



07 December 2017

Dear Stakeholders

Re: Consultation Paper on Guidance Note – Actuary’s Opinion on EBS Technical Provisions Update Proposal

The Bermuda Monetary Authority (the Authority) would like to thank stakeholders for their continued support in furthering the development of the Bermuda insurance regulatory framework. The Authority appreciates the feedback received and is committed to working closely with its stakeholders to ensure that Bermuda’s regulatory regime is effective and aligned with international standards.

On 1st November, 2017 the Authority issued a Consultation Paper providing Market Feedback on the Actuarial Opinions the Market submitted for the first time as part of the 2016 year end statutory filing and proposing revisions to the Guidance in light of this feedback.

The Authority received a limited number of comments on the proposed changes none of which identified the need for changing our proposal. Outlined below are our responses to the more significant comments received.

Reserving thought process

The Authority received a comment requesting clarification on the intention of using the term of “reserving thought process” rather than “reserving process”.

This change was made for clarification purposes; the intention of the statement is unchanged. The change was made following pre-consultation with the Association of Bermuda Insurers & Reinsurers (ABIR) and it is intended to clarify that the Opinion relates to the Actuary’s reserving thought process rather than the insurer’s reserving process.

Discount Unwind

The Authority received a comment querying the level of detail needed in the discussion of the unwinding of the discount.

It is expected for the Actuary to provide an overview of the methodology used to allow for unwinding any pre-existing discount before applying the risk free discount rate. There is no need for the Actuary to state the amount of the unwinding but in order to be able to reverse it out they are expected to have an understanding of it.

Immaterial Calculation Steps

The Authority received comments querying the need for the Actuarial Opinion to discuss all steps taken in deriving the Technical Provisions (as described in the Guidance) even when these are considered immaterial.

The Authority expects reference to all calculation steps as it assists us to better understand the process that the Actuary followed on his/her assessment of the Technical Provisions. It is however understood that the length of discussion of each step will depend on its materiality.

Implication of Paragraph 57c Change on the Opinion Structure

The Authority received a comment querying the structure of the Actuarial Opinion following the change in paragraph 57c, as in some cases Actuaries “provide a description of the work performed in arriving to that evaluation” in earlier parts of the Opinion.

The Authority does not wish for the structure of the Opinions to change with the revision in paragraph 57c but we would generally expect each item to be discussed in the Parts/order identified in the Guidance and in the few instances this is not the case reference should be made to the section of the Opinion where the item is discussed.

Conclusion

The Authority would like to thank stakeholders for their comments on the Consultation Paper and revised Guidance Note.

Please contact the Authority at riskanalytics@bma.bm if you have any questions.

Yours sincerely

Bermuda Monetary Authority