

# GUERNSEY FINANCIAL SERVICES COMMISSION

## GUIDANCE NOTE ON ACTUARIAL VALUATIONS

### 1. Introduction

These guidance notes provide details of the minimum information that the Commission would expect to be contained in a valuation report submitted as part of the annual regulatory returns submitted in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. The guidance applies to all Guernsey licensed life assurance companies and branches other than non-Guernsey insurers writing policies solely on the lives of Guernsey residents.

The guidance is not intended to replace actuarial guidance issued by the Institute and Faculty of Actuaries and does not prevent the Actuary from presenting additional information to either the directors of the company or to the Commission.

### 2. Compliance with Actuarial Professional Standard X1 (APS X1)

Actuaries who are members of the UK Institute and Faculty of Actuaries should state in the valuation report if they have complied with APS X1. The wording of the certificate is:

*“I certify that I have complied with Actuarial Practice Standard APS X1: Applying Standards to Actuarial Work, issued by the Institute and Faculty of Actuaries.”*

Actuaries who are members of another professional Actuarial Body should state if they have complied with any other professional or technical actuarial standards.

### 3. Contents of Report:

This should include:

- Details of policies issued including checks made on data quality
- A statement of business in force
- Summary of assets
- Details of reinsurance arrangements
- Details of any relevant claims or persistency experience
- Valuation methodology
- Valuation basis
- Valuation result
- Details of asset/liability matching
- Details of how the solvency capital requirements are met

#### **4. Details of policies issued**

A summary should be included of all the policy types issued by the company and still in force at the valuation date. This should include details of all explicit policy charges including fund management charges. It should also include details of minimum and maximum premium conditions and any options or guarantees available.

Information should be provided on the steps undertaken to ensure that all policies have been included in the valuation and that the data is accurate.

#### **5. Statement of business in force**

A summary should be provided of the business in force at the valuation date by policy type. This should include number of policies, premiums in force and (if relevant) sums assured.

#### **6. Summary of assets**

Details should be provided of the assets matching both the policyholder liabilities for non-linked business and the shareholder funds. These can be summarised if necessary but should include both the types of asset and in the case of bonds or deposits, the name of the counterparty.

#### **7. Details of reinsurance arrangements**

Details should be provided of the reinsurance arrangements including retention limit, type of treaty and name of reinsurer(s).

#### **8. Details of any relevant claims or persistency experience**

Details should be provided of any relevant recent investigations carried out into mortality, morbidity or persistency rates of the company.

#### **9. Valuation methodology**

A summary of the valuation methodology used should be provided, including the calculation of an allowance, if appropriate, for the potential costs of closure to new business. Details should also be disclosed if assets held to match unit linked liabilities are less than the nominal value of the units in anticipation of future charges (i.e. “actuarial funding”).

The Actuary should also disclose the treatment of derivative assets in the valuation and, if applicable, any credit taken for negative reserves.

#### **10. Valuation basis**

Full details of the valuation basis should be provided including per policy expenses, interest rate assumptions, unit growth rate, discount rate, inflation assumptions and mortality/morbidity rates.

## **11. Valuation result**

The valuation result should include details of the calculated surplus and the distribution of surplus to shareholders and (if applicable) policyholders.

## **12. Details of how the solvency capital requirements are met**

A comparison should be shown of the excess of the regulatory capital resources over the Minimum Capital Requirement and the Prescribed Capital Requirement, respectively.

**1 January 2018**