

CARIBBEAN ACTUARIAL ASSOCIATION



Caribbean Actuarial Association Standard of Practice

APS 2: Actuarial roles in the Prudential Supervision of Long-Term Insurance Business and Long-Term Insurers

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APS 2:	Actuarial roles in the Prudential Supervision of Long-Term Insurance Business and Long-Term Insurers
Version 3:	Approved: June 29, 2023
Purpose	<p>This Actuarial Practice Standard sets out the required standards of practice for all actuaries of the Caribbean Actuarial Association appointed to perform actuarial services , whether in fulfillment of a regulatory requirement or otherwise, related to the valuation or assessment of policy liabilities, assessment of solvency, financial condition, future financial condition and / or other aspects of the financial or capital management of insurance companies or other organisations in operation in the Caribbean writing long-term insurance business.</p>
Target Audience:	<p>Actuaries appointed to perform actuarial services, whether in fulfilment of a regulatory requirement or otherwise, related to the valuation or assessment of policy liabilities, assessment of solvency, financial condition, future financial condition and / or other aspects of the financial or capital management of insurance companies or other organisations writing long-term insurance business.</p>
Compliance:	APS0 applies to work within the scope of this APS.

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Section 1 General

1.1. Purpose

1.1.1. This Actuarial Practice Standard (“APS”) provides guidance to actuaries of the Caribbean Actuarial Association (“CAA”) performing actuarial services to give intended users confidence that:

- Actuarial services are carried out professionally and with due care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- The assumptions and methodology (including, but not limited to, models and modelling techniques) used are reliably determined, relevant and disclosed appropriately.

1.1.2. This APS also applies to all members of the CAA and should be read accordingly.

1.2. Scope

1.2.1. This APS applies to actuaries appointed to perform actuarial services, whether in fulfilment of a regulatory requirement or otherwise, related to the valuation or assessment of policy liabilities, assessment of solvency and / or other aspects of the financial or capital management of insurance companies or other organisations writing long-term insurance business.

1.2.2. This APS does not apply to actuaries performing actuarial services related to IFRS 17 for the preparation of an entity’s actual or pro-forma IFRS financial statements or for regulatory financial returns.

1.3. Compliance

1.3.1. Compliance with APS0 is a prerequisite to compliance with this APS.

1.3.2. References in APS0 to “this APS” should be interpreted as applying equally to this APS, where appropriate.

1.4. Applicability

1.4.1. This guidance should be interpreted in the context of the regulations and practice and financial reporting regime of the country(ies) in which the insurer is operating, with which an actuary to whom this guidance applies should be familiar. It is possible that the regulatory regime to which the insurer or actuary is subject may differ from the recommended practice of this APS. In this case, the actuary should consider the table below in performing the work:

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	Reporting to the Regulator	Reporting to the Insurer
Regulations do not specify requirements.	In line with the practice of this APS.	In line with the practice of this APS.
Regulations specify requirements less reliable and relevant for the purpose of the work than recommended practice.	In line with the regulations (but see Section 3.1.2 below)	In line with the practice of this APS.
Regulations specify requirements more relevant and reliable for the purpose of the work than recommended practice.	In line with the regulations.	In line with the practice of this APS but also showing the regulatory position.

- 1.4.2. The responsibilities of an actuary to whom this guidance applies are central to the sound financial management of the insurer writing long term insurance business in respect of which he or she is appointed. Insurance regulators may also rely on the actuary to confirm that the insurer in respect of which he or she acts is in a sound financial condition relative to its risk profile and capital position or that it complies with regulations in other ways.
- 1.4.3. This guidance applies both to an actuary retained by an insurer to report on its solvency and / or other aspects of its financial condition for management purposes and also to an actuary retained by an insurer to fulfil a prudential regulatory role.
- 1.4.4. An actuary should not accept an appointment requiring him or her to determine the financial soundness or financial condition of an insurer if he or she does not have the appropriate knowledge and practical experience relevant to the insurer and types of business concerned. Regulations may also specify additional requirements. Before taking up an appointment, actuaries must ensure that the relevant requirements of the Code of Conduct of the CAA have been met.
- 1.4.5. An actuary to whom this guidance applies who is fulfilling a regulatory role should take all reasonable steps to ensure that the insurer understands when he or she is providing advice in accordance with regulations and related actuarial professional guidance, as opposed to providing advice or expressing opinion as an employee, director or external adviser, as the case may be. The terms of the appointment of the actuary to whom this guidance applies must include right of direct access to the Board of Directors and to those who exert significant influence on the decisions of the insurer.
- 1.4.6. An actuary should be objective in the performance of his or her duties and take reasonable steps to satisfy himself or herself that he or she is free from bias.

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- 1.4.7. The actuary must pay due regard to accepted actuarial practice. This APS establishes some elements of accepted actuarial practice. An actuary to whom this guidance applies should also consider whether there are any other practices that may be considered as accepted actuarial practice. Where a materially different practice is adopted from one which is a non-mandatory accepted actuarial practice, the actuary should report the reasons for the practice actually adopted.
- 1.4.8. Each of the following sections of this guidance applies only to an actuary required, either by regulation or by the insurer for which he or she acts, to carry out the activities to which reference is made in that section. They do not apply to an actuary in a role for which regulations or the insurer do not so require, including an actuary whose appointment or responsibility terminates on the completion of the financial condition assessment. An actuary should ensure that his or her terms of engagement are clear about whether these obligations exist or not.
- a. Section 2.5.10: Ongoing Monitoring of Financial Condition;
 - b. Section 2.5.11: Premium Rates and Policy Conditions;
 - c. Section 2.5.12: Exercising Discretion over Charges or Other Conditions;
 - d. Section 2.5.13: Unit Pricing and Interest-Sensitive Business; and
 - e. Section 2.5.14: Recommendations on Allocation of Profits.

1.5. Reasonable Judgment – The actuary should exercise reasonable judgment in applying this APS.

1.6. Language

1.6.1. In this APS, the following words and phrases are defined here:

- a. “Insurer” means the insurance company or other organization writing long-term insurance business for which the actuary acts.
- b. “policy liabilities” policy liabilities in an insurer’s statement of financial position are the liabilities at the date of the statement of financial position on account of the insurer’s policies, including commitments, that are in force at that date or that were in force before that date. Policy liabilities consist of insurance contract liabilities and liabilities for policy contracts and other policyholder obligations other than insurance contracts.
- c. “Long-term insurance business” means any insurance contingent upon human mortality or morbidity or as otherwise defined under relevant regulations or practices and may include annuity business.
- d. “Regulations” means any applicable insurance regulations in the relevant country.

1.7. Cross-References – When this APS refers to the content of another document, the reference relates to the referenced document as it is effective on the adoption date as shown on the cover page of this APS. The referenced document may be amended, restated, revoked, or replaced after the adoption date. In such a case, the actuary should consider the extent the modification is applicable and appropriate to the guidance in this APS.

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- 1.8. Effective Date** – This APS was approved at a General Meeting of the Members on June 29, 2023, and is effective for actuarial services performed on or after June 29, 2023.

Section 2. Appropriate Practices

2.1. Reliance on Others

- 2.1.1. If the insurer also carries out general insurance business or any non-insurance activities, the actuary should consider that business to the extent to which it might impact the long-term insurance business and the insurer. Even where the long-term insurance business fund and other funds are legally separated, poor performance of the other business can affect the apportionment of overheads between the businesses and the capital available outside the long-term insurance business fund to meet any regulatory minimum margin and to ensure adequacy of capital commensurate with the risk profile of the insurer. Where necessary, the actuary should seek advice from an actuary with relevant experience in general insurance or, in the case of non-insurance business, a recognised expert in that business.

2.2. Materiality

- 2.2.1. All data, models, methods and assumptions that could have a material impact on the results should be considered when the work is being performed.
- 2.2.2. Material risks to the solvency and future financial condition of the insurer should be identified.

2.3. Data Quality

2.3.1. Validation

The actuary should take all reasonable steps to ensure that the data is adequately reliable. If the actuary has any doubts about the reliability of the data, reserves should be established for the risk that the actual value of the liabilities will be greater than that derived from the available data. If the potential inaccuracy is material, any certificate or opinion required to be provided to a regulator should be appropriately qualified.

2.4. Timing and Frequency

- 2.4.1 The actuary should ensure that the work upon which advice and opinions are given is current. Any financial condition investigation should take into consideration recent events and recent financial operating results of the insurer. The timing and frequency of the actuary's investigations would be sufficient to support timely corrective actions by management and the board of directors.

2.5. Assumptions and Methodology Set by Actuary

2.5.1. Selection of Assumptions and Methodology

The actuary should ensure that adequate systems of control are in place and fully documented to enable the appropriate valuation procedures to be correctly carried out and adequately recorded. The actuary should use liability valuation methods that are appropriate to the contracts in question and the applicable financial reporting regime, taking into account not only the principal benefits but also any ancillary benefits such as surrender values and any policyholder options or guarantees. When assessing the liabilities of the insurer, the actuary should also have due regard to any obligations arising out of policyholder reasonable expectations and any broader regulatory requirement to treat its policyholders fairly.

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2.5.2. Appropriateness of Assumptions

- a. Appropriate provision should be made for future expenses of administering the business existing at the date of the investigation. Allowance should be made for the possibility that preferential service agreements or outsourcing arrangements might be altered or terminated. Prudent allowance should be made for the loss of future margin as policies are made paid-up and, if the number of policies is declining or expected to decline, for the possibility of more slowly declining overhead costs. Any regulations which specify that the provisions should be sufficient in the event of closure to new business at a specified future time should be taken into account.
- b. Assumptions about future mortality and morbidity should take into account any recent relevant credible experience and trends of the country, the industry or the insurer.
- c. The actuary should take reasonable steps to verify that adequate systems of control are in place to ensure that appropriate values are placed on the assets and that any limits on exposure to individual investments, classes of investment or counterparties imposed by regulation or by the insurer are properly applied.
- d. The actuary should decide the rates of discount to be used in the valuation of the liabilities (reference should be made to Section 1.4.1 if the rates to be used are prescribed by regulation.) Where assets are valued at current market value, the deterministic or stochastic discount factors used should be consistent with those market values. Where assets are valued on a different basis, the rates of discount should be determined consistently with that basis. In addition, due allowance should be made for the current and future taxation position of the insurer. Any such allowance should be consistent with any allowance made for tax relief on expenses.
- e. The actuary will need to ensure that allowance has been made for the effect or possible effect of derivatives and other financial instruments when choosing the valuation basis. The actuary should particularly bear this in mind when choosing the basis used in the changed investment conditions envisaged in Section 2.5.3.b below. The appropriate valuation interest rates should allow for the return on the assets held as adjusted to reflect economic exposure under futures contracts and contracts for differences. Consideration should also be given to the treatment of, and allowance for, financial options, particularly when close to an option date.
- f. The actuary should take account of the insurer's reinsurance arrangements in the valuation, including any implicit financing provision and the possibility that reinsurance contracts may lapse or prove unenforceable in certain circumstances.
- g. The actuary should have regard to the possibility of failure of or dispute with a reinsurance, investment or financial instrument counterparty to which the insurer has material exposure, taking into account factors such as the financial strength and regulatory environment of the counterparty.

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- h. On occasions, expenses or the return on new investments may be at a level which, if persisted, would require assumption changes and adversely impact the capital position of the insurer. If there are well-founded reasons for believing that these matters will change for the better in the foreseeable future, the actuary is not obliged to assume their indefinite continuation at the present level. However, the actuary should clearly state in all written reports regarding both valuation and premium bases his or her assumptions about future change in these items.

2.5.3. Margins for Adverse Deviations

- a. The actuary should ensure that adequate margins are included in the valuation assumptions or methods, including in the credit taken for any reinsurance, having regard to the actuary's own assessment of the risks inherent in the nature and conduct of the insurer's business and the financial strength and regulatory environment of material counterparties.
- b. Where there is any mismatching of assets and liabilities, the actuary should ensure that there is adequate explicit or implicit provision for reasonably foreseeable adverse movements in asset values or yields.

2.5.4. Unsatisfactory Financial Condition

Where a material risk to the solvency or capital adequacy of the insurer has been identified, the actuary, whether or not a statutory obligation exists, should advise the insurer of the conditions creating that risk and identify possible corrective management action to rectify the situation. If the actuary believes that the insurer is not able to, or may not in the reasonably foreseeable future be able to, meet any minimum solvency margin or capital ratios required by regulation or such higher level of capital considered appropriate by the actuary, this is a sufficient (but not necessary) condition to provide this advice.

2.5.5. Reinsurance Arrangements

If the actuary considers that the insurer's reinsurance arrangements are inappropriate or inadequate, he or she should advise the insurer on the modifications advisable.

2.5.6. Investment Policy

The actuary should judge and decide whether the investment policy pursued by the directors is inappropriate having regard to the nature and term of the insurer's liabilities and to the investments available. If this is the case, the actuary should advise the insurer of the constraints on investment policy advisable.

2.5.7. Investment Guidelines

The actuary should advise the insurer of the appropriateness of the guidelines given to the insurer's investment managers regarding the use of derivative contracts and the procedures in place to monitor the insurer's exposure to loss through their use. Loss can occur either through market movements or through failure of a counterparty.

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2.5.8. Most Relevant Assumptions

The following list, which is not exhaustive, sets out the most usual items of information which are likely to be relevant to this section, particularly Section 2.2.2:

- a. The current and likely future economic, investment, and regulatory environment;
- b. The current and likely future taxation position of the insurer;
- c. The terms on which existing business has been, and current new business is being written, with particular reference to all options and guarantees;
- d. The insurer's policy with regard to the nature and timing of allocations of profits to policyholders and / or shareholders;
- e. The nature, extent and availability of the insurer's assets outside the long term insurance business fund and of capital support from a parent;
- f. The existing investments of the long-term insurance business assets and the continuing investment policy including the use of derivative instruments;
- g. The extent to which assets and liabilities cannot be or are not matched by term, by type and by currency;
- h. The exposure to and strength of investment and reinsurance counterparties;
- i. The systems of control which the insurer has established, especially those relating to operational risk;
- j. For unit-linked policies, the pricing policy for internal linked funds;
- k. The reinsurance, underwriting and (for health insurance) claims handling arrangements;
- l. The marketing plans, in particular the expected volumes and costs of sales;

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- m. The current and likely future level of expenses;
- n. The current and likely future levels of mortality and morbidity; and
- o. The persistency of the business written both in the short- and long-term, and the terms for discontinuance.

2.5.9. Management Reporting

Where the actuary is reporting for management purposes, he or she should advise the insurer of the nature and frequency of the investigations required as a minimum to enable the financial condition of the insurer to be assessed and seek a mandate to carry them out. The actuary should present the results in a way that demonstrates fairly the financial circumstances of the insurer. He or she should report on those investigations in writing to the insurer.

2.5.10. Ongoing Monitoring of Financial Condition

This section applies to an actuary who has been given the responsibility of monitoring on an ongoing basis the insurer's ability to continue to meet liabilities to policyholders in respect of long-term insurance business contracts as they fall due and more broadly the financial condition of the insurer.

- a. The actuary should ensure that he or she has sufficient information and resources to enable this task to be carried out. The actuary should request the insurer to provide such information and should advise the insurer as to the systems reasonably needed to enable it to do so. If the insurer is unable to supply any of the requested information or resources, the actuary should inform the insurer of the consequences of this for the advice to be provided and should consider declining the assignment.
- b. The information required, scope of investigations and the frequency of monitoring, will depend on the nature and extent of the risks to which the insurer is exposed and the extent of the solvency margin, regulatory capital ratios and capital available. The list in Section 2.5.8 above should be taken into consideration. The timing and frequency of the actuary's investigations would be sufficient to support timely corrective actions by management and the Board of Directors.
- c. Sections 2.5.4, 3.1.2 and 3.2.3 should be applied as if they referred to the outcome of an ongoing rather than an annual assessment.

2.5.11. Premium Rates and Policy Conditions:

- a. This section applies to an actuary who is responsible for recommending premium rates.
- b. The actuary should be satisfied that the premium rates being charged for new business, and for existing business if the policy conditions so allow, are adequate, taking into account the other resources of the insurer. In particular they should be sufficient to enable the insurer in due course to meet its emerging commitments under the policies, having regard to the items listed in Section 2.5.8 above and to the extent of the insurer's free assets available for this purpose.

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- c. Should premium rates be such that business is expected to be written on terms which require support from the free assets, the actuary should assess the insurer's ability to continue to write business on such terms and should inform the insurer of this, indicating any limits on the volume of business that may prudently be accepted.
- d. For almost all types of policies, it is impossible to be certain that a premium rate will be sufficient, because sufficiency depends on the future course of factors such as mortality, persistency, the return on investments and the insurer's expenses. However, techniques such as profit-testing and stochastic modelling should be used where appropriate to enable the circumstances and extent of potential insufficiency to be identified and quantified.
- e. The actuary should pay special attention to contracts involving policyholder options, including when circumstances could arise in which the policyholder or an intermediary could gain by surrender and re-entry.
- f. The actuary should also consider the implications for the insurer and for policyholders if future economic, demographic or business circumstances were to be radically different from those of today, particularly where the policy contains guarantees.
- g. It may be that a practicable premium basis, whilst commercially justifiable, will involve significant new business strain. The actuary should be satisfied that the insurer will be able to set up the necessary reserves (and additional solvency margin where applicable.)
- h. Where there is a separate long-term insurance business fund, assets held outside it cannot automatically be assumed to be available for the purposes of Sections 2.5.11.b or 2.5.11.f above. Rather, the actuary should inform the insurer of any different maximum amount of new business which could be written if they were available, either for transfer into the long-term insurance business fund or to assist in meeting any minimum required solvency margin.

2.5.12. Exercising Discretion over Charges or Other Conditions:

- a. This section applies to an actuary who is required to exercise discretion over charges or other policy conditions. This may arise where insurers have included in their policy documents a statement that certain terms will be determined by the actuary or other similar wording. For example, premium rates, expense charges and mortality and morbidity charges may be treated in this way, as may market value adjustments to unitised with-profits contracts.
- b. In determining such terms, or in providing advice to the insurer in this area, the actuary should have regard to any requirements to treat policyholders fairly, to any other relevant regulations (including any covering unfair contract terms) and to policyholder expectations created by literature, illustrations or precedent.

2.5.13. Unit Pricing and Interest-Sensitive Business:

- a. This section applies where an actuary is responsible for the application of unit pricing and fund charges for unit-linked, interest-sensitive and, where appropriate, unitised with profits business.
- b. The actuary should ensure that all discretionary elements are applied taking into account any requirements to treat policyholders fairly and any relevant regulations (including any covering unfair contract terms) or policyholder expectations created by literature, illustrations or precedent.
- c. The actuary should also be satisfied that the procedures for determining:
 - i. The prices at which units are allocated to or de-allocated from policies;
 - ii. The prices at which units are created or cancelled;
 - iii. Compensation where errors of a material size in unit pricing or in the allocation or de-allocation of units to policies have occurred; and
 - iv. The interest credited to interest-sensitive business;are equitable to any policyholders affected either directly or indirectly and are being properly implemented. For these purposes the actuary should have regard, inter alia, to the tax position of the business and to the expected future growth or decline of the particular fund, or notional fund in the case of interest-sensitive business.

2.5.14. Recommendations on Allocation of Profits:

- a. This section applies to an actuary who is required by either regulation or the insurer to advise on the distribution or allocation of profits.
- b. The actuary should determine, in accordance with applicable regulations if any, the excess of the assets available for long-term insurance business over liabilities attributable to that business. If rights of any long-term insurance business policyholders to participate in profits relate only to a part of the business, the actuary should also identify separately any excess which relates to that part.
- c. The actuary should advise the insurer of the extent to which it would be appropriate to transfer any excesses to shareholders or, in the case of with-profits business, distribute it between policyholders and shareholders, and, where required to do so, should make recommendations for its specific allocation.
- d. In making recommendations in respect of any proposed allocation of profits, the actuary should carry out appropriate financial investigations including an appraisal of the relevant past experience.
- e. In the report that includes the recommendations, the actuary should include sufficient information and discussion about each factor and about the results of

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any financial investigations to justify, and enable the insurer to judge the appropriateness of the recommendations and for the insurer to understand their implications for the future course of the insurer's business. In particular, the actuary should state his or her:

- i. Conclusions from the appraisal of the relevant experience;
- ii. Understanding of the insurer's financial and business objectives; and
- iii. Assessment of the insurer's ability to meet any minimum required solvency margin following the recommended allocation.

In addition, for with-profits business, the actuary should state his or her:

- iv. Method of use of asset share or other techniques, if any, including the way in which the recommendations are derived from those techniques;
- v. Interpretation of any legal advice given to the insurer constraining or potentially constraining the insurer's discretion when allocating surplus and how this has been reflected in the recommendations;
- vi. Interpretation of any requirements to treat policyholders fairly having regard in particular to items in Sections 2.5.14.e.i, 2.5.14.e.iii, 2.5.14.e.iv and 2.5.14.e.v. What constitutes fair treatment may be influenced by policy literature and other publicly available information such as future benefit and by past and current distribution practice;
- vii. Opinion of the extent to which it is appropriate to distinguish between groups of participating policies having regard inter alia to the nature of the policies, their duration and their relevant pooled experience, and taking account of items in Sections 2.5.14.e.v and 2.5.14.e.vi; and
- viii. Opinion of how the recommendations maintain fairness between different categories of policy or policyholder and between policyholders and the insurer.

The extent of information and discussion appropriate for any factor may depend upon the extent to which, if at all, the factor has been covered in a report formally presented to the insurer in the previous eleven months. In particular, the actuary may report in an appropriately abridged form when interim or terminal bonus rates are being reviewed during the year.

- f. If the recommendations anticipate the results of a determination of surplus, the actuary should include in the report the estimated results of the determination and show how the recommendations can be financed.
- g. The actuary should discuss the relationship between the recommended allocation and recent and expected future experience (economic, demographic, etc.) In the case of with-profits business, the report should address bonus prospects, including

terminal bonus if applicable, in different future investment scenarios. If the recommended allocation is excessive relative to the recent and expected experience (apart from any non-recurrent elements) and if the continuation of this relationship in future years could result in a material deterioration in the insurer's financial position, the report should indicate whether and how this could appropriately be avoided, taking any requirement to treat policyholders fairly into account.

- h. Where, in the opinion of the actuary, there is uncertainty regarding the extent to which the insurer can exercise its discretion when allocating surplus to policyholders, he or she should state in the report the nature of the uncertainty, the assumptions made with regard to the uncertainty when making the recommendations and the consequences were the uncertainty to be resolved differently.

2.6. Assumptions and Methodology Mandated by Law

- 2.6.1. Where a regulatory role is being fulfilled, the actuary should carry out the actuarial investigations specified and report in accordance with the regulations. Where the actuary believes that the regulatory basis or format materially fails to make the real financial circumstances of the insurer clear, the actuary should draw the attention of the insurer to this in a supplementary report.
- 2.6.2. Policy liabilities may include obligations arising from a regulatory requirement to treat its policyholders fairly, including implicit liabilities created by literature, illustrations or precedent. If so, the actuary should ensure that the insurer's management is aware of his or her interpretation of its obligations to treat its policyholders fairly which need to be taken into account. In general terms this interpretation should have regard to the broad nature of the insurer's practices and business plans and its approach to the treatment of policyholders both individually and (where appropriate) collectively as a group vis-à-vis shareholders.

Section 3. Communication

3.1. General Principles

- 3.1.1. The actuary should consider whether to notify the regulator if, when he or she resigns from that role or when his or her appointment in that role is terminated or not renewed, there are circumstances concerning the cessation of the appointment which he or she thinks ought to be brought to the regulator's attention. Such considerations should take into account the duty of confidentiality to the client and the extent, if any, to which legislation overrides or exempts the actuary from that duty.
- 3.1.2. Where a regulatory role is being fulfilled, the actuary should consider whether he or she is required to inform the regulator without undue delay if, having first informed the insurer of matters envisaged in Section 2.5.4 above, the insurer does not take appropriate action to remedy the situation. Such considerations should take into account the duty of confidentiality to the client and the extent, if any, to which legislation overrides or exempts the actuary from that duty. The actuary should ensure that the insurer is aware of this professional consideration prior to informing the regulator.

3.2. Report

- 3.2.1. If the actuary considers that the report contains matters of significant concern which need to be addressed by the insurer, he or she should present the report in person to the Board of Directors or those who exert significant influence on the decisions of the insurer.
- 3.2.2. The actuary should bear in mind that any report required by the regulator which is publicly available may be used by third parties, including financial advisers and actual and potential policyholders.
- 3.2.3. Any report on an investigation into the insurer's ability to continue to meet liabilities to policyholders in respect of long-term insurance business contracts as they fall due or more broadly an investigation into the financial condition of the insurer, whether due to an ongoing requirement or annual should be made to the insurer's Board of Directors or those who exert significant influence on the decisions of the insurer. The report should identify possible actions, and reasons for those actions, for dealing with any threats to satisfactory financial condition that the investigation reveals. If the investigation identifies any plausible threat to satisfactory financial condition, then the actuary would identify possible corrective management action that would lessen the likelihood of that threat, or that would mitigate that threat, if it materialized. For each such adverse scenario reported upon, the actuary would report the results both with and without the effect of corrective management action. The actuary would ensure that the disclosure of the corrective management action is sufficiently clear so that users may consider its practicality and adequacy.