

THE INSURANCE ACT

(*Cap. 487*)

IN EXERCISE of the powers conferred by section 180 of the Insurance Act, the Cabinet Secretary for the National Treasury makes the following Rules:—

THE INSURANCE (AMENDMENT) REGULATIONS, 2016

1. These Regulations may be cited as the Insurance Citation.
(Amendment) Regulations, 2016.

2. Regulation 9 of the Insurance Regulations, hereinafter referred Sub.Leg.
to as the “principal Regulations” is amended by—

- (a) deleting the words “long term” wherever they occur;
- (b) deleting the table appearing immediately after paragraph (1) and substituting therefor the following new table—

<i>Serial No. of classes</i>	<i>Brief Description of classes</i>
31.	Life Assurance
32.	Annuities
33.	Pensions (a) Personal pension (b) Deposit Administration
34.	Group Life
35.	Group Credit
36.	Permanent Health
37.	Investment (a) Unit Link and Linked Investments (b) Non- Linked investments

3. Regulation 15 of the principal Regulations is amended by deleting the words “minimum basis” and substituting therefor the words “prescribed basis”.

4. Regulation 17 of the principal Regulations is amended by deleting words “four months” appearing immediately after the word “within” and substituting therefor with the words “three months”.

5. The principal Regulations are amended by deleting the Fourth Schedule and substituting therefor the new Schedule set out in the Schedule in Part I of the Schedule.

6. The principal Regulations are amended by deleting the Fifth Schedule and substituting therefor the new Schedule set out in the Schedule in Part II of the Schedule.

7. The principal Regulations are amended by deleting the Sixth Schedule and substituting therefor the new Schedule set out in the Schedule in Part III of the Schedule.

8. The principal Regulations are amended by deleting the Seventh Schedule and substituting therefor the new Schedule set out in the Schedule in Part IV of the Schedule.

9. The principal Regulations are amended by deleting the Eighth Schedule and substituting therefor the new Schedule set out in the Schedule in Part V of the Schedule.

SCHEDULE

PART I

FOURTH SCHEDULE (s. 57(1)(b) and r. 12)

PART A—PROVISIONS RELATING TO THE PREPARATION OF
ABSTRACTS OF ACTUARY'S REPORTS

SECTION I

PART I

1. Abstracts and statements shall be so arranged that the numbers and letters of the paragraph correspond with those of the provisions of section II of this Schedule.

2. The Actuary shall describe a valuation and the presentation of policy liabilities for the Insurer.

3. The Assumptions and method for determination of liability of policies shall be in accordance with generally accepted actuarial principles and as prescribed by the Authority.

4. The Actuary shall, in respect to long term Insurance, apply best estimate assumptions and allow for margins as prescribed by the Authority.

5. In regard to long term business, the average rate of interest earned or yielded in any year by the assets constituting a statutory fund shall, for the purpose of provision (5) or Part II of this Schedule, be calculated by dividing the interest of the year by the mean fund of the year; and for the purposes of any such calculation the interest of the year shall be taken to be the whole of the interest, dividends and rents credited to the statutory fund during the year after deductions of rates and taxes (any refund of rates or taxes made during the year being taken into account), and the mean fund of the year shall be ascertained by adding a sum equal to one half of the aggregate of the balance or balances of any revenue accounts or accounts and the balances of any reserve accounts in respect of the long-term insurance business to which the statutory fund relates at the beginning of the year to a sum equal to one half of the aggregate of balances of those account at the end of the year, and deducting from the aggregate of those two sums an amount equal to one half of the interest of the year.

6. Every abstract prepared in accordance with the requirements of Part II shall be signed by an actuary and shall contain a certificate to the effect that the Actuary is satisfied as to the accuracy of the valuation made for the purpose thereof and of the valuation data.

7. Notwithstanding the provisions of paragraph 6, the principal officer shall sign the certificate as to accuracy of the data and the actuary shall insert in the abstract a signed statement showing what precautions have been taken to ensure the accuracy of the data.

8. For the purposes of this Schedule—

“inter-valuation period” means, in relation to any valuation in respect of any class of business, the period to the valuation date of that valuation from the valuation date of the last preceding valuation;

“maturity date” means the fixed date on which any benefit will

become payable either absolutely or contingently;

“premium term” means the period during which premiums are payable;

“valuation date” means, in relation to any valuation, the date as at which the valuation is made.

SECTION II

Part 1—Long-Term Business

The following documents shall be annexed to every abstract prepared in accordance with this Part of this Schedule:

- (a) A summary and valuation in Form No. INS. 57-1 of this Schedule of the policies included at the valuation date in the class of business to which the abstract relates.
- (b) A Valuation Balance Sheet in Form No. INS 57-2 of this Schedule; and
- (c) A statement of specimen Policy Reserve Values and Minimum Surrender Values in Form No. INS 57-1 of this Schedule, and every such abstract shall show –
 1. the valuation date.
 2. the general principles and full details of the methods adopted in the valuation of each class of long-term insurance business including statements on the following matters—
 - (a) the method of allowing for the incidence and the frequency of the premium income.
 - (b) the methods by which provision has been made for the following matters, namely –
 - (c) payment of benefits or waiver of premiums during death, disability or any other pre-defined condition in the contract.
 3. the expense assumptions adopted taking into consideration the current and future expected experiences separately specified for each class of business.
 4. the basis adopted in the distribution of surplus as between the insurer and policyholders, and how the basis was determined.
 5. the general principles adopted in the distribution of surplus among policyholders, including statements on the following matters –
 - (a) how the principles were determined;
 6. a statement of the actuarial opinion on the capital adequacy of the insurer.

Part 2—General Insurance Business

The following documents shall be annexed to every abstract prepared in accordance with this Part of this Schedule:

- (a) A summary and valuation in Form No. INS. 57-1(b) of this Schedule of the policies included at the valuation date in the class of business to which the abstract relates.
- (b) every such abstract shall show –
 - (i) the valuation date;

- (ii) the general principles and details of the methodology applied in the valuation of each class of general insurance business;
- (iii) a statement on the reliance and limitation of the data used in the valuation including statements on the following matters:
 - (a) Whether the data used in the valuation is on Accident Year, Underwriting Year or Reporting Year basis.
 - (b) Whether direct or indirect or both claims handling expenses were used in the valuation.
 - (c) The number of development years of data used in valuation, and where this varies by type of business, it should be disclosed.
- (iv) a statement on the assumptions of development factors and ultimate loss ratios, expense rates and recoveries including a statement on the following matters:
 - (a) In relation to development factors and ultimate loss ratios chosen, disclose the assumptions underpinning development factors and ultimate loss ratios chosen in the valuation.
 - (b) In relation to the expense rate, disclose the assumption used on the direct or indirect claims expenses rate in the valuation and;
 - (c) In relation to recoveries, disclose how he has taken into account reinsurance and non-reinsurance recoveries and any assumption made relating to them in the process.
- (v) a statement on whether there was a change to the valuation method used to determine Incurred but Not Reported (IBNR) claims compared to the previous review.
- (vi) a statement on the sufficiency of the outstanding claims amount reported.
- (vii) the basis adopted in the claim inflation during valuation.
- (viii) the basis adopted in the claim history regarding the number of years taken for claims to run-off completely. This should be provided for each class of business.
- (ix) the method adopted in determination of the Unearned Premium Reserve and the amount of reserves for each line of business.
- (x) a statement on the comparison between Insurer's actual experience and previous valuation explaining any significant difference
- (xi) the actuary's opinion on the adequacy of the reserves.
- (xii) a statement of the actuary's opinion on the capital adequacy of the insurer.

Part 3—Financial Condition Report

The actuary shall prepare the abstract of the Financial Condition Report in such form as shall be prescribed by the Authority.

2. The abstract of the Financial Condition Report shall outline material risks, their impact and implications to the financial condition of the insurer.

3. The abstract of the Financial Condition Report shall provide a statement on the recommendations intended to address each of the material risks identified.

4. The abstract of the Financial Condition Report shall provide a statement on the extent to which the insurer has addressed recommendations provided in the Financial Condition Report of the previous year.

Non-Linked Investments																																	
Without Profits-Group Business																																	
Group Life																																	
Group Credit																																	
Permanent Health																																	
Deposit Administration																																	

FORM NO. INS 57-2

Long-Term Business

VALUATION BALANCE SHEET

57-2																																	
Class of Business	Line	Life Assurance	Annuities	Personal Pensions & Administration	Unit Linked, Non Linked Investments	Group Life	Group Credit	Permanent Health	Other	Total																							

PART II

FIFTH SCHEDULE (s.57 (3) and r. 13)

PROVISIONS RELATING TO THE PREPARATION OF STATEMENTS OF LONG-TERM INSURANCE BUSINESS

PART I

1. For the purposes of this Schedule—

“Office Premiums” means the actual premiums received by the company and for which credit is taken in the valuation in connection with which any statement is prepared, it is also called the “Gross Premium”;

“valuation date” means, in relation to any valuation, the date as at which the valuation is made.

PART II

The statements required to be prepared under this Part are the following:

2. Statements separately prepared in respect of policies with immediate profits, with deferred profits, and without profits showing in quinquennial groups—

(a) in relation to policies in single lives for the whole term of life—

(i) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable throughout life grouped according to ages attained; and

(ii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable for a limited number of years grouped in accordance with the grouping adopted for the purpose of the valuation;

(b) in relation to endowment insurance policies on single lives—

(i) the amount per annum, after deducting abatements made by application of bonus and office premiums payable grouped in accordance with the grouping adopted for the purposes of valuation;

(c) in relation to policies specified in the preceding provisions of this Schedule, under which a continuous disability benefit is granted—

(i) the amount per annum, after deducting abatements made by the application of bonus, of office premiums payable (including premiums of which payment is, at the valuation date, suspended owing to disability arising from sickness or accident), grouped according to the grouping adopted for the purposes of the valuation; and

(d) in relation to sinking fund policies—

(i) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable grouped according to the number of years' payments remaining to be made.

PART III

SIXTH SCHEDULE (s. 57(5) and r.14)

REGULATIONS RELATING TO ACTUARIAL VALUATION OF LIABILITIES

1. The value placed upon the aggregate liabilities of a statutory fund in respect of policies by reason of the adoption of any basis of valuation shall not be less than it would have been if it had been calculated as prescribed by the Authority.

2. The actuary who makes the valuation shall certify whether, in his opinion, the value placed upon the aggregate liabilities of a statutory fund in respect of policies by the valuation is not less than the value which would have been placed upon those aggregate liabilities if it has been calculated as prescribed by the Authority.

PART IV

SEVENTH SCHEDULE (s. 58(3) and r. 15)

RULES FOR THE CALCULATION OF THE VALUE OF LIABILITIES ON THE PRESCRIBED BASIS

1. The rates of mortality to be used in calculating the liability under a policy shall be as prescribed by the Authority.
2. The discount rates to be used in calculating the liability under a policy shall be as prescribed by the Authority.
3. The margins, in respect to long term Insurance, to be applied in addition to the best estimate assumptions shall be as prescribed by the Authority.
4. The liability calculated shall be the present value of all prospective cash flows.
5. All negative reserves shall be zeroised.

PART V

EIGHTH SCHEDULE (r. 16)

ACTUARY'S CERTIFICATE

I,of(full name)
 being an Actuary duly qualified
 (business address)

in terms of section 2 of the Insurance Act having conducted an investigation in terms of section 57 and 58 of that Act, do hereby certify as under:

- (a) that in my opinion the value placed upon the aggregate liabilities relating to the in respect of policies
 (statutory fund)

on the basis of valuation I have adopted is not less than what it would have been if the aggregate value had been calculated on the prescribed basis;

- (b) that necessary steps as required under section 58(5)(a) were taken; and
 (c) that I am satisfied that the value of assets I have adopted are on the basis of the auditor's certificates appended to the balance sheet, fully of the value so adopted.

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 Date Actuary

HENRY ROTICH.
 Cabinet Secretary for the National Treasury