



TURKS & CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

Insurance Supervisory Returns and Explanatory Notes¹

1. INTRODUCTION

This guideline applies to all Domestic Insurance Companies licensed in accordance with Section 4 of the Insurance Ordinance, to carry on Long Term and General Insurance business in 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") to facilitate the effective supervision of domestic insurers.

Pursuant to section 23 of the Financial Services Commission Ordinance, where reasonably required the Financial Services Commission ("the Commission") may require licensees to provide documents of a specified description for the discharge of its functions.

Insurers are required to submit prudential returns to the Commission: these returns are required on an on-going basis and include a Balance Sheet, Income Statement, Statement of Retained Earnings, Business Revenue Account, Assessment of Solvency and Investment Assets held in the TCI.

2. PREPARATION OF THE INSURANCE SUPERVISORY RETURNS

All Domestic Insurers are required to submit Insurance Supervisory Returns in accordance with the explanatory notes using the template provided by the Commission. Therefore, it is the responsibility of all Insurers to maintain their financial records in a suitable manner that the Insurance Supervisory Returns can be prepared and filed in accordance with the requirements of the Commission. These reports must at all times represent a fair presentation of the Insurer's financial condition.

a. Accounting Principles

All Domestic Insurers are required to prepare their Insurance Supervisory Returns in accordance

¹ Amended 25th March 2015

with International Financial Reporting Standards (IFRS) or such other accounting standards as may be approved by the Commission.

b. Reporting Frequencies and Deadlines

Currently there are two reporting frequencies required for Insurers.

- **Quarterly** – The Insurance Supervisory Return is due 1 month after the end of each calendar quarter.
- **Annually** – The Insurance Supervisory Return is due 3 months after the Company's Financial Year end and would represent the figures reported in the Audited Financial Statements of the domestic TCI business.

Additionally, in the event that an Insurer is required to prepare **monthly returns**, these will be due 21 calendar days after the end of each month.

c. Reporting Currency and Unit

All financial data provided to the Commission on the Insurance Supervisory Returns must be reported in United States Dollars to the nearest thousand. Amounts denominated in foreign currencies should be converted to US dollars at the rates prevailing on the last day of the period being reported on.

d. Verification

Before the Insurance Supervisory Returns is submitted to the Commission, the Insurer should ensure that all sheets are completed with the required information for current and prior periods and that the Balance Sheet is balanced.

A comparison should be made with the corresponding amounts in the previous Insurance Supervisory Returns submission. Where there are any significant or unusual changes, the Insurer should provide an explanation of changes when the returns are being filled. Insurers are reminded that where adjustments are made to the quarterly filing after submission to the Commission, a

revised filing should be submitted, accompanied by adequate explanation for the changes made.

e. Certification and Attestation

A senior management officer of the Insurer is required to attest to the accuracy and completeness of the Insurance Supervisory Returns by affixing his signature in the space provided. This signifies that the senior officer has reviewed the information contained in the report and that the data reported therein is accurate and has been prepared from the accounting records of the Insurer.

3. PROCEDURES FOR SUBMISSION OF RETURNS

a. Email Copy

The soft copy of the Insurance Supervisory Returns is to be submitted to the Commission within the prescribed timeframe.

b. Printed Copies

The printed copy of the Insurance Supervisory Returns should be submitted to the Commission within one (1) month after the end of each calendar quarter.

c. Amended Returns

Where the Commission notifies the Insurer of an error in the forms submitted, the Insurer is required to correct the error and resubmit the corrected report, both hard and soft copies, to the Commission within the timeframe stipulated.

d. Variance report

Insurers should provide a variance analysis report of the major changes reflected on the Balance Sheet and the Income Statement. Explanations should be provided for variances of (+) or (-) 10%.

INSTRUCTIONS FOR COMPLETING THE INSURANCE SUPERVISORY RETURN

GENERAL

- A. It is recommended that the Insurance Supervisory Returns is filled out in the following order:
1. Cover Page: enter the Company Name, the reporting period and the type of return being submitted.
 2. The Business Revenue Account (BRA) Sheet: information entered on this page will be entered automatically in their respective cell on the Income Statement.
 3. Income Statement
 4. Statement of Retained Earnings
 5. Liabilities, Capital and Reserves
 6. Assets
 7. Section 6(3) Assessment
 8. Solvency Assessment
- B. Please note that **Blue Font** in a cell on the Insurance Supervisory Returns indicates that the cell can be edited.
- C. For the **Balance Sheet** the figures entered on the form are unaudited figures as at the end of the current period and the corresponding prior year period and audited figures as at the end of the last Financial Year.

For example, an Insurer with a 31st December year end, Cash and Deposits for the first quarter (March 2015) would be entered as follows:

- a. The balance of Cash and Deposits as at the current quarter (unaudited March 2015);
- b. The balance of Cash and Deposit as at the Insurer's last financial year end (audited December 2014); and
- c. The balance of Cash and Deposits as at the corresponding prior year quarter (unaudited March 2014).

- D. For the **Income Statement** the figures to be entered are the Year to Date unaudited figures for the current and corresponding prior year periods and the audited figures for the last Financial Year.

For Example, Gross Premium Written (“GPW”) for the first quarter (March 2015) would be entered as follows;

- a. The Year to date GPW for the current period (unaudited March 2015);
- b. The Year to date GPW for the last financial year (audited December 2014); and
- c. The Year to date GPW for the corresponding prior year period (unaudited March 2014).

ASSETS:

1. **Restricted Deposit** – this represents the Deposit that is being held to the order of the Commission with a bank located in the TCI, on behalf of the reporting institution.
2. **Other Receivables** – represents non premium related receivables. Other receivables over 90 days are non-permissible assets for the purposes of determining the solvency margin. Please provide an analysis/breakdown of the amounts classified as Other Receivables.
3. **Due from Parent Company/Head Office** - Represents amounts owing to the TCI Company or Branch operations by the Parent Company or the Head Office. These are non-permissible assets for purposes of determining the solvency margin.
4. **Other Assets** – Report all other asset balances not otherwise specified. Please provide an analysis/breakdown of the amounts classified as Other Assets.

LIABILITIES:

1. **Other Insurance Liabilities** – Report all other Insurance Liabilities not otherwise specified. Please provide an analysis/breakdown of the amounts classified as Other Insurance Liabilities.
2. **Accounts Payables** – the following liabilities should be classified as accounts payable:
 - a. Amounts payable to:

- i. Agents and Brokers
 - ii. Policyholders
 - iii. Reinsurers
 - iv. Other Insurers
 - b. Please provide an analysis/breakdown of the amounts classified as Accounts Payable
3. **Due to Parent Company/Head Office** – Represent amounts owing to the Parent Company or the Head Office by the TCI Company or Branch operations. These amounts can be deducted from liabilities for purposes of determining the solvency margin.
4. **Other Liabilities** - Report all other obligations owed by the Insurer not otherwise specified. Please provide an analysis/breakdown of the amounts classified as Other Liabilities

CAPITAL AND RESERVES

1. **Head Office Account** - represents the fund initially provided to the TCI Branch operations and is treated in the same as share capital from an accounting perspective.
2. **Retained Earnings** - Represent the historical sum of net earnings of the Insurer less amounts paid over to Head Office, Parent Company or Shareholders.

STATEMENT OF RETAINED EARNINGS

1. Amounts repatriated to Head Office represents amounts paid over to Head Office by the Branch operations and are similar to dividends from an accounting perspective.

SECTION 6 (3) ASSESSMENT

Pursuant to Section 6(3) of the Insurance Ordinance, Insurers are required to maintain sufficient cash, short term securities or other releasable investments approved by the Commission in the TCI to match its current liabilities, life insurance funds and annuity funds.

1. **Current Liabilities** for the Section 6(3) Assessment represent obligations owed by the Insurer that are

due to be paid with the next 12 months. Please provide a breakdown of the amounts classified as current liabilities.

2. For **General Insurers** the reinsurers' proportion of insurance liabilities should be deducted from the gross insurance liabilities to arrive at the net position.

SOLVENCY ASSESSMENT

1. Each non-permissible asset held by the company must be specified. A listing of non-permissible assets is presented in Section 5 of the Capital Adequacy and Solvency Guidelines for Domestic Insurers which is available on the Commission's website.
2. Net Premiums Written is used to calculate an Insurer's Net Worth
3. All Insurers are required to complete Rows 1 to 7 for the calculation of Actual Solvency Margin.
4. To calculate the Required Solvency Margin:
 1. General Insurers should complete Rows 8 and 9 **Only**
 2. Long term Insurers should complete Row 10 **Only**
 3. Insurers that carry on both general and long term business should complete Rows 11 and 12 **Only**

Financial Services Commission
8th January 2015