

# Cayman Islands Monetary Authority

## SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT



### RULES AND STATEMENT OF GUIDANCE – ACTUARIAL VALUATIONS

#### Regulatory Measure: *Actuarial Valuations*

Section of proposed Regulatory Measure <sup>1</sup>	Industry Comment	Authority’s response	Consequent amendments to the draft Requirements
<b>GENERAL COMMENTS</b>			
	<p>There appears to be a disconnect between what the Authority is trying to achieve vs requirements noted by reference to the valuation actuarial report, role of an actuary and reporting standards. E.g. Table II in Appendix B is not fully reflected and in sufficient depth: there is no real mention of assumptions considerations, guidance on stress testing and we are not sure that capital assessment is fully covered either.</p>	<p>The requirement to complete actuarial valuations is currently enshrined in the law and issuing the Rules and Statement of Guidance (SoG) is an important step to ensure that the contents and quality are aligned with the expectations of the Authority and international best practice. The measure</p>	<p>No amendments required.</p>

<sup>1</sup> Where applicable, the paragraph numbers quoted in brackets represent the new paragraph number for the related section as presented in the revised version of the measure.

	<p>does not establish any new requirements and does not seek to make prescriptions about the capital calculation process or the professional valuation process of the actuary.</p> <p>Appendix B does not constitute the regulatory measure and was provided for guidance purposes only; hence, feedback was not requested on the document.</p>	
<p>A number of sections are quite vague as to requirements: stress testing, peer review and details for assets (8.30). This is not an issue if licensees are allowed flexibility and discretion as to how these aspects are to be addressed. While alluded to in 6.2 and 9.13, there should be an explicit statement that where not otherwise specified, licensees can interpret the rule/SoG in context of the nature, scale and complexity of the business and that other than requirements in the law, these do not constitute minimum standards as these are not compatible with the principle of proportionality.</p>	<p>The Authority notes the request for additional guidance on the requirements in specific areas. While we have enhanced explanatory content relative to stress testing, the peer review process and other key requirements in the measure, the goal is not to be overly prescriptive, and allow actuaries to conduct the work in line with the guidance provided by their respective fellowship bodies.</p>	<p><i>The specific amendments for various requirements in the measure are presented individually in this document.</i></p> <p>Additionally, a new paragraph 6.10, which details the minimum requirements of the peer review was included to aid with clarity.</p>
<p>Having read the requirements, one of our life actuary respondents noted her personal struggle to see what would be expected of her, e.g. she would expect the guidance to include the reporting regime requirements (e.g. economic or not, how discounting should be applied, any margins considerations etc etc). And there was uncertainty on what exactly the valuation actuary is reporting on: valuation but using which basis and what are the Authority's expectations around that basis. There are lots of reference to</p>	<p>The Authority is not seeking to establish any new requirements or to be prescriptive in the issuing of this measure, as there is an expectation that actuaries will use professional judgement wherever justified.</p>	<p><i>The specific amendments to provide clarification to specific requirements in the measure are presented individually in this document.</i></p>

<p>'appropriate' and 'meaningful' with no guidance on expectations (e.g. best-estimate, with margins, if yes, how conservative).</p>	<p>Actuaries are expected to perform the work within the parameters of applicable international professional standards; and to ensure there is no conflict with the minimum requirements established in these Rules and SoG. The actuarial concepts in the measure have been extended further to ensure that there is no actuarial sector bias. The Rules and SoG do not seek to be prescriptive as to actuarial or accounting basis and as such, at this time, all established international accounting standards are acceptable. More specifically, the Authority has not imposed an economic balance sheet regime.</p>	
<p>There appeared some ambiguity on whether the outcome of the SoG was an actuarial opinion versus an actuarial report.</p>	<p>Section 9 of the Insurance Law (2010) states:</p> <p><b>“(1) 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></p> <p><b>...(b) an actuarial valuation of its assets and liabilities including</b></p>	<p>No amendments required.</p>

	<p><b>loss and loss expense provisions, certified by an actuary approved by the Authority;...”</b></p> <p>The actuary’s requirements to prepare an actuarial report under the Insurance Law have not been altered.</p>	
<p>There was consistent feedback received from respondents expressing concerns over P&amp;C terminology used. Sections 8.5, 8.10 and 9.9 suggest a decidedly P&amp;C orientation, whereas many of the licensees required to comply will be writing long term business. In fact, one of the life actuary respondents felt there was little focus on life, and felt that it had been drafted with P&amp;C in mind, or by a P&amp;C professional. Another example was Section 8.13 (which refers to the development of a point estimate) has a very P&amp;C focus and may not lend itself to Life insurance actuarial methods. As such we would recommend a careful re-review of the SoG to ensure clarity on requirements for P&amp;C/short term insurers versus long term insurers.</p>	<p>The measure has been revised to ensure that there is no sector bias in the phrasing of the requirements and where the requirement is sector specific that this is clearly stated.</p>	<p><i>The specific amendments for various requirements in the measure are present individually in this document.</i></p> <p>Additionally, paragraphs 8.23 and 8.28 were added to provide additional clarity. Respectively, they read:</p> <p><b>“In respect of with-profit life policies, reserving analyses relating to annual bonus, contingent bonus or terminal bonus, must be set out.”</b></p> <p><b>“Investigations conducted to review the consistency between emerging actual experienced mortality, morbidity, frequency, severity, acquisition expenses and lapse/persistency against levels assumed in the previous report, should be described by the actuary together with the implications for the current report. Where the actuary finds it necessary to make judgements these need to be clearly set out</b></p>

		<b>alongside clear rationale.”</b>
If a dual license insurer, would 2 reports be needed? One P&C and one life?	If both types of business are written in one entity and valuation reports are legally required in respect of each, the Authority would accept the assessment and results being presented in one report on condition that each line of business is assessed individually and fully adheres to the minimum requirements established in the Rules and SoG.	No amendments required.
Report should detail business in sufficient detail so that the reviewer or any other user of the report is able to understand appropriateness of data / assumptions / methods and any limitations, but this is not covered in the draft SoG.	The comment is noted and the Authority has sought to expand the measure to incorporate related guidance.	The Rules and SoG were amended to provide greater clarity on the specific issues noted.  <i>The specific amendments for various requirements in the measure are presented individually in this document.</i>
With respect to the expected cost to insurers for implementation of the proposed SoG, it was noted that the requirements outlined are voluminous and as such will certainly result in third party consulting actuaries providing services to the insurers such that there would require an increase in their fees commensurate with the additional reporting requirements. For any company that has not done an Economic Balance Sheet, and/or stochastic scenarios, the start-up cost will be significant. Even for companies that are already doing the requisite analysis, including the stochastic process analysis, the additional burden will be the preparation of the glossy report which will add significant time/costs.	The requirements presented in the Rules and SoG are enshrined in the Insurance Law. The measure applies no new requirements and therefore any incurred costs are those that would have been established and required from the inception of the law or at the point of licensing.  There is no requirement within the measure for an economic balance sheet or stochastic scenarios. The Authority does regard	No amendments required.

	these approaches as instructive to gaining a comprehensive understanding of a licensee's position and would be supportive of an actuary who chooses to utilise these approaches.	
Should some of the actuary's rights be included within the SoG, for example the right to access the books and records and all members of the senior management team, who are required to provide explanations necessary to the performance of the role.	The request is outside of the scope of the referenced regulatory measure.	Not applicable.
Should the reporting actuary have whistle blowing responsibilities, for example, where: <ul style="list-style-type: none"> <li>• Limitations are placed on the review;</li> <li>• The results of the review indicate that a firm will not meet its regulatory capital requirements.</li> </ul>	As far as possible, given the scope of the measure, the Authority has established requirements as it relates to the reporting of limitations placed on the review (see paragraphs 8.1, 8.10, 8.13 for examples).	The Authority has amended the document to provide clarity to some of the applicable requirements.
The paper calls for the actuarial report to be prepared by the licensee during every financial cycle. Should the paper set out the need for more regular reports to be prepared in the case of, for example, the business plan being updated or where there is an unexpected shock within the business.	The feedback has been taken into consideration in the revision of the measure.	Paragraph 5.1 was expanded to include a requirement for the licensee to prepare a report, at the direction of the Authority, when there are major changes to the structure or operations of the licensee.
We are generally supportive of CIMA's desire to articulate, oversee, and enforce a more robust framework with respect to Actuarial Valuations of insurance liabilities on the island. We also appreciate and encouraged by the comprehensive guiding principles that CIMA has begun to articulate for this endeavor. We'd note that the actual consideration of such principles would be expected to vary in practice for many reasons, such as different companies having different accounting constructs, different business models, and different business lines. We also note that a credentialed actuary, acting in a manner strictly in line with their actuarial standards of practice, would be expected to have final discretion over, and be professionally responsible for, the contents of an Actuarial Valuation Report.	The proposed Rules and Guidance are intended to establish minimum requirements in addition to providing guidance to applicable regulated entities on the Authority's expectations for actuarial valuation reports. The Authority recognises that the arrangements for the preparation of actuarial valuations will vary according to the nature,	No amendments required.

	scale and complexity of a licensee. Additionally, the Authority emphasises the significance of the actuary's professional judgement in the preparation of the report, subject to challenge by the Authority.	
In general, much of the language in this document is only applicable to the Property & Casualty ("P&C") insurance business. Many of the comments below address the need to perhaps include additional Life and Annuity specific references and details.	In its revision, the Authority has sought to address this concern and provide greater clarity and detail on the requirements of the report for all applicable business types.	No specific amendments required. <i>The Authority has individually addressed the specific issues presented in this document.</i>
We are generally very supportive of CIMA's desire to enhance the regulatory function of the Authority in line with Monetary Authority Law ("MAL") as articulated in section A., B., and C. of this document.	The Authority notes and appreciates the support of its work.	Not applicable.
We generally believe that the ICPs developed by the IAIS are a sound and appropriate reference for production of a robust Actuarial Valuation. We note that the actual consideration of them as a reference would be expected to vary in practice for many reasons, such as different companies having different accounting constructs, different business models, and different business lines. These might make things like the MOCE not applicable or not appropriate in certain circumstances.	The Authority has taken a non-prescriptive approach to developing this measure, notwithstanding, the we will continue to work to develop the regulatory and supervisory regime for all licensees in line with international standards and best practice.	Not applicable.
With regards to the potential for future developments referenced in Appendix B, we encourage you to engage in discussions with us and other market participants to develop rules and statements of guidance that will satisfy these criteria without disrupting the value proposition been carefully cultured in the Cayman Islands.	Sections 4(1) and 48(4) of the Monetary Authority Law (2018 Revision) establishes the requirement for the Authority to consult with and have regard to representations made by private sector associations in respect of proposed measures. The Authority	Not applicable.

		will continue to undertake its functions within the ambit of the law.	
<p>"I've read through the documents. I would say most of the new requirements are things that are already done as a course of following actuarial standards and best practice. That would be the case whether following either Canadian or American standards, and I strongly suspect UK standards as well.</p> <p>However, there are a couple of areas where more work is required. The first is peer review, which is mentioned a few times. Unfortunately, the documents never define peer review, and that term has a very wide range of meaning. CIMA will need to be much more specific regarding its intent for peer review. Is it informal, to be done by one of my colleagues? Or is it formal, the subject of an entirely separate report, by another third party. (Now you would have two actuarial consultants.)</p> <p>The other area where there may be more work involved is with respect to stress testing. We generally do this work informally now; some valuation calculations using alternate assumptions so that a client can complete certain IFRS Notes Disclosure. The stress testing discussed in the CIMA documents appears to be a little more formal, and something that probably needs to be reflected directly in the actuarial report. This is a little more work, but very doable. We are ok here as long as CIMA is <b>not</b> looking for a stress test of a hypothetical future financial position by subjecting that future financial position to plausible yet adverse scenarios. Canada has that requirement now, but it is an entirely separate actuarial requirement, including a separate actuarial report and opinion. (We call it a DCAT. It is VERY involved.)"</p>	<p>The peer review requirements have been expanded in the revised measure to clarify the concerns raised. The Authority advises that it has not imposed any restrictions as it relates to the peer review being conducted by an actuary fellow who is a colleague of the appointed actuary. The Authority expects that the minimum level of stress testing that would be conducted include sensitivity testing.</p> <p>The Authority is not currently proposing, in the Rules and SoG, to implement a requirement similar to that of the CIA's DCAT.</p>	<p>A new paragraph 6.10 was added to clarify the Authority's expectations surrounding the peer review process.</p> <p>Additionally, the Authority, in the revised version of the measure, has sought to expand the rule in paragraph 8.30 which speaks to the issue of stress testing.</p>	
<b>SECTION SPECIFIC COMMENTS</b>			
4.1	Please correct the reference to Canada by incorporating "Canadian Institute of Actuaries"	The definitions presented in the measure are derived from the Insurance Law and as such must be retained in the Rules and SoG as legislated.	No amendments required.
4.1a	What about relevant experience and a minimum number of years? Also there should be a requirement to know local regulatory rules well. Also, suggest adding Casualty Actuarial Society when citing Institute/Society in England/Scotland/US/Canada.		No amendments required.
4.1c	Reinsurance, or insurance only?		No amendments required.



4.1c(a)	Why exclude term life – term life can last 10-20 years, but exclusion seems to be implying short term business?		No amendments required.
5.1	"Full-Scale" actuarial report is not defined.	Full-scale report simply refers to the full report as opposed to a summary report.	The term 'full-scale actuarial report' has been deleted from the measure to avoid confusion.
6.3 (6.5)	This is very vague - how much is 'as much'? Bermuda experience for example is that actuaries were found to put what they thought was enough but it was never sufficient from the regulatory perspective, as the BMA could not comprehend the business reviewed as not sufficient info was provided. In the end, the BMA had to issue 2 warnings to the actuaries threatening disqualification if insufficient information was provided. We suggest care is taken to ensure CIMA do not repeat this mistake. The best way is to outline precisely what is required (as opposed to some sort of minimum requirement but with as much detail as possible). Ultimately, no-one is going to put as much as possible.	The term "as much" is intended to be broad and general given the Authority's stance of limiting the prescriptiveness of the measure. Notwithstanding, the Rules and SoG encourage the actuary to exercise independent judgement within the scope of applicable professional standards.	The paragraph was amended to provide further clarity.
	We'd suggest including the language, "...any detail which the actuary believes significantly informed the determination of any conclusions disclosed in section 8..."	The suggested amendment is agreed with.	The Rules and SoG have been updated to reflect the recommended amendment.
6.4 (6.6)	Usually, executive summary is the summary of detailed report information. We find it odd that the executive summary must detail all important matters?	The executive summary is a clear, concise and condensed version of the full report. As the executive summary is required to be able to stand alone from the content it summarises, all essential information, assessments, findings recommendations and conclusions should form part.  The paragraph was amended to present a	Paragraph 6.6 has been amended to read:  <b>"The valuation report must contain an executive summary which must include all of the key conclusions of the report, alongside the most relevant matters related to these conclusions. This should include, at a minimum, as required under Section 9 (1) (b) of the Insurance Law, 2010, an actuarial valuation result which demonstrates the excess of assets over</b>
	We suggest rewording to state that the executive summary should include all of the key conclusions (from section 8) themselves, along with the most relevant matters related to those conclusions.		

		requirement which is unambiguous.	<b>liabilities, including loss and loss expense provisions; and compares that excess to the prescribed capital requirement."</b>
	What about assumptions? expert judgements? areas of pragmatism? methodology?	The Authority has provided guidance on the areas mentioned to the extent that it is within the scope of the measure. We reiterate the expectation that the actuary will use expert judgement in areas where specific requirements or guidance have not been established.	No specific amendments required in this case."  <i>The Authority has individually addressed the specific issues presented in this document.</i>
6.5 (6.7)	We find it strange that this is a 'rule'. Wouldn't an executive summary just be a separate section and all its content will, therefore, be identifiable?	The designation of this requirement as a Rule establishes a clear and precise directive that the Authority considers it essential in the preparation of the valuation report.	No amendments required.
6.7 (6.9)	Analysis of what? Reserves? Data? Assumptions? Everything?	All material components of the report should be comparatively analysed in the report.  The Authority is seeking an analysis of variance, which means analysis of all material influence to change.	No amendments required.
7.1/ 7.2	We'd suggest including explicit language in section 8 which confirms that the items cited in 7.1 and 7.2 do not exist.	The Authority notes the recommendation.	The Authority has included a new paragraph 8.2 which states:  <b>"The actuary must verify that the licensee has complied with the requirements in paragraphs 7.1 and 7.2 of this measure; and provide</b>

			<b>confirmation of this verification to the Authority in the report."</b>
8.2 (8.4)	How much is sufficient?	The Authority has taken the decision not to standardise the definition for the term sufficient at this time. As such, actuaries are expected to utilise an interpretation which aligns with the experience required to carry out the functions stipulated in the measure.	No specific amendments required. However, the rule has been updated as follows to provide clarity:  "If, <b>in the actuary's judgement or after challenge by the Authority, it is determined that</b> the appointed actuary does not possess sufficient experience to analyse certain LOBs..."
8.3 (8.4)	Is the peer reviewing actuary the same as the counter-signing actuary?	Paragraph 8.4 of the Rules and SoG state:  <i>"The actuary must explain why his/her level of experience is suitable to carry out the analysis, and report on the lines of business (LOBs) presented in the report. If, in the actuary's judgement or after challenge by the Authority, the appointed actuary does not possess sufficient experience to analyse certain LOBs, the report must be counter-signed by a secondary actuary, who is required to confirm that he/she has the necessary level of experience, and has provided the necessary technical input, to validate the specific LOBs. <b>The counter-signing actuary cannot be the</b></i>	No amendments required.

		<b>same individual as the reviewing actuary.”</b>	
8.5 (8.8)	First sentence references 8.5, but this is 8.5. Also, terminology is very P&C, what about life?	The comment is noted and the reference error has been addressed.  The measure has been revised to ensure that there is no sector bias in the phrasing of the requirements and where the requirement is sector specific that this is clearly stated.	The measure has been updated to include the correct reference.  <i>The specific amendments for various requirements in the measure are presented individually in this document.</i>
	Last sentence uses the word “quantities” - which quantities? Not all data would flow from modelling analysis, some will be just 'given' from the data warehouse, e.g. new premium, new ages etc.	The use of the word quantities was meant to refer to all data points.	The paragraph was amended to clarify the Authority’s expectations.
	After “...should include:” there should be a “, where applicable and relevant” as some of these concepts (e.g., IBNR) are “N/A” for the Annuity business. Generally, these are concepts that may bear different names in different lines of business or reporting bases. Importantly, this should include any analytics which the Actuary deems to have significance in determining any results disclosed in section 8.	The Rules in the measure are applicable where relevant to the licensee.	Paragraph 8.8 has been amended to clarify that applicability of the Rule depends on relevance to the specific licensee.
8.6 (8.9)	Most often, data has an earlier date stamp than the valuation date, as it needs to undergo extraction, collection, data cleansing and so often there is a 'delay'. In other words, non-coterminous datasets is relatively standard and adjustments are often not made.	In this paragraph, the Authority is only seeking date adjustment descriptions to data where the actuary has found it necessary to make those adjustments.	Paragraph 8.9 has been amended as follows:  <i>“The effective date of the report must be stated and the effective date of any dataset which does not match the valuation date should be clearly indicated. In the latter case, <b>if it has been found necessary to apply material adjustments to achieve consistency between datasets, an explanation must be provided.</b>”</i>

8.7 (8.10)	"competent offices" – what are these?	The comment is noted and we confirm that this was a typographical error.	The term has been amended to read " <i>competent officers</i> ".
8.8 (8.12)	We are unsure what 8.8 means in the context of life business.	As with all Rules issued by the Authority, the expectation is that the Rule will be complied with only in cases where it is applicable.	The paragraph was redrafted to provide clarity on the applicability of the Rule.
8.9 (8.13)	This seems odd - would the Authority really expect a licensee to say they did not have an actuary hence not done valuation properly?	The requirement for an actuarial report is enshrined in the Insurance Law, as such, a licensee must meet the obligations established including the appointment of an actuary and the submission of the report to the Authority.  Paragraph 8.13 establishes a requirement for the actuary to advise on any hindrances in his/her assessment that may have affected the analysis including data constraints.	Paragraph 8.13 was amended to clarify the requirement.
8.10 (8.14)	Also a P&C-centric comment. Common to refer to <u>maintenance/policy expenses</u> in Life context. As this applies to P&C companies, we'd suggest adding, ", where applicable."	The Authority notes the comments and has amended the paragraph to provide clarification.	The first line of paragraph 8.14 has been amended to read:  <b>'Where applicable</b> the modelling or other analysis and reporting outcomes on claims incurred must extend, <b>in LOBs where appropriate</b> , to claims which are incurred but not reported.'
8.11 (8.15)	We'd suggest adding, "...beginning no later than the second year for which the Actuary submits a Valuation Report under the new format, as indicated in section 6.7."	The recommendations are noted and given consideration in the review.	Paragraph 8.15 has been amended to ensure clarity surrounding the Authority's expectations.

	Suggest using the word "changes" rather than "inconsistencies".		The word "inconsistencies" in paragraph 8.15 has been amended to "changes which the actuary regards as material".
8.12 (8.16)	Consider removing "stochastic" to broaden.	The use of the term stochastic was not meant to mandate use of this approach, but to establish a requirement to provide an explanation of the process, if it was indeed relevant to the specific report.	The term 'where applicable' has been added to clarify paragraph 8.16. Additionally, the rule has been expanded to provide greater clarity.
8.13 (8.17)	Also P&C centric. Not usual to provide a range for Life. More often a best estimate plus a management margin / provision for adverse deviation. Should this also reference management's best estimate and how they selected from the Actuary's range?	The comment is noted and the measure has been updated to address the request for clarity on the rule.	The new paragraph reads:  <b>'In respect of all LOBs, a detailed commentary must be included explaining the extent to which the actuarial assumptions and methods used were informed by insured policy experience as compared with industry studies and/or by norms as compared with actuarial judgement. Where applicable, the results of the modelling analysis should be presented in the form of a point estimate, subject to a range around the point reflecting the variability of the outcome, with a clear explanation of why the chosen range is regarded as appropriate; or as a range of outcomes with associated probabilities as to the likelihood of each outcome.'</b>
	This is very much P&C language. And, more generally, the language doesn't really reflect our current approved accounting constructs. We'd suggest adding in the beginning, "The Actuary	The comment is noted and the paragraph has been amended to clarify the requirement.	The paragraph has been expanded and a requirement to disclose the accounting regime is now established.

	must disclose the accounting construct under which reporting liabilities are being determined, which may, for example, be a point estimate...”		
8.14 (8.18)	This is also very much P&C nomenclature. We’d suggest adding, “For P&C contracts, where applicable,...” at the beginning. We’d suggest adding Life equivalent language: “For Life and Annuity contracts, a detailed commentary must be included explaining the extent to which the Actuarial Assumptions and Methods used were informed by insured policy experience vs. industry studies and norms vs. actuarial judgement.”	The recommendation is noted and given consideration in the review.	The following text was added to introduce the rule:  <b>“Where the type of analysis undertaken by the actuary makes it applicable...”</b>
	Allowance should also be made for events not in data (ENIDs).	The recommendation is noted and accepted.	Paragraph 8.18 was amended to include the following sentence:  <b>“This can also be described as allowing for events not in the data”</b>
8.16 (8.20)	A risk transfer engagement appears beyond the scope of an Actuarial Analysis.	The measure does not impose a requirement for a risk transfer engagement. The referenced rule establishes that if a book of business had been accepted through a risk transfer agreement, these should be reported separately.	Paragraph 8.20 was amended as follows:  ‘A description of the policy types issued (including in-force and run-off risks) and <b>those arising from</b> risk transfer agreements must be <b>included within the report.</b> ’
8.17 (8.21)	Retrospective review may cover this point and add further value.	This comment is noted and the Authority has updated the measure to incorporate the feedback and to provide additional clarity to the rule.	Paragraph 8.21 now reads:  <i>“The actuary must describe any <b>historic</b>, large or unusual claims activity, <b>including catastrophes</b>, and the impact on the <b>valuation by way of provision for those types of claims. If the actuary is reserving general lines of business the impact of exposure to perceived material environmental</b></i>

			<b>issues, such as global warming, must be explained. "</b>
8.19 (8.24)	Are there any requirements as to how these should be valued? Any minimum expectations (eg stochastic or not)?	The Authority expects that the approach to valuation will be that which is best suited based on the actuary's judgement, within the parameters of the guidelines of the respective actuarial fellowship body. Although the Authority has decided to not prescribe these requirements, the Authority is still empowered to challenge these and other aspects of the report.	A minor amendment was made to paragraph 8.24 to clarify the requirement.
8.23 (8.28)	Consider removing "age" adjustment. Adjustments are often simple mortality multipliers, for example.	The Authority presented age adjustment not as a requirement but simply as an example to clarify the rule.	The requirement has been amended to include mortality multiplier adjustments as an additional clarifying example.
8.24	Is this applicable for Cayman under the present capital requirements?	The Authority notes and agrees that the requirement was not fully applicable given the current capital regime.	The rule was deleted.
8.25 (8.30)	"meaningful" – please explain what this would be.	The feedback is noted. The Authority reiterates its decision not to be overly prescriptive in the measure.	The Authority has expanded the rule referenced in paragraph 8.30 to clearly articulate its expectations as it relates to stress testing for the purpose of the actuarial report.
8.26 (8.31)	What about non-payment by reinsurers which is more impactful? Credit risk of the Cedants is not usually covered by the Actuary.	We are in agreement with the feedback.	The paragraph was amended to replace the word cedants with 'reinsurers'
8.27 (8.32)	We find this unusual (due to client confidentiality, not being a qualified legal professional, etc.), albeit we understand an actuary would consider the	We note the concern and have sought to allow for reliance on estimates provided by the licensee	The following has been appended to paragraph 8.32 to address the concern raised:



	variability such legal action brings to the estimation process.	as it relates to potential impact.	<b><i>"The actuary is justified in relying upon the licensee's legal advisors in deciding upon this estimated impact where consideration is outside the normal range of their actuarial expertise."</i></b>
8.28	We find the inclusion of details of the peer review process to be unusual.	Peer review needs to be formal to be effective, hence the reason it is a rule.	The requirement has been updated and included as rule 6.10 to provide additional detail on the Authority's expectations.
	Is there a typo with the far right "R" added in error below 8.28?	Formatting error.	Matter addressed.
8.29 (8.34)	Assumptions appear to be missing altogether – these are one of the most important inputs for life business.	The Authority reiterates its position to not be overly prescriptive in this measure. Consequently, the absence of some aspects of normal actuarial work should not be seen as an exclusion from the expectations. Notwithstanding, the matter of assumptions has been addressed in the revision of the Rules and SoG.	The word 'assumptions' was included in paragraph 8.32 as a necessary inclusion in the report.
8.30 (8.35)	Clarification required on the purpose – to be used for Provision for Adverse Deviation? The information is usually provided to the Actuary without further verification.	The requirement only applies to the reporting on long-term business and is not associated with reasons related to adverse deviation. The Authority is not imposing a requirement for the actuary to carry out any analysis in respect of this information. The purpose of the rule is to establish a requirement for the Authority to be provided	No amendment required.

		with reference information on the classes of assets held by the licensee.	
8.31 (8.36)	An ALM exercise engagement appears beyond the scope of an Actuarial Reserve Analysis.	The Authority is of the opinion that this requirement, which is related to long-term licensees only, is what would be the normal regulatory expectation.	The rule was expanded for clarification purposes, as follows:  "An outline and description of the approach used for asset-liability matching and liquidity management must be included <b>in sufficient depth to enable the reviewing actuary to confirm, its validity. The appointed actuary should articulate the extent of any mis-matches between assets and liabilities. The actuary should do so by estimating the extent to which interest rates would need to move adversely to take ten percentage points off the licensee's coverage of the prescribed capital ratio which has arisen from the actuary's valuation.</b> "
8.30/8.31 (8.35/8.36)	Not sure how these 2 points address capital adequacy: is the question here do we have enough/ sufficient assets to pay our liability + margin / surplus? If yes, then an assessment should ask for 1) quantity assessment - how much assets we have and how much is enough? 2) quality of these assets by reference to default, liquidity etc - how quickly and can we actually use these assets when we need to.	The objective of the referenced section, now entitled - " <i>Capital Adequacy Reporting Requirements for Long-term Insurers</i> " is to establish related requirements specific to the measure, that is, reporting within the context of the valuation report. The Rule and SoG therefore do not seek to prescribe any capital requirements or their calculation.	Paragraph 8.36 was expanded to clarify the expectations of the Authority as it relates to the reporting in the valuation report on capital adequacy results.  A new paragraph 8.37 is included to support clarity. It states:  " <b>The actuary must provide in the report, a reasoned description of the means by which they have valued the assets and, in a consistent manner, compared them to their valuation of the liabilities.</b> "

9	Again, focused heavily on data but not on assumptions, models and areas of judgement which would be key too.	The Authority notes the comments, and still in line with the decision not to be overly prescriptive, has made some amendments and provided additional guidance where needed.	<i>Specific amendments to the various requirements are presented in the revised measure. Additionally, further guidance is provided in some cases to ensure clarity.</i>
9.10	This refers to the need for underlying data to be validated by the actuary - we note current practice is generally for actuaries to rely on management for data accuracy. It is likely the requirement in this section may open up additional reporting requirements between consulting actuaries and external auditors (and thus additional fees), or require additional time and expense to be incurred by the consulting actuary to validate the data.	The Authority expects that the actuary will undergo some process of validation of this type of information. The requirement is not for a full-scale validation exercise in all cases, but at a minimum, the validation be conducted via a sampling process.	The requirement has been amended to establish a minimum requirement of validation through sampling.