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GUERNSEY FINANCIAL SERVICES COMMISSION**GUIDANCE NOTE FOR INTERNATIONAL LIFE AND PENSIONS
INSURERS****1 Introduction**

These guidance notes provide additional information for insurers carrying out, or proposing to carry out, life and pensions business from Guernsey. The legal requirements are set out in the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended (“the Law”), and the associated regulations, rules and codes.

2 Business Plan

All registered life companies are required to submit a business plan annually, covering the previous year and at least the next 3 years, to include the following information:

- a summary of the products being offered and the markets in which these products are being offered;
- forecast business volumes for each type of product;
- levels of retention of life cover;
- details of reinsurers;
- unaudited financial projections, including the breakdown of expenses; and
- details of the operation of the policyholder protection arrangements.

The Commission should be informed prior to any material deviation from the business plan.

3 Annual Insurance Return

The Annual Insurance Return is due within four months of the financial year end of the insurer. Details of the requirements for annual returns are contained in The Insurance Business (Annual Return) Regulations, 2008 (“the Annual Return Regulations”), a copy of which can be found in the ‘Legislation and Guidance’ section of the Commission’s website.

In certain circumstances, more frequent returns may be requested. These returns would normally take the form of a set of management accounts to enable a check to be made on the volumes of premium income, level of reserves, assets and levels of expenses. It may also be necessary to produce a letter of comfort from a parent and/or provide additional information from the auditors or actuary.

4 Actuarial Valuation

The Annual Return Regulations require an actuarial valuation prepared by the company's actuary to be submitted with the annual return, although more frequent valuations may be requested if considered necessary. Guidance on the content of the actuarial valuation is contained in the "Actuarial Valuation Guidance Notes", a copy of which can be found in the 'Legislation and Guidance' section of the Commission's website.

5 Actuarial Declarations

The Annual Return Regulations require an annual declaration signed by the Actuary regarding the products being sold and policyholders' expectations to be submitted with the annual return. An additional declaration is to be supplied in advance of the launch of any new product. Copies of these declarations are contained in the 'Documents and Forms' section of the Commission's website.

The investment funds to which life assurance products are linked (whether internal or external) will continue to be reviewed once a year. However, to avoid any potential issues, it is advisable for a life assurance company to submit details of any unusual proposed linkages (e.g. external indices, derivatives or property) before these are entered into.

6 Duties of the External Auditors

The duties of the external auditors include reporting on the adequacy of the systems of internal control operating within the company, which for a life and pensions insurer should cover:

- the process for ensuring that the degree of mismatching of assets and liabilities is minimised;
- the process for monitoring the breakdown of expenses;
- the process for establishing policy reserves and transferring assets to and from the control of the trustee with respect to the policyholder protection arrangements;
- the continuing suitability of the method adopted for unit pricing and the administrative process for carrying this out.

A copy of the auditors' management letter, including details of any weaknesses, must accompany the annual return as required by the Annual Return Regulations.

7 Agents

The actuarial declarations mentioned above should extend to all literature issued by agents, whether tied or independent. In relation to investments selected by agents, the actuary and the General Representative should satisfy themselves that no unreasonable claims, particularly in relation to investment potential, are made. The company should monitor all literature issued by agents and ensure that all agents are aware of this requirement.

8 Policyholder Protection

Guernsey registered international life and pensions insurers must comply with the policyholder protection requirements. These requirements include the appointment of a Guernsey based trustee who will in turn appoint a custodian to hold the company's assets. Assets representing at least 90% of policyholder liabilities must be held in trust.

Full details of the Guernsey policyholder protection requirements are contained in the standard condition imposed under section 12 of the Law on the licences of companies writing long term business. A copy of this standard condition can be found in the 'Documents and Forms' section of the Commission's website.

Different requirements may apply to branches of UK companies and to companies writing non-retail business (e.g. reassurers).

9 Public Disclosure

All insurance companies licensed in Guernsey are subject to The Insurance Business (Public Disclosure of Information) Rules, 2010, as amended. Applicants should agree the details of the required public disclosure of financial information with the Commission.