



TO: Members of the CAA

FROM: Neil Dingwall, Chairman, CAA Standards Steering Committee

SUBJECT: Actuarial Practice Standard No. 4 – Valuation of Property and Casualty Liabilities.

DATE: May 27th, 2011

At the 2010 Caribbean Actuarial Association Annual Meeting, Council approved the development of a comprehensive set of Actuarial Standards that will apply to work performed in the Caribbean region. The objectives of the project were outlined as follows:-

- Caribbean Actuarial Standards will become the Caribbean Standard.
- That the Caribbean Actuarial Standards will be consistent with International Actuarial Standards.

The overriding purpose of CAA Practice Standards is to serve the public interest by ensuring that the users of actuarial services in the Caribbean benefit from a high quality of actuarial work. An additional motivation has come from the regulators in the region who have expressed a desire for the C.A.A. to take an active role. As a profession, self-governance and regulation should be our preference.

In accordance with due process, Council appointed a CAA Standards Steering Committee to produce the Standards. The CAA Standards Steering Committee has divided the project into various segments, some of which are able to run concurrently and some which will need to be sequential. The drafting work has been performed by the Practice Committees and we are now in a position to expose a number of new and revised standards to the membership.

We expect to be circulating the following documents:

1. A background paper on the planned Actuarial Standards Architecture
2. Pension Revised APS 1
3. Social Insurance New APS 3
4. Non-Life Insurance New APS 4
5. The Life insurance Committee will be releasing the results of their Discount Rate survey in preparation for the development of a separate standard on this issue

Attached is the first Exposure Draft of Actuarial Practice Standard (APS) 4. This Standard covers the

valuation of Property and Casualty Liabilities. APS4 is a technical/communication standard and sets out, inter alia, the minimum information that should be contained in a report on an actuarial valuation of the liabilities and considerations for the valuation of the liabilities.

Also included is the Actuarial Standards Architecture background paper.

In commenting on and reviewing the attached Exposure Draft, we would ask that, as far as is practicable, you follow the instructions in appendix 1 of this memo. Also, it would be of benefit to the committee, if you could answer the questions contained in Appendix 2.

It is planned to hold sessions at the Annual meeting to allow for further discussion and allow the Practice Committees to report both the comments received and what further amendments they would recommend in making their recommendation for adoption by Council at their meeting.

The CAA due process for the approval of new standards requires an initial six month exposure period. This period will expire no later than November 30, 2011. Notwithstanding this the steering committee would appreciate it if all respondents would endeavor to provide feedback by **September 30, 2011** to facilitate a consolidated review of all comments.

The standard is expected to be required practice when it has completed its due process and has been approved by the membership in December 2012.

Comments, suggestions, recommendations for amendments and any other feedback on APS4 should be submitted by email to the chair of the General Insurance sub-committee, Ravi Rambarran (Ravi_Rambarran@sagicor.com).

The Steering Committee looks forward to communication with the members and with other interested parties, who wish to raise issues of concern throughout this process.

Neil Dingwall.

Appendix 1: Instructions for Commenting

1. The deadline for official submission of comments is six months from the date of circulation of this memo but please attempt to submit by the voluntary date of **September 30, 2011**.
2. The draft has been circulated in Microsoft Word format in a two column layout. Please insert your comments in line with the relevant paragraph in the second column.
3. Unless necessary, please do not use Microsoft Word's "Track Changes" features to indicate your changes.
4. As part of the review process, your comments may be shared with the wider membership but individual views will not be identified with any specific member.
5. Submissions specific to the standard should be emailed to the relevant sub-committee chair as outlined in the memo.
6. Any comments on the overall approach or related to the CAA's due process can be addressed to the Chair of the CAA Standards Steering committee, Neil@dingwall.com.
7. Please include a completed version of Appendix 2 with your submission.

Appendix 2: Questions for the Membership

Q1: Does the draft standard provide adequate and appropriate guidance?

Q2: Are there any definitions that you would like revised or are there any other additional words or terms that you think should be defined in Section 2?

Q3: Is there any additional guidance that you would like to see included?

Q4: Is there any aspect of the standard that you consider inappropriate or unnecessary?

Q5: Do you broadly agree with the decision of Council to make the CAA the standard setting body for the Caribbean as outlined in the “Standards Architecture” document?

Q6: Is there any specific additional area that you would like to see the CAA consider producing standards for?



Preliminary Exposure Draft

New Standard

Caribbean Actuarial Association

Standard of Practice

APS4: Valuation of Property and Casualty Liabilities

**A Preliminary Exposure Draft of the
Committee on Actuarial Standards of the CAA**

Distributed on May 29, 2011

Comments to be sent to [Ravi Rambarran@sagicor.com](mailto:Ravi_Rambarran@sagicor.com) by November 30, 2011

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1 Application and Effective Date

- 1.1 Actuarial Practice Standard 4 (APS4) is the required standard of practice for all Actuaries who are members of the Caribbean Actuarial Association (CAA) giving advice on the valuation of property and casualty, accident and sickness insurance contract liabilities for insurers.
- 1.2 It applies to the valuation of the insurance contract liabilities and of the reinsurance recoverables in an insurer's financial statements.
- 1.3 It applies respectively to property and casualty insurance; that is, to insurance with respect to property, to insurance with respect to the actions of individuals and corporations, to insurance with respect to the accident and sickness of individuals and groups of individuals.
- 1.4 An insurer is defined as the party that has an obligation to compensate a policyholder if an insured event occurs, the legal form of the insurer is unimportant for purposes of the determination of the insurance contract liabilities

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and of the reinsurance recoverables

- 1.5 Any deviation from following the principles set out below should be explained in the actuary's report. Any deviation from following the principles set out below should be explained in the actuary's report.
- 1.6 This Practice Standard was approved by the Council of the Caribbean Actuarial Association on Month Day, Year to become effective for the valuation period beginning on or after Month Day, Year.

2 Definitions

- 2.1 For the purposes of this Standard, an "Actuary" is defined in the CAA Codes of Conduct.
- 2.2 Claim adjustment expenses are internal and external expenses in connection with settlement of claims.
- 2.3 Claim liabilities are the portion of insurance contract liabilities in respect of claims incurred on or before the balance sheet date.
- 2.4 Going concern valuation is a valuation which assumes that the entity to which

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the valuation applies continues indefinitely beyond the calculation date.

- 2.5 Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance contract includes group insurance, third party contracts where the owner of the contract and the person who is compensated (the policyholder) differ, and all like arrangements substantively in the nature of insurance.
- 2.6 Insurance contract liabilities in an insurer's balance sheet are the liabilities at the balance sheet date on account of the insurer's insurance contracts, including commitments, which are in force at that date or which were in force before that date.
- 2.7 Policy liabilities in an insurer's balance sheet are the liabilities at the balance sheet date on account of the insurer's policies, including commitments, which are in force at that date or which were in force before that date.
- 2.8 Provision for adverse deviations is the difference between the actual result of a calculation and the corresponding result using best estimate assumptions.
- 2.9 Report is defined as an actuary's written communication presenting the results of

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professional services to an insurer or other intended user. A report may comprise one or more documents, which may be presented in a variety of media.

Recommended Practices

3 Data Quality

- 3.1 Sources of data - To the extent possible and appropriate, the actuary should consider using data specific to the insurer for which the assumptions are being made. Where such data are not available, relevant, and credible, the actuary should consider industry data or data from other similarly situated organizations, modified as appropriate.
- 3.2 Sufficient and reliable data - The actuary should consider whether sufficient and reliable data are available to complete the assignment. Data are sufficient if they include the needed information for the work product. Data are reliable if that information is accurate.
- 3.3 Testing and validation - The actuary should take reasonable steps to verify the

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consistency, completeness, and accuracy of the data used. This might include:

- a. undertaking reconciliations against financial statements, trial balances and/or other relevant records, if these are available;
- b. testing the data for reasonableness against external data;
- c. testing the data for internal consistency.

3.4 Materiality - The actuary should consider the possible effect of any data deficiencies (such as inadequate, inconsistent, incomplete, inaccurate, unreasonable data, etc.) on the results of the analysis. If the deficiencies in the data are not likely (in the actuary's professional judgement) to materially affect the results such deficiencies can be ignored.

3.5 Dealing with data deficiencies - If the actuary believes that the available data are deficient to an extent that would materially affect his or her conclusions and if he or she cannot find a satisfactory way to resolve those deficiencies, then the actuary should consider whether to:

- a. decline to undertake the assignment;
- b. work with the insurer to modify the assignment;
- c. perform the assignment as well as possible and disclose the data deficiencies

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in the report.

4 Assumptions

- 4.1 Selection of assumptions – The actuary should select assumptions and a methodology that, in the actuary’s professional judgement, are appropriate for the work product, taking into account the needs of the intended users and the purpose of the professional services. In selecting assumptions, the actuary should consider the circumstances of the insurer and the assignment as well as relevant industry practices.
- 4.2 Reasonableness of Assumptions – The actuary should consider the reasonableness of the assumptions underlying each component of the methodology used. Assumptions generally involve significant professional judgment as to the consistency with the methodology used and the parameters underlying the application of such methodology. Assumptions may be implicit or explicit and may involve interpreting past data or projecting future trends. The actuary should consider whether it is appropriate to use assumptions that, in the actuary’s professional judgment, have a known significant bias to underestimation or overestimation of the result.
- 4.3 Past experience – The available past experience may lack full credibility for

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assumptions about the insurer's future experience as a result of internal changes.

In selecting assumptions, the actuary should also consider assumptions that adjust for known material insufficiency or unreliability in the available data, if appropriate.

- 4.4 External circumstances – The actuary should consider the external circumstances (including the legal, economic, regulatory, legislative, demographic, and social environments) on which the methodology and assumptions depend.

5 Claims Liabilities

- 5.1 The amount of claim liabilities consists of the following components:

- a. the amount of the case estimates,
- b. a provision (which may be positive or negative) for development on reported claims, including claim adjustment expenses, and
- c. a provision for incurred but unreported claims, including claim adjustment expenses.

- 5.2 The development on reported claims compensates for the inadequacy or redundancy in case estimates.

- 5.3 The incurred but unreported claims are those not yet reported to the insurer,

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including those reported but not yet recorded.

- 5.4 The development on reported claims and the incurred but unreported claims need not be calculated separately. Some valuation methods calculate only their combined amount.
- 5.5 The selection of valuation methods depends on the circumstances of the case. The actuary would usually consider several methods, each of which involves assumptions; e.g., an assumption that the settlement patterns of the available past claims experience are uniform and the same as those of the insurer's future claims experience. The actuary would, where practical, adjust the available past claims experience in order to recognize those assumptions.
- 5.6 The actuary would consider the circumstances of the case in selecting assumptions. The available past claims experience may lack full credibility for assumptions about the insurer's future claims experience as a result of internal changes, such as changes in:
- a. the insurer's underwriting practice,
 - b. its claims handling practice, including case estimate practice,
 - c. its reinsurance,

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- d. its data processing, and
- e. its accounting,
- f. external changes, such as inflation and changes in the legal, regulatory, and legislative environment, or residual insurers, like the Facility Association or pools that the insurer participates.

6 Premium Liabilities

- 6.1 The amount of the premium liabilities should be equal to the present value, at the balance sheet date, of cash flow on account of premium development and of the claims, expenses, and taxes to be incurred after that date on account of the policies in force at that date or an earlier date.

7 Margin for Adverse Deviation

- 7.1 The criteria for selection of the margin for adverse deviations for an assumption shall depend on the considerations for that assumption set out below. The selected margin for adverse deviations used in the valuation of insurance contract liabilities should tend toward a higher margin for adverse deviations to the extent that the considerations for that assumption, viewed in the aggregate

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but considering their individual relative importance, have been unstable during the period covered by the experience data on which the selection of the corresponding expected assumption is based and the effect of that instability cannot be quantified, or, otherwise undermine confidence in the selection of the corresponding expected assumption, and should tend toward a lower margin for adverse deviations to the extent that the opposite is the case.

- 7.2 The selected margin for adverse deviations should be considered separately for premium liabilities and claim liabilities, lines of business, and accident years, policy years, or underwriting years, as the case maybe, according to how those considerations so vary.
- 7.3 The actuary should select a margin for adverse deviations for an assumption that is at least as much as the amount defined by the low margin for adverse deviations and is not excessive.
- 7.4 The range of margin for adverse deviations would be,
- | | High | Low |
|---------------------------------|------|------|
| claims development | 20% | 2.5% |
| recovery from reinsurance ceded | 15% | 0 % |
- 7.5 Usually, a selection above this high margin for adverse deviations would be

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considered excessive.

- 7.6 A selection above this high margin for adverse deviations would be appropriate, however, for unusually high uncertainty or when the resulting provision for adverse deviations is unreasonably low because the margin for adverse deviations is expressed as a percentage and the best estimate is unusually low.

8 Method

- 8.1 The actuary should value the insurance contract liabilities and the reinsurance recoverables for the balance sheet and the changes in them for the income statement.
- 8.2 Accounting Basis: The actuary should co-ordinate the valuation with the insurer's accounting policy as respects the choice between going concern and wind-up accounting, and so that the insurance contract liabilities, reinsurance recoverables, and other items in the balance sheet are consistent, avoid omission and double counting, and conform to the presentation of the income statement.
- 8.3 Relevant Policies: The relevant insurance contracts for the valuation are those that are in force, including those whose issue is then committed, at the balance sheet date, or that were in force earlier and that will generate cash flow after the

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balance sheet date.

- 8.4 Cashflows: The insurance contract liabilities, net of reinsurance recoverables, in respect of each of the relevant insurance contracts should be comprised of the cash flow after the balance sheet date from the premiums, benefits, claims, expenses, and taxes that are incurred during the term of its liabilities. The cash flows that comprise the insurance contract liabilities should include the effect of retrospective premium, commission, and similar adjustments, experience rating refunds, reinsurance ceded, subrogation and salvage, the exercise of policy owner options, and the deemed termination at the end of the term of its liabilities of each policy then in force.
- 8.5 Time value Of Money: The valuation should take account of the time value of money.
- 8.6 Margins For Adverse Deviations: The actuary should ensure that the application of margins for adverse deviations with respect to the insurance contract liabilities and the related reinsurance recoverables results in an increase to the value of the liability net of reinsurance. The provision resulting from the application of all margins for adverse deviations, in addition to increasing the net liability, should be appropriate in the aggregate. The margin for adverse deviations reflects the degree of uncertainty of the best estimate assumption. This uncertainty results

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from the risk of mis-estimation of and deterioration from the best estimate assumption. The potential for mis-estimation is greater when the past experience has been more volatile and hence would justify a greater margin. However, the margin for adverse deviations would be based on a forward-looking assessment of the expected experience and would not act as a mechanism to absorb changes in observed experience, such as changes caused by statistical fluctuations.

- 8.7 Terminology: Use of the terms “insurance contract liabilities”, “policy liabilities”, “reinsurance recoverables”, “premium liabilities” and “claim liabilities” is desirable in financial statements, but the choice of the terminology and itemization is a management decision. What matters is that the actuary identify, value, and report on all of the liabilities and assets valued by the actuary, whatever they may be called in the financial statements. The differentiation between premium and claim liabilities is usually evident but is, in any case, less important than assurance that all insurance contract liabilities and reinsurance recoverable assets have been identified and valued.
- 8.8 Reinsurance: Insurance contract liabilities reported in the insurer’s balance sheet would not be net of the value of recoveries that are expected from reinsurance ceded. The value of the reinsurance recoverables is recorded as an asset. Fair presentation of the reported insurance contract liabilities requires the amount of

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that asset to be appropriate. The recovery on account of reinsurance ceded would take account of not only the reinsurer's share of claims but also reinsurance commissions, allowances, retrospective premium adjustments, and the financial condition of the reinsurer. The actuary would assume that the insurer and the reinsurer each exercises its control over recapture, cancellation or commutation to its advantage. The sign (positive or negative) of an assumption's margin for adverse deviations may depend on that assumption's effect on recapture, cancellation or commutation.

- 8.9 **Term Of The Liabilities:** The term of the liabilities of a property and casualty insurance policy ends at its expiry, which usually is within one year of the balance sheet date, unless for example the policy has been cancelled, in which case that term ends at the effective date of cancellation, or the contractual term of the policy exceeds one year.
- 8.10 **Tax And Expenses:** The tax cash flows are limited to those generated by premiums, benefits, claims, and expenses, and by the assets that support the insurance contract liabilities. The expense cash flows are limited to those generated by the relevant policies, including overhead allocations. The tax and expense cash flows exclude, for example, tax on investment income from, and the investment expense of, assets that support capital.

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- 8.11 Retrospective Premiums: In determining the value of a contractual right of the insurer to future premiums that depend on past claims experience, the actuary would take account of credit risk of the policy owner.
- 8.12 Experience Refunds: The liability for experience rating refunds would be considered. The experience rating refund element of the insurance contract liabilities would not be negative except to the extent that in settlement it may be offset against another liability or recovered from policy owners. Where an insurer holds an asset for an accrued experience rating deficit, the actuary would test the appropriateness and recoverability of the receivable amount using the valuation assumptions and methodology for experience rating refunds, and make an adjustment to the insurance contract liabilities if necessary.
- 8.13 Subrogation And Salvage: The actuary would either net subrogation and salvage amounts against claims or value them as a separate item, depending on the insurer's accounting policy.
- 8.14 Policyowner Options: Policy owner options should be considered where they are to the disadvantage of the insurer.

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Comments**9 Reporting**

- 9.1 The actuary's report should describe the valuation and presentation of policy liabilities and reinsurance recoverables for the insurer's balance sheet and income statement, the actuary's opinion on the appropriateness of those liabilities and recoverables and on the fairness of their presentation, and the actuary's role in the preparation of the insurer's financial statements if that role is not described in those statements or their accompanying management discussion and analysis.
- 9.2 If the financial statements or their accompanying management discussion and analysis describe the actuary's role in their preparation, and the actuary can report without reservation, then the actuary's report should conform to the standard reporting language, consisting of a scope paragraph, which describes the actuary's work, and an opinion paragraph, which gives the actuary's favourable opinion on the valuation and its presentation. If not, the actuary should modify the standard reporting language to report with reservation.
- 9.3 Accounting In The Balance Sheet: The amount of the insurance contract liabilities is usually the largest amount in the balance sheet, so that its itemization is desirable. The reference to "policy liabilities", "insurance contract

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liabilities” and “reinsurance recoverables” in the standard reporting language is adequate if the notes to the financial statements or their accompanying management discussion and analysis verbally define “insurance contract liabilities” and “reinsurance recoverables”, and the balance sheet presents their total amount as a separate item.

- 9.4 The actuary’s report would conform to the requirements of relevant legislation for the countries that prescribe that the actuary value the policy liabilities, not only the insurance contract liabilities net of reinsurance recoverables.
- 9.5 Where the purpose is to value in conformity with applicable International Financial Reporting Standards, the intent would be that financial statements be prepared in accordance with International Financial Reporting Standards.
- 9.6 Disclosure Of Unusual Situations: The items that the actuary values for the financial statements may be misleading if the financial statements do not present them fairly. The actuary’s report is a signal to the reader of the financial statements that there is, or is not, fair presentation. In an unusual situation, fair presentation may require explanation of an item that the actuary values for the financial statements. Usually, the notes to the financial statements would provide that explanation, including, where appropriate, disclosure of the situation’s effect on income and capital. Failing such explanation, the actuary would provide it by

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a reservation in reporting.

- 9.7 Consistency Across Accounting Periods: Financial statements usually report results for one or more preceding accounting periods in addition to those for the current period. Meaningful comparability requires the financial statement items for the various periods to be consistent through the restatement of preceding period items if they were inconsistently reported in the preceding period financial statements. A less desirable alternative to restatement is disclosure of the inconsistency. A change in the method of valuation creates an inconsistency. If a change in the assumptions for valuation reflects a change in the expected outlook, then it does not create an inconsistency although, if its effect is major, then fair presentation may require its disclosure. A change in assumptions that results from the application of new standards may create an inconsistency.
- 9.8 Communication with The Auditor: Communication with the auditor is desirable at various stages of the actuary's work. These include the drafting of common features in the auditor's report and actuary's report, the drafting of a report with reservations, the presentation of the insurance contract liabilities, policy liabilities other than insurance contract liabilities, and the reinsurance recoverables, and the treatment of subsequent events.
- 9.9 Description of the Actuary's Role: The actuary would report a description of his

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or her role in the preparation of the insurer's financial statements only if the financial statements or their accompanying management discussion and analysis do not provide that description.

- 9.10 Standard Reporting Language: To the policyholders [and shareholders] of [the ABC Insurance Company]: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with Caribbean actuarial standards. In my opinion, the amount of policy liabilities [net of reinsurance recoverables], makes appropriate provision for all policy obligations and the [consolidated] financial statements fairly present the results of the valuation.
- 9.11 Reservations In Reporting: To the policyholders [and shareholders] of [the ABC Insurance Company]: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with Caribbean actuarial standards. As explained in Note [XX], the [Company's] liabilities are not fully funded. In my opinion, and having regard for Note [XX], the amount of policy liabilities [net of reinsurance recoverables] makes appropriate provision for all policy obligations and the

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[consolidated] financial statements fairly present the results of the valuation.

Note [XX] would quantify and describe the actuary's assumptions with respect to the asset shortfall, describe the plan, if any, for its funding, and explain its implications for the financial security of policyholders.

9.12 Standard Reporting Language: To the policyholders [and shareholders] of [the ABC Insurance Company]: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with Caribbean actuarial standards. In my opinion, the amount of policy liabilities [net of reinsurance recoverables], makes appropriate provision for all policy obligations and the [consolidated] financial statements fairly present the results of the valuation.

9.13 Reservations In Reporting: To the policyholders [and shareholders] of [the ABC Insurance Company]: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with Caribbean actuarial standards. As explained in Note [XX], the [Company's] liabilities are not fully funded. In my opinion, and having regard for Note [XX], the amount of policy liabilities [net of reinsurance

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recoverables]makes appropriate provision for all policy obligations and the [consolidated] financial statements fairly present the results of the valuation. Note [XX] would quantify and describe the actuary's assumptions with respect to the asset shortfall, describe the plan, if any, for its funding, and explain its implications for the financial security of policyholders.

- 9.14 If the actuary doubts the appropriateness of the predecessor actuary's work as a result of a review of it, then the actuary would consider a more serious reservation.
- 9.15 Impracticality of Restatement: The actuary would, if necessary, restate the preceding year valuation to be consistent with the current year valuation. If it is not practical to restate the preceding year valuation, then the actuary would modify the opinion paragraph in the standard reporting language as follows: As explained in Note [XX], the method of valuation for the current year differs from that for the preceding year. In my opinion, except for that lack of consistency, the amount of policy liabilities [net of reinsurance recoverables] makes appropriate provision for all policy obligations and the [consolidated] financial statements fairly present the results of the valuation. Note [XX] would usually explain the change in the basis of valuation, explain the impracticality of applying the new basis retroactively, and disclose the effect of the change on the

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opening equity at the beginning of the preceding year.

- 9.16 Takeover of Insurer with Poor Records: If the insurer took over another insurer with poor records, then the actuary would modify the standard reporting language as follows: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in the Caribbean, including selection of appropriate assumptions and methods, except as described in the following paragraph. During the year, [the Company] took over the assets, liabilities, and policies of [WWW Insurer], whose policy records are, in my opinion, unreliable. [The Company] is making but has not completed the necessary improvements. My valuation with respect to the policies taken over from [WWW Insurer] is therefore uncertain. Their policy liabilities [net of reinsurance recoverables] comprise [N]% of the total policy liabilities [net of reinsurance recoverables] at [31 December XXXX]. In my opinion, except for the reservation in the previous paragraph, the amount of policy liabilities [net of reinsurance recoverables] makes appropriate provision for all policy obligations and the [consolidated] financial statements fairly present the results of the valuation.

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9.17 Liabilities Greater Than Those Calculated By The Actuary: If the financial statements of an insurer report policy liabilities net of reinsurance recoverables, that are greater than those calculated and reported by the actuary, and if the notes to those financial statements do not provide sufficient disclosure of the rationale for the greater liabilities, then the actuary would report as follows: I have valued the policy liabilities [and reinsurance recoverables] of [the Company] for its [consolidated] balance sheet at [31 December XXXX] and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in the Caribbean, including selection of appropriate assumptions and methods, except as described in the following paragraph. In my valuation, the amount of the policy liabilities [net of reinsurance recoverables] is \$[X]. The corresponding amount in the [consolidated] financial statements is \$[Y]. In my opinion, the amount of policy liabilities [net of reinsurance recoverables] of \$[X] makes appropriate provision for all policy obligations and, except as described in the preceding paragraph