3 May 2016

Dear Stakeholders

Re: Draft Guidance Note – Actuary's Opinion on EBS Technical Provisions

The Bermuda Monetary Authority (the Authority) would like to thank stakeholders for their continued support in furthering the development of the Bermuda insurance regulatory framework. The Authority appreciates the feedback received and is committed to working closely with its stakeholders to ensure that Bermuda's regulatory regime is effective and aligned with international standards.

On 18th December, 2015 the Authority published its consultation paper setting out expectations for the provision of formal professional opinions that are required on the insurance Technical Provision (TP) elements of the Economic Balance Sheet (EBS).

The Authority will be responding separately to each submission, but outlined below are our responses to the more significant comments received.

Official Actuarial Body

The Authority received a comment in relation to the definition of "official actuarial body". More specifically the query was in relation to the inclusion of the American Academy of Actuaries (AAA) within the list of actuarial bodies and the fact that the AAA does not confer actuarial credentials per se, but rather is a professional member organization that sets qualification, practice, and professionalism standards for actuaries credentialed by one or more of the five U.S.-based actuarial organizations in the United States. In addition, the Actuarial Board for Counseling and Discipline ("ABCD")[1], an entity within the AAA, serves as the primary disciplinary body for U.S.-based actuarial organizations, regardless of direct membership in the AAA.[2]

The Authority acknowledges this concern and has:

1. removed American Academy of Actuaries (AAA) from the list of actuarial bodies; and
2. replaced the term "official actuarial body" with "credentialing actuarial body".

[1] Pursuant to delegations to it by the five U.S.-based organizations, the ABCD is authorized to "consider all complaints or information suggesting possible violations of the applicable Codes(s) of Professional Conduct and all questions that may arise as to the conduct of a member of a participating actuarial organization, in the member's relationship to the organization or its members, in the member's professional practice, or affecting the interests of the actuarial profession." Academy Bylaws, Article X, Section 1.A.1.
http://www.actuary.org/yearbook/2009/abcd.pdf

[2] The ABCD's jurisdiction to investigate alleged violations extends to the actuarial practice of the … American organizations' members in every country but Canada. The Canadian Institute of Actuaries (CIA) has jurisdiction to investigate actuarial practice of the participating organizations members in Canada; similarly, CIA members' actuarial practice in the United States is within the ABCD's jurisdiction.
http://www.abcdboard.org/about/responsibilities.asp

Material Adverse Deviation in the context of Long-Term Business

A number of stakeholders made comments in relation to the applicability of "material adverse deviation" in the context of Long-Term Business.

The Authority has addressed this concern in "Part 6 – Relevant Comment" of the Opinion, clarifying that it applies only to General Business". Additionally, to increase the degree of clarity, the Authority has amended the headers of the "Interpretation" section for "adverse deviation" and "materiality" to add "General Business – Only".

Clarification of Approval Policies

The Authority received a comment recommending moving the original paragraph 31, now paragraph 24, which discusses the Authority's approach regarding the approval of one or more actuaries, particularly in a Group context.

The Authority agrees with the suggestion and has made the change.

Conclusion

The Authority would like to thank stakeholders for their comments on the Consultation Paper and draft Guidance Note. The Authority acknowledges that the preparation of the Actuary's Opinion on EBS Technical Provisions may bring with it certain complexities that we have not, to date, foreseen. As such, following the analysis and assessment of initial submissions in 2017, the Authority will consider whether changes are needed to the Guidance Note.

Please contact the Authority at riskanalytics@bma.bm if you have any questions.

Yours sincerely

The Bermuda Monetary Authority