking approved status, or by any licensee proposing to engage such persons in a professional capacity.

4.5 The licensee should take reasonable care to satisfy itself prior to appointment and on an on-going basis that the actuary and/or actuarial firm appointed is fit and proper.

4.6 If the Commission becomes aware that an actuary and/or actuarial firm no longer meets the criteria of this

Guideline:

4.6.1 The actuarial reports prepared by the actuary and/or actuarial firm may not be accepted by the Commission, and

4.6.2 It may prejudice the approval of the actuary and/or actuarial firm by the Commission to act on behalf of licensees in the future.

## 5. Submission of Actuarial Valuation Reports

5.1 Section 6(9) of the Insurance Ordinance ("IO") stipulates that insurers carrying on long term insurance are required to prepare and submit, **at least once in every three years**, an Actuarial Valuation of its assets and liabilities certified by its actuary, so as to enable the Commission to be satisfied as to its solvency.

5.2 Section 10(1)(d) of the IO further provides that if the insurer is carrying on long term insurance, an actuarial valuation of its assets and liabilities certified by an actuary in accordance with Section 6(9) of the IO, is to be provided with its Annual Returns.

5.3 The Insurance Regulations also provide that the Commission may also, in its discretion, require a General Insurer to submit an actuarial valuation in relation to its general business, and submit the report to the Commission.

## 6. Actuarial Valuation Report

***This section does not indicate all elements that should be included in the Actuarial Valuation Report. The actuary should be guided by his own standards of practice as mandated by the Professional Body of which he is a member.***

6.1 The actuarial valuation method used should be in accordance with the Insurance Ordinance and/or a valuation method approved by the Commission, provided that the method is prospective in nature and full details of the method are sent to the Commission at least three months before the end of the relevant financial year.

6.2 The Commission may request in writing further information or require modifications to the method referred to in subsection 6.1 if, in the opinion of the Commission, the method is not suitable; and provided that such a request or requirement is sent within twenty days of receiving full details of the method.

6.3 Where the Commission receives further information requested under subsection 5.2 it may continue to request in writing further information or require modifications to the method provided that such request or requirements is sent within twenty days of receipt of the further information.

6.4 If the Commission does not request further information or require modifications to the actuarial method referred to in subsection 6.1 in accordance with subsection 6.2 or 6.3, the Approved Actuary may use the method sent to the Commission under subsection 6.1 or as subsequently modified by the Commission.

6.5 The actuarial valuation report should include and show separately the valuation of the assets and liabilities specific to the TCI book of business.

6.6 The actuarial valuation report should include a certificate signed by the Approved Actuary to the Insurer stating whether or not, in his opinion, the aggregate amount of the liabilities of the company in relation to its insurance business at the end of its financial year exceeded the aggregate amount of the corresponding insurance business related liabilities shown on the balance sheet of the company.

6.7 The actuarial valuation report should include a statement from the Approved Actuary to the insurer, expressing an opinion on the adequacy of the insurer's reinsurance arrangements having due regard to the risk profile of the insurer's business and the insurer's reinsurance strategy.

6.8 In accordance with Section 6(9)(b)(ii) of the IO, the actuarial valuation report should identify and certify any surplus of the insurer which is distributable otherwise than to policyholders.

6.9 The auditor of an insurer licensed to carry-on long-term insurance business may accept, for the purposes of an audit, an actuarial valuation certified by an actuary, of:

(a) the policy liabilities of the insurer as at the end of the financial year; or

(b) a change, during a financial year, in the policy liabilities of the insurer, in relation to a particular fund.

6.10 The liquidator of an insurer with long term insurance business may appoint an actuary to investigate and report to him on the long term insurance business of the insurer and, if appropriate, to conduct actuarial valuations of the business.

6.11 The Commission may at any time require the company to obtain, and to furnish it with a report by an actuary as to the suitability of the pricing of the policy under any class of policy issued by the company and, if the actuary considers that the pricing is not suitable, a report as to the pricing of the policy that the actuary approves as suitable in respect of that class of policy.

6.12 The Commission may at any time require the company to obtain, and to furnish it with a report by an actuary as to the suitability of the reserving level under any class of policy of insurance business issued by the company and, if the actuary considers that the reserving level is not suitable, a report as to the reserving level of the policy that the actuary approves as suitable in respect of that class of policy.

6.13 The actuary should state the standard of practice followed and present all information with sufficient detail that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work.

In the report, the actuary should include, if applicable:

6.13.1 The scope and intended use of the report

6.13.2 The results of actuarial services, including the potential variability of these results;

6.13.3 The methodology, assumptions, and data used;

6.13.4 Any restrictions on distribution;

6.13.5 The date of the report; and

6.13.6 Information on the authorship of the report

**Any contravention to the guidelines may lead to disciplinary actions as outlined in the Financial Services Commission Ordinance**

The Financial Services Commission
11th August 2015