



# **REGULATORY POLICY**

## **Recognition and Approval of an Actuary**

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## List of Acronyms

**CIMA** Cayman Islands Monetary Authority  
**MAA** Monetary Authority Act

For Consultation



## Regulatory Policy

### on Recognition and Approval of an Actuary

#### 1. Statement of Objectives

- 1.1. The Cayman Islands Monetary Authority (the "Authority" or "CIMA") seeks to ensure that regulated insurers have an effective actuarial function capable of evaluating and providing advice regarding, at least, technical provisions, premium and pricing activities, capital adequacy, reinsurance, and compliance with related statutory and regulatory requirements. A robust actuarial function that is well positioned, resourced, properly authorised and staffed is essential for the proper operation of the insurer. It plays a key role as part of the insurer's overall systems of risk management and internal controls.
- 1.2. This Regulatory Policy (the "Policy") sets out the minimum criteria and the process that the Authority will use for determining whether to recognise and approve an actuary pursuant to applicable sections of the Insurance Act (as amended) and in accordance with the professional standards of all internationally recognised actuarial governing bodies.
- 1.3. The Policy applies a principle of objectivity on all approved actuaries not to compromise their professional or business judgment because of bias, conflict of interest, or the undue influence of others. Hence, this Policy seeks to establish that actuaries approved by the Authority have a legal obligation to insurers and to the Authority to ensure that the interests of policyholders are protected.

#### 2. Statutory Authority

- 2.1. Pursuant to section 34(8) of the [Monetary Authority Act](#) ("MAA"), "The Authority may at all reasonable times, by notice in writing given—
  - (a) to a person regulated under the regulatory laws;
  - (b) to a connected person; or
  - (c) to a person reasonably believed to have information relevant to an enquiry by the Authority,require that person –
  - (i) to provide specified information or information of a specified description; or
  - (ii) to produce specified documents or documents of a specified description, as it may reasonably require in connection with the exercise by the Authority of its regulatory functions."
- 2.2. Section 6(2) (a) and (b) of the MAA provides that "In performing its functions and managing its affairs, the Authority shall:
  - (a) act in the best economic interests of the Islands; and
  - (b) promote and maintain a sound financial system in the Islands".

- 2.3. Section 6(3)(a) of the MAA provides that *"In performing its regulatory functions and its co-operative functions, the Authority shall, in addition to complying with the requirements of subsection (2) –*
- (a) *endeavour to promote and enhance market confidence, consumer protection and the reputation of the Islands as a financial centre;"*
- 2.4. Section 2(2) of the Insurance Act provides for a fit and proper assessment of an actuary whether the individual is in-house or external.
- "For the purposes of this Law –*
- (a) *in determining whether a person is a fit and proper person, the Authority shall have regard to all circumstances, including that person's –*
- (i) *honesty, integrity and reputation;*
- (ii) *competence and capability; and*
- (iii) *financial soundness; (...)"*
- 2.5. This document establishes the Regulatory Policy on the criteria for the Recognition and Approval of an Actuary. It should be read in conjunction with the regulatory measures issued by the Authority from time to time, particularly the [Insurance \(Reporting\) Regulations](#), the [Rules and Statement of Guidance for Actuarial Valuations](#), and the [Insurance Act](#) (as amended).

### 3. Scope of Application

- 3.1. The Insurance Act (the "Act") refers to actuaries in sections 2 and 9.
- 3.2. Section 2 (1) of the Act defines an actuary as *"actuary" means a person who has qualified as an actuary by examination of the Institute of Actuaries in England or the Faculty of Actuaries in Scotland or the Society of Actuaries in the United States of America or Canada, and who is a current member in good standing of one of the above professional associations or a person in good standing with some other actuarial qualification who is recognised by the Authority as such for the purpose of this Law".*
- 3.3. Section 9(1)(b) of the Act establishes a requirement for insurers writing long-term business to submit to the Authority an actuarially determined assets and liabilities certified by actuaries approved by the Authority whilst section 9(3) provides exemption for some class of insurers from the requirement.
- a) Section 9(1) provides that *"An insurer shall, except as otherwise approved by the Authority in writing and subject to subsection (3), submit to the Authority by way of annual return, within six months of the end of its financial year –*
- (b) *an actuarial valuation of its assets and liabilities including loss and loss expense provisions, certified by an actuary approved by the Authority"*
- b) Section 9(3) stipulates that *"The following exemptions apply to the requirements of subsection (1) –*

(a) a class C insurer or a class B insurer that does not write long-term business is not required to make submissions under subsection (1)(b) or (c); and

(b) the Authority may in writing exempt other classes of insurer from the requirement under subsection (1)(b) whether it considers it appropriate, based on the nature, scale or scope of the insurance business involved”.

- 3.4. As defined in sections 9(1)(b) and 9(3) of the Insurance Act, this Policy applies to all insurers regulated by the Authority except for a class C and a class B insurer that does not write long-term business.
- 3.5. The Authority may in writing exempt other classes of insurers from the requirement where it considers it appropriate, based on the nature, scale, or scope of the insurance business involved.
- 3.6. The Authority may in writing require licensees who write short-term business to appoint an actuary where it considers it appropriate, based on the nature, scale, or scope of the insurance business involved.
- 3.7. The criteria applicable for the recognition of an actuary are provided in sections 5 and 6 of this Policy and are concomitant with section 2(1) of the Insurance Act and the approval of an actuary, including the peer reviewing actuary consistent with section 9 (1)(b) of the Insurance Act.

#### 4. Definitions<sup>1</sup>

4.1. The following definitions are provided for the purpose of this Policy:

- a) **Actuary:** means a person who has qualified as an actuary by examination of the Institute of Actuaries in England or the Faculty of Actuaries in Scotland or the Society of Actuaries in the United States of America or Canada, and who is a current member in good standing of one of the above professional associations or a person in good standing with some other actuarial qualification who is recognised by the Authority as such for the purpose of the Insurance Act.
- b) **Approval:** means an actuary that is “**recognised**” by the Authority pursuant to section 2(1) of the Insurance Act and has written confirmation of an approved status from the Authority, based on the criteria specified in section 6 of this Policy.
- c) **Fellowship<sup>2</sup> / Fellow:** means an actuary with the highest level of actuarial qualification and has expertise in a particular actuarial field.
- d) **Insurer:** means a person who is –
  - (a) Licensed under section 4(3)(a), (b), (c) or (d) of the Insurance Act to carry out insurance business; or

<sup>1</sup> The definitions are in line with section 2(1) of the Insurance Act (except for the definition for Fellowship).

<sup>2</sup> Fellowship / Fellow is defined in line with the [Institute and Faculties of Actuaries](#).

- (b) an association of individual underwriters including Lloyd’s of London and other associations of underwriters recognised by the Authority for the purposes of section 18 or 31 of the Insurance Act.
- e) **Long term insurer:** means an insurer carrying on long term business.
- f) **Long term business:** means insurance business involving the making of contracts of insurance –
  - (a) on human life or contracts to pay annuities on human life, including linked policies, but excluding contracts for credit life insurance and term life insurance other than convertible and renewable term life contracts;
  - (b) against risk of the person insured –
    - (i) sustaining injury as the result of an accident or of an accident of a specified class;
    - (ii) dying as the result of an accident or of an accident of a specified class; or
    - (iii) becoming incapacitated in consequences of disease or disease of a specified class,being contracts that are expressed to be in effect for a period of not less than five years or without limit of time and either not expressed to be terminable by the insurer before the expiration of five years from the taking effect thereof or expressed to be so terminable before the expiration of that period only in special circumstances therein mentioned; and
  - (c) whether by bonds, endowment certificates, or otherwise whereby in return for one or more premiums paid to the insurer a series of sums is to become payable to the person insured in the future, not being contracts falling within paragraph (a) or (b).
- g) **Licence:** means a licence granted under the Insurance Act.
- h) **Recognition:** means an actuary is recognised pursuant to section 2(1) of the Insurance Act.
- i) **Regulations:** means Regulations made under the Insurance Act.

## 5. Criteria for Recognition

5.1. The Authority recognises an actuary, based on the following minimum criteria consistent with section 2 of the Insurance Act:

- a) The Authority recognises an actuary who is a qualified fellowship member in good standing of the Institute of Actuaries in England or the Faculty of Actuaries in Scotland or the Society of Actuaries in the United States of America or Canada.
- b) Where the actuary is not a qualified fellowship member in good standing of one of the professional associations listed in section 5.1(a) of this Policy, then the Authority may recognise the person as an actuary for the purposes of the Act where;

- (i) The person has an actuarial qualification and is a fellowship member in good standing with some other professional association that issues education requirements, code of professional conduct and disciplinary process to its members, as provided for in section 5.2 of this Policy, or
- (ii) If not a fellowship member of a professional association as provided for in sections 5.1(a) and 5.1(b)(i) of this Policy, the Authority may recognise persons with an actuarial qualification issued by a professional association, as described in section 5.2, provided that the person is of good standing as evidenced by documentation to be submitted to the Authority to be considered on a case-by-case basis<sup>3</sup>.

## 5.2. *Criteria for Recognising Actuaries from other Actuarial Bodies*

### 5.2.1. *Education requirements*

- a) The Authority may recognise an actuary who is a fellowship member in good standing with some other actuarial body that implements and maintains education requirements that match or exceed the educational requirements of the professional associations listed in section 2 of the Insurance Act.

### 5.2.2. *Code of Professional Conduct*

- a) The current version of the code of professional conduct by the actuarial body should set the professional standards by which the actuary is expected to abide. The code should include requirements that member actuaries:
  - (i) perform professional services with integrity, skill, and care, and fulfil professional responsibility to the client or employer;
  - (ii) shall not act against the public interest;
  - (iii) act in a manner to uphold the reputation of the actuarial profession;
  - (iv) perform professional services with courtesy and cooperate with others serving the client or employer, treating client information with confidentiality;
  - (v) perform professional services only if competent and appropriately experienced to do so;
  - (vi) are responsible for maintaining applicable practice standards in their work, including any relevant guidance issued or endorsed by the actuarial body and the status of that guidance (e.g. mandatory, recommended practice etcetera);
  - (vii) shall, in communicating professional findings, show clearly who is the source of the findings and confirm availability to provide the client or employer with supplementary information and explanation about scope, methods and data;

<sup>3</sup> [For example an Associateship, which means a person who has qualified at a generalist level and have breadth of expertise that brings wide and varied opportunities.](#)



- (viii) shall, in communicating professional findings, identify the client for whom these findings are made and in what capacity the actuary serves;
- (ix) shall not perform professional services involving an actual or potential conflict of interest, unless the actuary's ability to act fairly is unimpaired and there has been full disclosure of the actual or potential conflict;
- (x) when asked to take on professional services previously provided by another actuary, shall consider whether it is appropriate to consult with the previous provider to ensure that it is suitable to take on this new responsibility; and
- (xi) shall timely disclose to the client in writing, all sources of income related to any service on behalf of a client.

### 5.2.3. *Disciplinary Processes of an Actuarial Body*

The Authority will review the disciplinary processes of the professional body to which an actuary belongs. The professional actuarial body should subject its members to disciplinary procedures prescribed in the rules of the body. The Authority will assess the formal disciplinary processes of the professional actuarial body for:

- (i) consistency with the legal system of the home jurisdiction of the body and include the right of appeal to any judgment passed;
- (ii) compliance with the code of professional conduct, failing requires the application of the disciplinary procedure;
- (iii) the inclusion of sanctions appropriate to the nature of the compliance breaches;
- (iv) the inclusion of a complaints process accessible to both anyone affected by a member's work and the member's professional peers;
- (v) due process of defence available to the member complained against, and the member's rights are fully respected; and
- (vi) incorporating an objective formal appeals process that is independent of the body that has ruled at the prior level.

## 6. **Criteria for Approval**

6.1. The Authority will approve an actuary who meets the minimum criteria pursuant to section 9 (1)(b) of the Insurance Act.

6.1.1 The Authority will assess the acceptability of an actuary for approval by applying the following criteria:

- a) Sufficiency of post-fellowship experience in the relevant line of business such as Life, Annuity, or Reinsurance business is considered by the Authority to be five (5) years.
- b) In lieu of an actuary having five (5) years post-fellowship experience, the Authority will comprehensively consider the

- applicable work experience, standing, education, and other factors of an actuarial candidate.
- c) The Authority expects the actuary to meet the continuing professional development requirements promulgated by their official actuarial body.
  - d) The Authority will also assess whether the actuary is clear of any disciplinary issues outstanding with their professional body.
  - e) In determining the objectivity of an actuary, the Authority expects that the actuary is not in a position of any actual, potential, or perceived conflicts of interest, and the Authority will assess whether there has been full disclosure of any actual or potential, or perceived conflict to the Authority, and consider the actuary's ability to act fairly and is unimpaired.
- 6.2. If an actuarial firm provides an actuary to a licensee, the Authority expects that the actuary is acting in his/her professional capacity and is personally liable for his/her actions, in accordance with section 9(1)(b) of the Insurance Act.
- 6.3. In addition, consistent with section 2(2) of the Insurance Act, the Authority shall determine whether an actuary is fit and proper for an actuarial function, considering the integrity, honesty, reputation, competence, capability, and financial soundness of the proposed actuary.

## 7. Approval Process

- 7.1. The Authority will review the documentation provided by the licensee to establish that its candidate for an actuarial position meets the approval criteria in section 6 of this Policy. This documentation assessed includes, but is not limited to:
- a) A cover letter from the licensee making a request for the named candidate to be approved. This letter should:
    - (i) include a written explanation for any change from the current actuary, if applicable.
    - (ii) confirm that the appointed actuary shall have the ability to communicate directly with the board of the licensee without the need for management review or approval and that the board shall have direct access to the actuary.
  - b) A resume from the candidate with information about relevant qualifications, including membership in professional associations, employment history, and related work experience.
  - c) Certified copies<sup>4</sup> of certificates and/or confirming evidence from credentialing actuarial bodies attesting to the fact that the candidate is a qualified fellowship member in good standing of the relevant association.

<sup>4</sup> Pursuant to section 5(f) of the Authority's Regulatory Procedure for Assessing Fitness and Propriety.

## 8. Notification of Approval

- 8.1. The Authority shall, upon its approval of the candidate for the subject licensee, issue a written notification to the licensee of such approval. Such notification may include specified conditions and may restrict the approval to specific components of the insurance business.
- 8.2. In the event that the Authority refuses to approve a candidate as an actuary for a licensee, a written notification will be issued to the licensee of such refusal. Such notification may include specified reasons based on which the Authority refused to approve the candidate as an actuary for the licensee.

## 9. Change in Actuary

- 9.1. Where a licensee is changing an approved Actuary, the Authority will consider written notice of the proposed change, inclusive of any supporting documentation such as the outgoing actuary's resignation or termination letter, in the approval of the new actuary.

## 10. Change of Business Plan

- 10.1. The Authority expects a licensee will provide any change of business plan and the reasons for such change to allow the Authority to properly assess and approve an actuary based on the nature, scale, and scope of the insurance business involved. This is in alignment with a licensee's obligations under Section 8(1)(a) of the Insurance Act which states that a licensee shall carry on insurance business only in accordance with the information given in its approved licence application and business plan and shall seek the prior written approval of the Authority for any change to the approved business plan or in the information supplied in the application.
- 10.2. In addition, the Authority also notes that in line with the [Monetary Authority \(Administrative Fines\) Regulation](#), a licensee commits a very serious offence if it fails to seek prior written approval of the Authority for any change to the approved business plan.

## 11. Disqualifications

- 11.1. The Authority may require that a licensee removes a person occupying the role of actuary where the Authority considers the person to be no longer fit and proper for the role. Criteria for disqualification include but are not limited to, where the person:
  - a) Has failed to perform the functions and duties of such appointment satisfactorily in the view of the Authority; or
  - b) No longer meets the recognition and approval criteria for such an appointment; or
  - c) Fails to meet the continuing professional development requirements promulgated by the actuary's professional actuarial body; or

- d) Is subject to an actual, potential, or perceived conflict of interest that impedes the actuary's ability to act fairly but there has not been a full disclosure of the conflict of interest to the Authority.
- 11.2. If the Authority becomes aware that an actuary or actuarial firm no longer meets the criteria of this Policy, its actuarial reports may not be accepted by the Authority, and it may prejudice the approval by the Authority of the actuary or actuarial firm to act on behalf of licensees in the future.
- 11.3. In the event that an actuary falls outside of the criteria for approval, the Authority shall follow due process for disqualification in compliance with the applicable regulatory laws, and [the Authority's policies and procedures policies for the exercise of the enforcement actions](#); and shall not revoke its approval unless it has first notified the actuary and the licensee of its intention to do so.



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