



SUMMARY OF LIMITED CONSULTATION AND FEEDBACK STATEMENT
Proposal to Issue an Amended Regulatory Policy on Recognition and Approval of an Actuary

No.	Section	Comments from Private Sector	Authority's Response	Proposed Revision
GENERAL COMMENTS				
1.	<p>Summary: The prior-approval process mandates the insurer licensee to initiate a request for the named candidate's approval as its appointed/peer review actuary. This contrasts with the CIMA's procedure for approving an auditor, whereby the auditor initiates the request and CIMA grants approval for engagements.</p> <p>Detail: Given that many actuaries serve multiple insurers in Cayman, CIMA's proposed process necessitates repetitive submission of identical information by the same actuary.</p> <p>In our view, we think that CIMA should directly handle the approval with the Actuary, then require the insurer licensee to submit only limited information/documentation when appointing an approved actuary.</p> <p>This approach will also streamline the process of appointing an actuary to a licensee, as the actuary is already approved. This would mean that all CIMA need to do is:</p> <p>(a) confirm the actuary is in good standing with the professional body; and (b) the actuary's experience and qualifications to serve that particular insure</p>		<p>The Authority maintains that the current procedure of receiving approval requests for appointed actuaries directly from the insurer licensee is effective. This approach ensures that insurers are directly responsible for implementing internal controls that guarantee their appointed actuaries are qualified and meet the Authority's standards. As well as promotes careful selection and allows for a tailored, case-by-case evaluation of each actuary's suitability for the insurer.</p> <p>While there is a concern about potential repetitive submissions, historically, changes in appointed actuaries have been infrequent, resulting in minimal repetitive submissions. Additionally, the Authority is amending the regulatory policy on auditor approval to require licensees to request approval for their auditors, aligning it with the current process for actuaries. Therefore, the Authority finds it appropriate to retain the existing approval process for actuaries.</p>	No amendment required

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SECTION-SPECIFIC COMMENTS				
2.	<p>[1.3] Statement of Objectives</p> <p>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.</p>	<p>Regarding the sentence in section 1.3: "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."</p> <p>The definition of legal obligation is not clear, and the implied severity of punishment seems rather harsh, considering that actuaries' responsibilities are judgment-based. Any member/fellow of the Society of Actuaries, must follow the Code of Professional Conduct set by governing bodies for American actuaries. According to the Rules of Procedures for the Actuarial Board for Counselling and Discipline (The ABCD American Academy of Actuaries (actuary.org)), recommended discipline can include a private reprimand (if permitted by the bylaws or rules of the participating organization), public reprimand, suspension, or expulsion.</p> <p>Outside of the above noted recommended disciplines of the SOA there are no legal implications of misconduct.</p> <p>For example, many U.S. actuaries may have unknowingly mispriced and under-reserved Long Term Care business over the prior decades. Those errors (as judged with the benefit of hindsight) in professional judgment did not give rise to legal repercussions (nor should they have). If actuaries become legally liable for honest, well-intentioned, and infrequent mistakes, then there will be a shortage of qualified individuals willing to render such actuarial opinions in the Cayman Islands.</p>	<p>The Policy is designed to reinforce the objectivity and impartiality of actuaries. The intent of the Policy seeks to establish and maintain trust in the actuarial profession by ensuring that actuaries act in the best interest of policyholders.</p> <p>The Authority agrees to amend the section for clarity with regard to "legal obligation" to avoid any obscurity in the legal obligations; and expand to clarify that the Authority expects that actuaries understand the scope of their obligations to policyholders and insurers.</p> <p>The Authority notes the comment regarding the consequences for a breach of these obligations and has added a new section (1.4.) clearly outlining that the consequences of an actuary's non-compliance to their legal obligations and professional standards are limited to the Authority's disqualification of that actuary (as outlined in section 11 of this Policy).</p>	<p>Section 1.3. Statement of Objectives</p> <p>The Policy applies a principle of objectivity on all approved actuaries ensuring that their professional or business judgments are not compromised by 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 comply with all relevant legal and regulatory requirements in the jurisdictions where they operate. They must act with integrity, maintain professional competence, and uphold the interests of policyholders and insurers. These obligations include:</p> <ul style="list-style-type: none"> (a) Adhering to the Code of Professional Conduct as set by recognised actuarial bodies. (b) Ensuring transparency and accountability in all actuarial decisions and communications. (c) Reporting any breaches of legal or professional standards promptly. (d) Maintaining independence in judgment and avoiding conflicts of interest.

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		<p>It is recommended that CIMA's policies are consistent with the Standards of each Actuarial Society, SOA etc.</p>		<p>By meeting these obligations, actuaries play a critical role in protecting policyholder interests and maintaining public trust in the actuarial profession.</p> <p>New section 1.4.</p> <p>The Authority will adopt a balanced and fair approach in assessing whether to disqualify an approved actuary if it finds itself in breach of its legal and professional obligations or ethical conduct consistent with the criteria for recognition and approval (outlined in section 11 of this Policy).</p>
3.	<p>[3.2.] Scope of Application</p> <p>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</p>	<p>Summary: on 3.2 the definition of an "actuary" as contained in the Insurance Act.</p> <p>Detail: the definition of an actuary refers to the Institute of Actuaries in England and Faculty of Actuaries in Scotland. Both entities have now merged.</p> <p>Post-merger the entity is known as <i>The Institute and Faculty of Actuaries in the United Kingdom.</i></p> <p>This is the definition of "actuary" as contained in the Insurance Act noting that legislation is not the subject of this consultation.</p>	<p>The Authority notes the comment and agrees to amend the definition to capture the existing and relevant Faculties. Updating the definition in the Act would require a legislative amendment. Therefore, to avoid any contradiction given the outdated element within the Insurance Act, the Authority will remove this section and amend the definition under the <i>Definitions</i> section of the Policy.</p>	<p>Removed section 3.2.</p>

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	recognised by the Authority as such for the purpose of this Law".	<p>Additional member feedback also suggests updating the definition of "actuary" to include the Casualty Actuarial Society and the American Academy of Actuaries in the United States of America.</p> <p>Suggested wording: 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 and Faculty of Actuaries in the United Kingdom, or the Society of Actuaries, Casualty Actuarial Society or American Academy of Actuaries in the United States of America or the Canadian Institute of Actuaries in 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.</p>		
4.	<p>[4.1 (a)] Definitions</p> <p>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</p>	<p>Summary: the definition of "Actuary" as contained in the Policy.</p> <p>Detail: The current wording omits the Casualty Actuarial Society and American Academy of Actuaries in the United States of America.</p> <p>Suggested wording: As a general comment, the definition could be amended as follows:</p> <p>Actuary: <i>means a person who has qualified as an actuary by examination of Institute and Faculty of Actuaries in the UK, or the Society of Actuaries, Casualty Actuarial Society or American Academy of Actuaries in the United States of America or the Canadian Institute of Actuaries in</i></p>	The Authority notes the comment and agrees to amend the definition to capture the existing and relevant Faculties.	<p>Section 4.1. (a):</p> <p>a) Actuary: means a person who has qualified as an actuary by examination of the Institute and Faculty of the Actuaries in the United Kingdom, or the Society of Actuaries, Casualty Actuarial Society or American Academy of Actuaries in the United States of America or the Canadian Institute of Actuaries in Canada, and who is a current member in good standing of one of the above professional</p>

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	<p>recognised by the Authority as such for the purpose of the Insurance Act.</p>	<p><i>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 recognized by the Authority as such for the purpose of the Insurance Act.</i></p> <p>Additionally, it may be worthwhile considering whether the definition of "Actuary" could also be focused on the relevant individual holding a fit/proper qualification that are in good standing with their respective association to opine (for example, Australia / Canada are recognized Actuarial Association with robust code of conduct, standard of practices, etc.,) and not just limited to the particular actuarial qualification held by an individual from a UK/US/Canadian based actuarial accredited organisation.</p>		<p>associations or a person in good standing with some other actuarial qualification who is recognised by the Authority.</p>
5.	<p>[4 (f)] Definitions</p> <p>f) Long term business: means insurance business involving the making of contracts of insurance –</p> <p>(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;</p> <p>(b) against risk of the person insured –</p>	<p>Summary: the definition of "Long Term Business" as contained in the Policy.</p> <p>Detail: It may be worthwhile including a reference to capital redemption contracts in the definition of "Long Term Business" in accordance with the Insurance (Amendment) Act, 2022.</p>	<p>The Authority notes the comment and will add the reference "capital redemption contracts" so that the definition is comprehensive and legally consistent.</p>	<p>Amendment to section 4 (f)(c):</p> <p>(c) whether by bonds, endowment certificates, capital redemption contracts, 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).</p>

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	<p>(i) sustaining injury as the result of an accident or of an accident of a specified class;</p> <p>(ii) dying as the result of an accident or of an accident of a specified class;</p> <p>or</p> <p>(iii) becoming incapacitated in consequences of disease or disease of a specified class,</p> <p>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;</p> <p>and</p>			

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	<p>(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).</p>			
6.	<p>[5.1 (a)] Criteria for Recognition</p> <p>5.1 The Authority recognises an actuary, based on the following minimum criteria consistent with section 2 of the Insurance Act:</p> <p>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.</p>	<p>Summary/detail: the current wording omits the Casualty Actuarial Society and American Academy of Actuaries in the United States of America.</p> <p>Suggested wording: As a general comment, the wording could be updated as follows:</p> <p>The Authority recognises an actuary who is a qualified fellowship member in good standing of the Institute and Faculty of Actuaries in the UK, or the Society of Actuaries, Casualty Actuarial Society or American Academy of Actuaries in the United States of America or the Canadian Institute of Actuaries in Canada.</p>	<p>Similar to comment 4, the Authority will amend the section to capture all the necessary Faculties.</p>	<p>Section 5.1. (a) Criteria for Recognition</p> <p>a) The Authority recognises an actuary who is a qualified fellowship member in good standing of the Institute and Faculty of Actuaries in the UK or the Society of Actuaries, Casualty Actuarial Society or the American Academy of Actuaries in the United States of America or the Canadian Institute of Actuaries in Canada.</p>

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7.	<p>[5.2] Criteria for Recognition</p> <p>5.2 <i>Criteria for Recognising Actuaries from other Actuarial Bodies</i></p> <p>5.2.1. <i>Education requirements</i></p> <p>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.</p>	<p>Summary: Criteria for actuary recognition.</p> <p>Detail: Based on the current reading of section 5.1(b)(ii), we note that CIMA is open to considering an actuary with an associateship level qualification as an approved actuary on a case-by-case basis by stating "...may recognize persons with an actuarial qualification issued by a professional association, as described in section 5.2...".</p> <p>However, we note that sub-section 5.2.1 refers to the term "educational requirements" but only mentions fellowship level qualifications. We note that CIMA has included a footnote in relation to 5.1(b)(ii), but it might be clearer to add this footnote as a new 5.2.1(b).</p>	<p>The Authority notes and agrees to the proposed amendments for added clarity.</p>	<p>Footnote 3 has been removed and added as 5.2.1(b).</p> <p>5.2.1. <i>Education requirements</i></p> <p>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.</p> <p>b) For example an <u>Associateship</u>, which means a person who has qualified at a generalist level and have breadth of expertise that brings wide and varied opportunities.</p>

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8.	<p>[6.2] Criteria for Approval</p> <p>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.</p>	<p>The regulatory policy suggests that the appointed actuary is an individually named person. In most instances, an actuarial firm is appointed. The actuarial report would be signed off by a representative of the firm but not in their personal capacity.</p> <p>Before an actuarial report is finalized the actuarial firm would ensure there is sufficient internal peer review.</p> <p>If an individual is expected to sign the report and is expected to act in their personal capacity and be personally liable for his/her actions we expect this would have significant pushback.</p> <p>Removing the reference to personal liability when an actuarial firm is appointed is suggested. Possible rewording of 6.2 follows.</p> <p>"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 responsible for ensuring the proper discharge of the actuarial function in accordance with the requirements of the Insurance Act and the terms hereof."</p> <p>Summary: Section 6.2 (<i>Criteria for Approval</i>) of the Policy appears to impose a personal liability on an actuary employed by an actuarial firm.</p> <p>Detail: Section 6.2 (<i>Criteria for Approval</i>) covers the following:</p> <p>(a) that section 6.2 cross-refers to section 9(1)(b) of the Insurance Act in relation to potential personal liability for an actuary.</p>	<p>The Authority notes the comments and will re-word the section to address the industry's feedback to ensure no implication of "personal liability" when an actuarial firm is appointed. The amendment of the section will clarify that the actuarial firm, rather than the individual actuary, bears responsibility for the actuarial services provided. Aligning the policy with industry norms. Further, to capture all circumstances, where an actuary is employed directly by the licensee, they are held to the same professional standards as those employed by external firms.</p>	<p>Amended section 6.2.</p> <p>If an actuarial firm provides an actuary to a licensee, the Authority expects that the actuary is acting in his/her professional capacity on behalf of the firm. The actuarial firm is responsible for ensuring that the actuarial services provided meet professional standards and regulatory requirements, in accordance with section 9(1) of the Insurance Act. If the actuary is employed by the licensee and so not by an external firm, they are still expected by the Authority to be acting in his/her professional capacity within the context of their professional body's guidelines.</p>

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		<p>However, section 9(1)(b) of the Insurance Act makes no reference to personal liability being imposed on an actuary; and</p> <p>(b) a general comment that they are not aware of any other jurisdiction imposing a potential personal liability on qualified actuaries.</p> <p>An additional point is that the proposed policy i.e., Criteria for Recognition/Criteria for Approval/Disqualifications covers fit and proper requirements, requiring an actuary to be a member of an internationally recognized actuarial body etc., This should provide sufficient incentives for actuaries to act in the best interests of policyholders - and therefore protections for policy holders.</p> <p>The actuarial bodies accrediting the actuaries that CIMA will ultimately approve have strict CPD/Ethical and disciplinary procedures in place i.e., Institute of Actuaries in England, Faculty of Actuaries in Scotland or the Society of Actuaries in US/Canada.</p> <p>Summary: The draft policy states that <i>"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"</i> [emphasis added].</p> <p>Detail: In our view, the obligation is problematic and should be removed. We are not aware of any other financial regulator imposing a similar/equivalent obligation on an actuary employed by an actuarial firm. As one example, the Canadian regulator (OSFI) only requires the following to determine suitability:</p>		

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		<p>→ have appropriate Canadian practical experience, which is defined as work in Canada for at least three of the last six years, of which at least one year was performing valuation of Canadian actuarial liabilities and FCTof an insurance company with similar lines of business and/or operations;</p> <p>→ have experience with the CIA's Standards of Practice and relevant insurance legislation and regulation;</p> <p>→ is up to date with respect to the CIA's continuing professional development requirement; and</p> <p>→ have not been the subject of an adverse finding by a CIA Disciplinary Tribunal. Where there has been such a finding, the Superintendent may nevertheless conclude that the AA is a suitable person if the circumstances of the case and other information support such a conclusion.</p> <p>Furthermore, the Appointed Actuary has legal whistleblower protection in the Canadian regulatory system for the, so that the Actuary has the freedom to act in the best interests of policyholders without fear of retribution (i.e., personal liability).</p> <p>In our view, subjecting the appointed actuary to potential personal liability (for employees of consulting firms only) will not work, and will only weaken the regulatory system for the following reasons:</p> <ul style="list-style-type: none"> ● Policyholders are better off if the firm, not the actuary, is liable, as the firm usually has more resources than the individual actuary; and ● Consulting firms may stop offering Appointed Actuary services in the Cayman Islands, as many firms will not agree to have their employees subject to personal liability. 		

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		<p>Even as an employee of a consulting firm, we believe that the appointed actuary is properly incentivized to be professional and competent. The appointed actuary could still face professional consequences for misdemeanors (i.e., revocation of existing license) and potential job loss. Appointed actuaries accept that risk as part of their appointment but would not accept the risk of being personally sued.</p> <p>Finally, the personal liability requirement appears to be limited to employees of consulting firms. We do not understand the rationale for singling out consulting firms and believe that this requirement should not apply to any actuary regardless of their employer.</p>		
9.	<p>[7.1. (a) (i)] The Approval Process</p> <p>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:</p> <p>a) A cover letter from the licensee making a request for the named candidate to be approved. This letter should:</p> <p>(i) include a written</p>	<p>Does this mean that if a licensee engages an actuarial firm, and the firm subsequently changes the individual actuary assigned, we must obtain CIMA approval even though the same firm remains engaged?</p>	<p>The Authority ensures that every actuary working on behalf of the licensee has been vetted, thereby protecting the interests of policyholders. By providing consistency in regulatory oversight by verifying each individual actuary's credentials. This enhances transparency in the approval process, ensuring all actuarial work is performed by qualified individuals.</p> <p>However, considering the industry's feedback of requiring approval for each individual actuary within the same firm, it may be beneficial to adopt a more flexible approach. The policy can be amended to require notification rather than re-approval for changes in the individual actuary, provided the same firm remains engaged.</p>	<p>Amended section 7.1. (a) (i)</p> <p>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:</p> <p>a) A cover letter from the licensee making a request for the named candidate to be approved. This letter should:</p> <p>(i) Include a written explanation for any change from the current actuary, if applicable, except when the change</p>

No.	Section	Comments from Private Sector	Authority's Response	Proposed Revision
	<p>explanation for any change from the current actuary, if applicable.</p>			<p>involves a different individual within the same actuarial firm. In such cases, the licensee must notify the Authority of the change and confirm that the new individual meets the required qualifications and standards.</p>
<p>10.</p>	<p>[11] Disqualifications</p> <p>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:</p> <p>a) Has failed to perform the functions and duties of such appointment satisfactorily in the view of the Authority; or</p> <p>b) No longer meets the recognition and approval criteria</p>	<p>Can CIMA clarify what is expected when an actuarial firm has been appointed and they have designated an individual to sign the actuarial report?</p> <p>Is the insurance manager expected to ensure that the assigned individual maintains their professional qualification rather [than] rely on the actuarial firm who has assigned the person?</p>	<p>The Authority recognises the importance of clear delineation of responsibilities when an actuarial firm is appointed to provide actuarial services. When an actuarial firm is engaged, the firm is responsible for ensuring that the individual assigned to sign the actuarial report maintains their professional qualifications and complies with the continuing professional development requirements. The insurance manager is not expected to independently verify the qualifications of the assigned actuary but should ensure that the actuarial firm has robust processes in place to maintain professional standards. The Authority will continue to monitor compliance through its regulatory oversight mechanisms.</p> <p>Therefore, the Authority address the comment by adding section 11.2. which clearly assigns responsibility for</p>	<p>Amendment to section 11:</p> <p>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:</p> <p>a) Has failed to perform the functions and duties of such appointment satisfactorily in the view of the Authority; or</p> <p>b) No longer meets the recognition and approval criteria for such an appointment; or</p>

No.	Section	Comments from Private Sector	Authority's Response	Proposed Revision
	<p>for such an appointment; or</p> <p>c) Fails to meet the continuing professional development requirements promulgated by the actuary's professional actuarial body; or</p> <p>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.</p> <p>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</p>		<p>maintaining professional qualifications to the actuarial firm.</p>	<p>c) Fails to meet the continuing professional development requirements promulgated by the actuary's professional actuarial body; or</p> <p>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.</p> <p>11.2. If an actuarial firm is appointed, the firm is responsible for ensuring that any individual assigned to sign the actuarial report maintains their professional qualifications and complies with continuing professional development requirements. The Authority notes that it is the insurer's obligation to ensure that the actuarial firm has robust processes in place to meet these requirements.</p> <p>11.3. If the Authority becomes aware that an actuary or</p>

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	<p>of licensees in the future.</p> <p>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 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.</p>			<p>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.</p> <p>11.4. 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 for the exercise of enforcement actions; and shall not revoke its approval unless it has first notified the actuary and the licensee of its intention to do so.</p>