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. 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 Guidance Note GN5

Actuaries who are members of the UK Institute and Faculty of Actuaries should state in the valuation report if they have complied with Guidance Note GN5. The wording of the certificate is:

"I certify that I have complied with Guidance Note GN5: The Prudential Supervision outside the UK of Long-Term Insurance Business, version 3.1 issued by the Institute and Faculty of Actuaries."

or

"I certify that I have complied with Guidance Note GN5: The Prudential Supervision outside the UK of Long-Term Insurance Business, version 3.1 issued by the Institute and Faculty of Actuaries other than in the areas listed below."

3. Contents of Report:

This should include:

- Details of policies issued
- A statement of business in force
- Summary of assets
- Details of reassurance arrangements
- Details of any relevant claims or persistency experience
- Valuation methodology
- Valuation basis
- Valuation result
- Details of asset/liability matching and any resilience reserves required
- Details of how the solvency margin requirement is 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.

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 reassurance arrangements**

Details should be provided of the reassurance arrangements including retention limit, type of treaty and name of reassurer(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 asset/liability matching and any resilience reserves required

This section should include the basis used for testing asset/liability matching under a range of scenarios and should specify the extent to which additional resilience reserves are required.

13. Details of how the solvency margin requirement is met

A comparison should be shown of the excess of the available approved assets less the liabilities and the statutory solvency margin requirement.