

GUIDANCE NOTE ON ACTUARIAL REQUIREMENTS AND STANDARDS

1. Introduction

This note provides guidance on actuarial requirements for international and locally incorporated domestic insurance companies licensed in Guernsey. A separate note Guidance Note on Actuarial Valuations details the requirements for actuarial valuations of companies carrying out long term business. This guidance note does not take precedence over any requirements included in the Insurance Business (Bailiwick of Guernsey) Law 2002, as amended (“the IBL”) or the associated regulations.

2. Actuarial Requirements in the IBL

The following requirements are specified in the IBL:

2.1 Appointment of actuary

Section 40 of the IBL requires the appointment of an Actuary by companies writing long-term business unless agreed in writing by the Commission. Companies must inform the Commission if the appointment comes to an end and make a new appointment within 28 days.

2.2 Change of actuary

Section 40 of the IBL also requires an Actuary who leaves his or her position before the end of their term of office to inform the Commission within 7 days whether or not there are any circumstances connected with their ceasing to be actuary which they consider should be brought to the attention of the Commission.

2.3 Actuarial Investigation

Section 41 of the IBL requires insurance companies writing long term business to provide an actuarial investigation into their financial condition in accordance with relevant professional standards. This must be provided at the end of every accounting period.

2.4 Transfers of long term business

Under section 45 of the IBL, a scheme of transfer under section 44 of the IBL cannot be determined by the Royal Court unless it is accompanied by a report on the terms of the scheme by an independent actuary.

2.5 Liquidation of a company

Under section 55 of the IBL, in the case of the liquidation of a company carrying on long term business, the Royal Court may, on the application of the liquidator or the Commission, appoint an independent actuary to investigate the long term business of the company and to report to the liquidator and to the Commission.

2.6 Communication to the Commission

Under section 82 of the IBL, it is the duty of an actuary to report to the Commission if they become aware in their capacity as the actuary to an insurance company of a matter which give them reasonable cause to believe is, or is likely to be, of material significance for determining whether the Commission should exercise its powers under the Law in order to protect policyholders from a significant risk of loss.

2.7 Meetings with the Commission

Section 83 of the IBL gives the Commission the power to request meetings with actuaries (as well as auditors and general representatives) with a view to the performance of its functions under the IBL and or the regulatory Laws, or if it consider it desirable to do so for the protection of the interests of the public or the policyholders, potential policyholders or clients of a licensed insurer or the reputation of the Bailiwick as a finance centre,

2.8 Disqualification of actuary

With respect to an actuary to a licensed insurer carrying on long term business, section 84A of the IBL gives the Commission the power to make a disqualification order against an actuary. This applies if they have failed to comply with any duty imposed on him or her by or under the regulatory Laws, or is for any other reason unfit to be an actuary of a licensed insurer carrying on long term business (whether by reason of lacking the necessary skills or resources to carry out effectively his responsibilities as actuary or otherwise).

3. Actuarial Standards

There are currently no specific actuarial standards issued or recommended by the Channel Island Actuarial Association, the body that represents the actuarial profession in Guernsey. The Guernsey Financial Services Commission however currently requires actuaries carrying out work for Guernsey international and locally incorporated domestic insurance companies to comply with standards as follows:

Actuarial reports relied upon by international and domestic insurers writing either long term or general insurance business should be prepared:

- i) By a member (or members) of a recognised actuarial body that is a full member of the International Actuarial Association (IAA), and
- ii) Where the work is performed by a member of the Institute and Faculty of Actuaries, in accordance with Actuarial Professional Standard APS X1: Applying Standards to Actuarial Work (this standard is the responsibility of the Institute and Faculty of Actuaries). Where the work is performed by an actuary who is a member of another professional actuarial body, the actuary should state if they have complied with any other professional or technical actuarial standard.

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