BERMUDA MONETARY AUTHORITY

DRAFT GUIDANCE NOTE

GROUP ACTUARY'S OPINION

June 2012

Contents

Executive Summary

1 In the process of implementing its group supervisory regime, the Authority[1] published Group Supervision Rules[2] (GSR – the "Group Rules") laying out the framework for group supervision and clarifying the group statutory functions of the Group Actuary[3] (GA).

2 In accordance with this, it was determined that the Authority would issue guidance on the Group Actuary's Opinion[4] with specific reference to stipulations in the Group Rules associated with the group statutory functions of the GA.

3 The Guidance Note[5] is intended to outline the Authority's proposed approach to the regulatory and supervisory framework for GAs opining upon both General[6] and Long-Term[7] business Insurance Reserves[8].

4 The proposals therein reflect the complexity and risk profile of Bermuda commercial insurance groups and the need to keep pace with international regulatory and supervisory developments and best practices. Each of the proposals outlined is intended to reflect the unique characteristics of the Bermuda market and the nature, scale and complexity of insurance groups operating in Bermuda.

5 There are a number of proposals unique to the Guidance Note which distinguishes it from prior guidance notes[9] issued by the Authority pertaining to actuarial opinions. These new proposals are as follows:

a. A proposal indicating the expectation that all GAs demonstrate continued membership in good standing in an accredited actuarial body acceptable to the Authority.

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[1] The Bermuda Monetary Authority
[2] Group Supervision Rules (GSR – the "Group Rules") means the Insurance (Group Supervision) Rules 2011.
[3] "Group Actuary" means an actuary approved under Section 8B(6) and the proposed 26(6) of the Insurance Act 1978 and is required to opine on the Insurance Reserves pursuant to paragraph 25(3)(c) of the Insurance (Group Supervision) Rules 2011.
[4] See the Appendix. The term "Group Actuary's Certificate" as currently defined in the Group Rules is being proposed to be modified to the term "Group Actuary's Opinion" and this change is intended to come into force on 31st December 2012 as an Amendment to the Insurance (Group Supervision) Rules. As such, all references herein to "Group Actuary's Opinion" represent references to "Group Actuary's Certificate" as found within the Group Rules applicable prior to the proposed 31st December 2012 amendment.
[5] Draft Guidance Note – Group Actuary's Opinion
[6] As defined in the Act.
[7] As defined in the Act.
[8] Herein, the term Insurance Reserves comprise the aggregate of amounts shown on line 17(d) and line 27(d) of Form 1 (in Schedule 1 of the Group Rules)
[9] Guidance Notes #3 (GN3), #4(GN4), #9(GN9) and #10(GN10) are scheduled at the conclusion of this comment period to be updated to reflect all applicable finalised amendments contained herein.

b. A proposal indicating the expectation that all GAs be required to continuously meet the Continuing Professional Development[10] requirements promulgated by their official actuarial body(s), as indicated within their application.
c. A proposal indicating the expectation that the Group Actuary's Opinion – **Part 1 – Identification –** includes a confirmation that the GA meets the Continuing Professional Development requirements promulgated by their official actuarial body(s) as at a specified date, where the signing date of the opinion falls within one year of that date.
d. A proposal indicating the expectation that the GA acknowledge within his/her Letter of Undertaking that he/she has the ability to communicate directly with the parent board without the need for management review or approval, and that the parent board has direct access to him/her.
e. A proposal indicating the expectation that the GA commits to providing a letter of resignation at the time of his/her resignation from the GA role.
f. A proposal indicating the intention that appointment and approval of GAs be in line with the professional practice standard of the accounting basis used by the group.
g. A proposal to include a section entitled **Reliance on Opinions of Other Actuaries**[11]. In this section the GA should include comment where the GA is called upon to rely on the opinion of another actuary in order to render an opinion on an insurance group's Insurance Reserves.
h. A proposal indicating the expectation that the Group Actuary's Opinion **Section 1 – General Business (and/or Section 2 – Long-term Business) - Part 6 - Relevant Comment –** includes commentary pertaining to the GA's perception of significant risks that could result in material adverse deviation. The GA should identify the materiality standard selected and include an explanatory paragraph to describe the major risk factors.

6 Comments on the Guidance Note are invited by 31st July 2012 and should be sent to Gina Smith (gsmith@bma.bm) or David Theaker (dtheaker@bma.bm).

[10] As defined by the relevant actuarial body(s), Continuing Professional Development is a rigorous program of professional development designed to ensure that a member actuary maintains levels of knowledge and competence throughout his/her professional career, and most specifically in his/her relevant area of work.
[11] Where the GA is called upon to rely on the opinion of other professionals, similar disclosures should be made.

APPENDIX

Draft Guidance Note

Group Actuary's Opinion

I. Background

1) In the process of implementing its group supervisory regime, the Authority published Group Supervision Rules[12] (GSR – the "Group Rules") laying out the framework for group supervision and clarifying the group statutory functions of the GA.

2) Part 2 subparagraph 25 (3) (c) - Group Statutory Financial Return – of the Group Rules specifies that the group statutory financial return must consist of a number of documents including "an opinion of a Group Actuary where such is required under paragraph 27 and prescribed in schedule 2" of those same rules. Furthermore Part 2 subparagraph 25 (5) of this same section indicates that Schedule 2 of the Group Rules prescribes the form and content of the Group Actuary's opinion, and Part 2 paragraph 27 - Opinion of Group Actuary – stipulates that the statutory financial return required by subparagraph 25 (3) of the Group Rules shall include an annual opinion of a Group Actuary in respect of the insurance group's Insurance Reserves.

3) Schedule 2 (3) – Group Actuary's Opinion – stipulates that the actuary's opinion must state whether or not, in the opinion of the group's actuary, the aggregate amount of the liabilities of the group in relation to insurance business as at the end of the relevant year exceeded the aggregate amount of those liabilities as shown in the group statutory balance sheet and the procedures undertaken to arrive at the opinion.

4) In accordance with the Authority's approach, this Guidance Note on the Group Actuary's Opinion is intended to make clear the Authority's expectations in relation to the Group Rules associated with the group statutory functions of the GA.

5) A primary focus of the Guidance Note is to elaborate upon the Authority's general approach to the supervision of groups in relation to their engagement of GAs which involves setting out prudent and robust fundamental requirements that groups and their GAs are expected to adhere to during the course of the engagement.

[12] Group Supervision Rules (GSR – the "Group Rules") means the Insurance (Group Supervision) Rules 2011.

6) The Authority is of the view that once a GA has been approved, the regulatory focus of the Authority should be placed upon the work product of the GA in the context of the group. The Authority expects that a GA will continue to be a qualified member in good standing of an accredited actuarial body, and will continue to fully comply with the membership and Continuing Professional Development requirements of that organisation.

7) The Authority recognises the need for clarity as to the scope and implementation of the provisions of the Insurance Act 1978 (the Act)[13] and the Insurance (Group Supervision) Rules 2011 if the regulatory system is to command the confidence of insurers[14] and contract/policyholders as well as equivalent regulatory bodies. The Authority therefore seeks to ensure that those operating in the context of the Bermuda market have a sound understanding of the Authority's approach to implementing the Act in the context of GAs.

8) While the Authority aims to provide clarity as to its approach, this Guidance Note cannot be exhaustive. The Authority will endeavour, through this and other guidance notes, to set out information about its regulatory approach and expectations regarding the activities associated with GAs. Ultimately, it is the responsibility of the group to ensure its compliance with the Act, and all queries associated with this Guidance Note should be directed to the Authority.

9) There is likely to be a need for some modification in the GA guidance over time, particularly in light of current developments in IFRS[15] and Economic Balance Sheet consultations. In this context, it is generally the approach of the Authority to expose material changes in process to industry for comment before being published in final form.

10) The responsibility of professionally opining upon the adequacy of Insurance Reserves reflected in an insurance group's statutory financial returns is integral to Bermuda's insurance supervisory framework.

11) The Group Actuary's Opinion, issued through this process, assists the Authority in monitoring the adequacy of Insurance Reserves for groups, as at a certain date, based on information known as at the date of preparation of the opinion.

12) GA roles are carried out by "natural persons" deemed by the Authority to be appropriately skilled actuarial professionals. The Authority has released specific guidance[16] in relation to both 1) the fit and proper criteria for the approval of

[13] "The Act" means the Insurance Act 1978 and its related regulations. The Insurance (Group Supervision) Rules 2011 form a part of the "Act".
[14] Unless otherwise indicated, the term "insurer", as defined per Section 1 of the Insurance Act 1978, refers to insurers, reinsurers and insurer/reinsurer groups.
[15] International Financial Reporting Standards
[16] Guidance Notes #3 (GN3), #4(GN4), #9(GN9) and #10(GN10) layout the Authority's direction in relation to the fit and proper criteria and roles of Loss Reserve Specialists and Approved Actuaries.

actuarial professionals, as well as 2) the roles and responsibilities of actuarial professionals once approved.

13) This Guidance Note leans on previously released actuarial guidance, with specific focus on the fit and proper criteria for the approval of GAs and the roles and responsibilities of GAs once approved.

II. Interpretation

14) Aggregate Amount of Liabilities. In the context of the Group Rules, this means the actuarial best estimate, where the actuarial best estimate is the mathematical expected value of the distribution of possible outcomes of the unpaid liabilities.

15) Adverse Deviation. The potential variation in the actual amount that will be needed to pay future obligations gives rise to uncertainty in the reserve estimates. An adverse deviation occurs when such a variation results in amounts higher than provided for in the Insurance Reserves. The GA should consider whether the future obligations are subject to significant risks and uncertainties that could result in a material adverse deviation.

16) Group Actuary. A natural person approved by the Authority under Section 8B(6) as qualified to provide an opinion as to the adequacy of an insurance group's net loss and loss expense provisions, Line 17(d), for its General Business as reported in its statutory financial statements; and/or a natural person approved by the Authority under the proposed[17] section 26(6) as qualified to provide an opinion as to the adequacy of an insurance group's total long-term business insurance reserves, Line 27(d), as reported in its statutory financial statements.

17) Materiality. In evaluating materiality within the context of a reserve opinion, the actuary should consider the purposes and intended uses for which the actuary prepared the statement of actuarial opinion. As such, for a statement of actuarial opinion to be used for financial reporting to insurance regulators, materiality might be reasonably evaluated in terms of the estimated impact upon the company's reported statutory surplus and/or held Insurance Reserves as appropriate.

[17] The "proposed Section 26 (6)" is intended to come into force on 31st December, 2012 as an Amendment to the Insurance Act 1978.

FIT AND PROPER CRITERIA AND APPROVAL PROCESS FOR GROUP ACTUARIES

III. Appointment of a Group Actuary

18) Section 8B and the proposed[18] Section 26 of the Act stipulate that the designated insurer of an insurance group must appoint a GA for the purposes of opining upon their Insurance Reserves and that this appointment is subject approval by the Authority. The Group Actuary's Opinion is to be provided annually with the Statutory Financial Return.

19) Each insurance group that is required to appoint a GA must apply in writing to the Authority for approval of their candidate(s) for that position. The Authority will confirm in writing its decision concerning the approval or otherwise of the insurance group's candidate(s) for GA.

20) If any of the information included in the application for a GA changes, the insurance group shall provide written notice to the Authority of the changes within 30 days of the date of becoming aware of such changes.

IV. Fitness and Propriety of a Group Actuary

21) Prior to selecting a candidate for the role of GA, the insurance group is expected to consider whether its candidate meets the eligibility criteria of the Authority and whether the candidate is fit and proper to fulfil his/her role. This requires considering whether, commensurate with the nature, scale and complexity of the insurance group's business, the requirements and standards of the Act, and the professional practice standard of the accounting basis used by the insurance group, the person possesses the appropriate integrity, competency, resources, qualifications and experience. Wherever appropriate, the insurance group should seek confirmation of this, in advance, from the candidate.

22) If an insurance group becomes aware at any time that its GA is no longer fit and proper, the insurance group is expected to take timely steps to replace the GA with a person who meets the eligibility and fit and proper criteria.

23) An insurance group is expected to provide information when requested by the Authority, to demonstrate that its candidate for GA meets, or in the case of an incumbent GA, continues to meet the eligibility and fit and proper criteria.

[18] The "proposed Section 26" is a revision to the current section 26 and is intended to come into force on 31st December, 2012 as an Amendment to the Insurance Act 1978.

24) The Authority will approve no more than:

a. one GA to opine upon Line 17(d) in Section 1 - General Business - of the Group Actuary's Opinion where that proposed GA meets the criteria set out in paragraph 30 for the General Business of the group; and
b. one GA to opine upon Line 27(d) in Section 2 - Long-Term Business - of the Group Actuary's Opinion where that proposed GA meets the criteria set out in paragraph 30 for the Long-Term Business of the group; or
c. one GA to opine upon both Line 17(d) and Line 27(d) of the Group Actuary's Opinion where that proposed GA meets the criteria set out in paragraph 30 for both the General and Long-Term Business of the group

25) In the event that an insurance group wishes to propose a GA who does not appear to meet the criteria of paragraph 30, the insurance group should seek preliminary discussions with the Authority in order to identify any issues that would need to be addressed prior to such an appointment.

26) When making an approval the Authority may use its discretion to place appropriate limitations upon the notification of approval, giving due regard to the particular circumstances, such as the business as written by the insurance group to be opined upon.

V. Acceptance of an Engagement

27) Prior to accepting an appointment as a GA, and on an on going basis, the candidate is expected to be satisfied that, given the nature, scale and complexity of the business as written by the insurance group, and the professional practice standard of the accounting basis used by the insurance group, the estimation of the Insurance Reserves of the insurance group, pursuant to the Act, is within the person's professional expertise and proficiency.

28) A GA may be an employee of the insurance group. In this instance, and any other similar instances whether or not identified in 32 below, where there could be a perceived conflict of interest, the GA is expected to disclose such a relationship to the Authority. Additionally, the GA is expected to confirm in the Letter of Undertaking[19] that he/she is not subject to any actual, potential or perceived conflicts that may prevent him/her from objectively fulfilling his or her role.

VI. Criteria for Approval

29) Prior to approving a person as a GA, the Authority will assess whether the proposed GA is fit and proper to fulfil the role required. Fit and proper criteria

[19] As defined in 33.

would include whether, commensurate with the nature, scale and complexity of the insurance group's business, the professional practice standard of the accounting basis used by the insurance group and the requirements and standards of the Act, the person possesses the appropriate integrity, competency, resources, qualifications and experience.

30) A person will generally be considered fit and proper to serve as a GA if the person:

a. is a qualified member in good standing of the Institute and Faculty of Actuaries (in the UK), the Canadian Institute of Actuaries, the Casualty Actuarial Society (in the US), the American Academy of Actuaries, or the Institute of Actuaries of Australia; when opining upon Line 17(d) of the annual statutory financial return in Section 1 - General Business of the Group Actuary's Opinion; and/or
b. is a qualified member in good standing of the Institute and Faculty of Actuaries (in the UK), the Canadian Institute of Actuaries, the Society of Actuaries (in the U.S), the American Academy of Actuaries, or the Institute of Actuaries of Australia; when opining upon Line 27(d) of the annual statutory financial return in Section 2 - Long-Term Business of the Group Actuary's Opinion; and
c. meets the Continuing Professional Development requirements promulgated by their official actuarial body(s); and
d. meets the education, examination and experience requirements to be considered qualified to sign statutory statements of actuarial opinions pertaining to lines of business included in Line 17(d) and/or Line 27(d), as applicable, by their official actuarial body(s); and
e. has experience in Insurance Reserves evaluation for the business as written by the insurance group; and
f. has experience in Insurance Reserves evaluation in line with the professional practice standard of the accounting basis used by the insurance group, and
g. is not subject to any actual, potential or perceived conflicts that may prevent the GA from objectively fulfilling his or her role.

31) In the event that an insurance group wishes to propose the same GA to opine upon both Line 17(d) and Line 27(d), pursuant to section 24(c), but where the proposed GA meets the criteria set out in 30 to opine upon either Line 17(d) or Line 27(d), but not both, then the Authority may use its discretion to approve the appointment of the person, giving due regard to the particular circumstances, such as the materiality of the business as written by the insurance group to be opined upon.

32) While the proposed GA may be an employee of, or consultant to, the insurance group, a person will generally not be approved as a GA if the person is:

a. a chief executive officer, a chief operating officer, a chief financial officer, a chief risk officer, a chief underwriting officer or a person performing like functions within the group;
b. a director within the group;
c. a person with operational underwriting or claims authority within the group; or,
d. a person who has any other role or relationship with the group, including a relationship with one or more key persons in the group as identified in a,b and/or c herein, where in the view of the Authority there is an actual or perceived conflict of interests that could affect the GA's ability to objectively fulfil his/her role.

VII. Approval Process for a Group Actuary

33) The process of approval generally requires that an insurance group provide adequate information to the Authority to demonstrate that its candidate for the post meets the eligibility and fit and proper criteria discussed herein. This documentation is expected to include, but may not be limited to a:

a. Cover letter from the insurance group making request for the named candidate to be approved. If applicable, this letter should include a written explanation for any change from the current GA;
b. Letter of resignation from the current GA. This letter should include a written explanation from the resigning actuary of the reasons for his/her resignation or reasons for the revocation of his/her appointment by the insurance group;
c. Letter of Undertaking and Acceptance from the candidate stating that the GA:

    i. undertakes to perform their functions in accordance with the Group Rules, the professional practice standard of the accounting basis used by the insurance group and the standards of their relevant association.
    ii. has the ability to fulfil the role of GA, laying out specified work experience and skills applicable to the business underwritten by the group.
    iii. has the ability to communicate directly with the parent board without the need for management review or approval; and that the parent board has direct access to the GA.
    iv. meets the Continuing Professional Development requirements promulgated by their official actuarial body(s), and
    v. commits to providing a letter of resignation as required in b above at the time of his/her resignation from the GA role.

d. Resume from the candidate with information about relevant qualifications, including membership in professional associations, employment history and related work experience, and
e. Copy of certificates and confirming evidence from relevant associations attesting to the fact that the candidate is a qualified member in good standing with the associations.

VIII. Notification of Approval

34) The Authority shall, upon approval of the candidate, issue a notification of approval. Such notification may restrict the approval to General Business and/or Long-Term Business dependent upon whether the insurance group explicitly makes application for the GA to be approved to opine upon Line 17(d) or Line 27(d) or both.

IX. Change in Group Actuary

35) Where there is a change in a GA, the insurance group shall provide written notice to the Authority of the change and the reasons for the change within 30 days of the decision to effect such change.

36) Where a GA's appointment terminates, and where there are circumstances connected with the ending of the appointment which he or she considers should be brought to the attention of the Authority, the GA, within 30 days, is expected to give written notice (resignation letter) directly to the Authority of his/her resignation and details of the circumstances causing concern.

X. Disqualifications

37) The Authority may require that an insurance group remove a person occupying the role of GA where the Authority considers the person to be no longer fit and proper for the role. Criteria for disqualification could include, but are not limited to, where the person:

a. has failed to perform adequately and properly the functions and duties of such appointment; or
b. no longer meets the fit and proper criteria for such an appointment; or
c. fails to meet the Continuing Professional Development requirements promulgated by the GA's official actuarial body(s)

38) The Authority shall not revoke its approval unless it has first notified the GA and the insurance group of its intention to do so.

ROLE OF GROUP ACTUARIES

XI. Accepted Actuarial Practice

39) It is the responsibility of the GA to be conversant with the requirements of the Act and the Insurance (Group Supervision) Rules 2011 and their implications for the issuance of his or her opinion.

40) The GA's estimate of Insurance Reserves and any other matters specified by the Authority are expected to be prepared in accordance with accepted actuarial practice and all applicable standards of practice of his or her relevant associations, the professional practice standard of the accounting basis used by the insurance group and the Act. Where any provisions of the Group Rules differ from the standards of practice, then the Group Rules shall prevail.

XII. Discounting of General Business Insurance Reserves

41) In determining the rules applicable to discounting general business Insurance Reserves for groups, the accounting standard of the group, as approved by the Authority, shall apply. The accounting standards or principles recognised by the Authority include:

   a. International Financial Reporting Standards (IFRS);
   b. Generally Accepted Accounting Principles (GAAP) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or
   c. Such other GAAP or international standards as the Authority may recognise.

42) Where an insurance group's approved accounting standard does not allow for discounting, but where that insurance group is of the opinion that it can satisfy the Authority that specified Insurance Reserves should qualify for discounting, then an appropriate application should be made to the Authority.

XIII. Right to Information

43) An insurance group is expected to make any reasonable arrangements that are necessary to enable the GA to complete his or her assigned responsibilities. This includes promptly complying with any and all reasonable requests for information. Where any such arrangement is denied by the insurance group, the GA is expected to promptly notify the Authority.

XIV. Communication of Opinion

44) The GA shall provide an opinion as to the adequacy of the Insurance Reserves and shall state the extent to which any instructions in the Group Rules relating to

the valuation or presentation of these Insurance Reserves have been complied with.

45) The following sets out minimum standards for the presentation, level of detail and nature of consultation expected to be included in the communication of the GA's Opinion. The Opinion should be comprised of up to 18 parts, nine parts for General Business - Section 1 and nine parts for Long-Term Business - Section 2, as described below:

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 1 -– Identification

46) This section should identify the name of the GA, his or her full address, and the professional qualifications under which the opinion is being rendered. In addition, this section should include confirmation that the GA is a qualified member in good standing of all relevant associations included in the application to the Authority for his or her approval and that the GA meets the Continuing Professional Development requirements promulgated by their official actuarial body(s) for the period ending [day/month/year], where the signing date of the Opinion falls within one year of that date. Finally this section should include confirmation that the GA satisfies the fit and proper criteria, with due consideration of the nature, scale and complexity of the insurance group's business and the professional practice standard of the accounting basis used by the insurance group.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 2 -– Scope

47) This section should identify the insurance group involved and the valuation date of the opinion, and provide details defining the business which is the subject of the opinion. This section should clearly identify the sections of the Insurance Act and/or Group Supervision Rules under which the provision is being provided, the relevant lines of the annual statement (or the portion thereof) for which the opinion is being given, and the date of the statutory financial statements of which these lines form a part of.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 3 – Conditions and Limitations

48) In this section the GA should provide details concerning all conditions and limitations specific to the insurance group's business and circumstances. It is not necessary that the GA state general broad statements about risks and uncertainties due to the application of accepted actuarial practice and standards.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 4 – Expression of Opinion

49) The opinion should be clearly stated without restriction unless the opinion is intended to be a qualified opinion. If the GA issues a qualified opinion, the qualification should disclose the nature and reasons for the qualification.

50) (**Section 1 – General Business** only) The opinion paragraph for insurance groups with General Business insurers should include sentences which cover at least the points listed in the following illustration:

"The aggregate amount of the liabilities carried at Line 17(d) of the group statutory balance sheet is $x.

My actuarial best estimate of the corresponding liabilities is $y.

As such, my best estimate of the aggregate amount of liabilities covered by Line 17(d) does not exceed the amount of those liabilities carried in the group statutory balance sheet."

"My best estimate has been computed in accordance with accepted actuarial practice"; (and)

Where an insurance group writing general business discounts its Insurance Reserves, pursuant to paragraphs 41 and/or 42, then the following statement should be added:

"the rate or rates of interest and cash flows used in calculating my best estimate are appropriate to the circumstances of the insurance group, and the policies in force, and have resulted in a reduction of my undiscounted best estimate by $z."

51) (**Section 2 – Long-Term Business** only) The opinion paragraph for insurance groups with Long-Term business insurers should include a sentence which covers at least the points listed in the following illustration:

"The aggregate amount of the liabilities carried at Line 27(d) of the group statutory balance sheet is $x.

My actuarial best estimate of the corresponding liabilities is $y.
As such, my best estimate of the aggregate amount of liabilities covered by Line 27(d) does not exceed the amount of those liabilities carried in the group statutory balance sheet."

"My best estimate has been computed in accordance with accepted actuarial practice. The rate or rates of interest, cash flows, and the rate or rates of mortality, accident, sickness, or other contingencies, and assumptions relating to policyholder behaviour used in calculating my best estimate are appropriate to the circumstances of the insurance group, and the policies in force."

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 5 – Summary of Methodology

52) In this section the GA should provide an executive summary including the following:

a. descriptions of each legal entity consolidated into the group along with the best estimates and held Insurance Reserves for each legal entity on a gross and net of reinsurance basis;
b. reconciliations from all applicable actuarial reports to the Insurance Reserves recorded in the Group Annual Statutory Financial Return;
c. discussions of how the GA arrives at his/her “actuarial best estimate” of the group’s aggregate Insurance Reserves, including, where relevant to Insurance Reserves, how intragroup transactions have been allowed for.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 6 -Relevant Comment

53) In this section the GA should include comment on matters that create additional uncertainty in the Insurance Reserves or where the amount of liability is subject to an unusual amount of variance, such as:

a. where there has been a material change in the actuarial assumptions or methods employed. The GA should describe the nature of the change and the impact of these changes on the GA’s valuation;
b. where the information provided by the insurance group is incomplete or inadequate to complete the evaluation in accordance with accepted actuarial standards, the professional practice standard of the accounting basis used by the insurance group and other professional standards in general. The GA should state this and describe the impact on the GA’s evaluation;
c. where the GA has had to select a key assumption with limited analytical support. The GA should state this and describe the impact that alternative selections would have on the GA’s evaluation;
d. where the GA reasonably believes there are significant risks that could result in material adverse deviation. The GA should identify the materiality standard selected and include an explanatory paragraph to describe the major risk factors. Where the GA reasonably believes there are no apparent significant risks that could result in material adverse deviation, the GA should include a statement attesting to this observation in this section.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 7 – Reliance on Opinions of Other Actuaries

54) It is anticipated that there will be circumstances where a GA is called upon to rely on the opinion of another actuary in order to render an opinion on an insurance group's Insurance Reserves.

55) In this section the GA should discuss his/her evaluation of the appropriateness of his/her reliance and whether such portions of the subject Insurance Reserves relied upon are likely to have a material impact on the GA's opinion regarding the total subject Insurance Reserves. If the impact is likely to be material, the GA should decide whether or not, within his/her professional judgement, it is appropriate to claim reliance on such opinions. The GA should claim reliance on the opinion of another actuary only if the GA ascertains that reliance on the other actuary's opinion is consistent with the other actuary's intended use. The reliance on the opinion of another actuary should be disclosed within this section of the Opinion with a description of the relevant Insurance Reserves or subject matter to which the reliance applies. If there is reliance on another actuary's opinion that precludes or limits the GA's recognition of significant risks and uncertainties concerning material adverse deviation relating to the subject Insurance Reserves, the GA should disclose this limitation.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 8 – Work Papers

56) This section should include a statement describing all applicable actuarial reports, analyses and work products that have been completed in the process of rendering the GA's Opinion, indicating a statement that these same documents would be made available in Bermuda upon request. Such documents should be sufficient in and of themselves to enable the completion of an independent review of the Opinion by another unrelated but qualified actuary.

Section 1 – General Business (and/or Section 2 – Long-Term Business) - Part 9 - Signature

57) This section should include the GA's signature, the relevant professional designations, appointment status (i.e. officer designation, or consultant), the associated firm, and contact information including telephone number, fax number, and email.