ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES ON MAINTAINING RESERVES AND STATUTORY DEPOSITS

(Issued under Section 64 of the Financial Services Commission Act, R.S.A. c. F28)

1. Statement of Objective

These guidelines set out procedures for licensed insurers' compliance with the reserves and statutory deposit requirements under sections 8(1) and 8(2) of the Insurance Act, R.S.A. c. 116 ("the Act").

2. Statutory Requirements

a. Section 8(1) of the Act states as follows:

"A licensee undertaking domestic insurance business shall in respect of its general business maintain in a bank in Anguilla, which holds a domestic licence, funds in cash, short-term securities or other realisable investments approved by the Commission, the total value of which shall at least equal the total of its—

a) unearned premium reserve;
b) outstanding claims reserve;
c) reserve for claims incurred but not reported; and
d) unexpired risks reserve."

b. Section 8(2) of the Act states as follows:

"The Commission may require an approved external insurer to place with the Commission an interest bearing deposit to meet existing and future liabilities for a period to be determined by the Commission. The amount of the deposit will not exceed 40% of its annual premium income net of re-insurance premiums with respect to each class of insurance undertaken."

3. Procedures under Section 8(1) of the Act

a. By 15 February of each year, a company carrying on general business should provide the Commission with computation worksheets detailing its required statutory reserves in accordance with section 8(1). This computation should reflect the company's position as of 31 December the preceding year.

b. By 15 February of each year, each company carrying on general business should have its bank provide the Commission a confirmation letter that its required reserves are being held as under:

   i. Cash should be held in a bank in Anguilla holding a domestic banking licence. These funds should be pledged to the Commission or a lien/hold placed on the account noting the Commission's interest and prohibiting withdrawal without the Commission's written approval.

   ii. Approved securities should be held by an approved custodian. The securities should be pledged to the Commission and a hold placed on the securities to ensure liquidation is not possible without the Commission's written approval.

4. Procedure under Section 8(2) of the Act

a. By 15 February each year, an external insurer should provide the Commission with computation worksheets detailing its required statutory deposit in accordance with section 8(2). This computation should reflect the company's position as of 31 December of the preceding year.

   As at the date of this guidance, all statutory deposit funds held at Republic Bank (Anguilla) Limited in the form of certificates of deposit have been converted to 1-year certificates of deposit as at the last maturity and reinvestment date, to allow insurers to benefit from higher interest rates where available based on the length of the term of the certificate of deposit, currency and amount on deposit. Each term deposit will be automatically re-invested for a term of 1 year thereafter.

   The certificates of deposits will continue to be held in the name of the Commission for the benefit of each insurer. Copies of the certificates will be provided to insurers upon each issue.

   Funds being transmitted by insurers to increase the funds held in the insurer's statutory deposit must be transmitted to the Commission's operating account, for onward transfer to the certificate of deposit held for the insurer's benefit on the next maturity date to avoid loss of interest income due to early redemption of the certificate of deposit.

   A copy of the remittance advice indicating funds transferred <u>must</u> be submitted to the Commission by 15 February each year to be in compliance with the statutory requirement and at the latest by one (1) month prior to the maturity date in order to ensure that funds can be transferred to the noted term deposit prior for reinvestment. Failure to timely remit funds and provide remittance advice to the Commission for tracking of the funds may result in the funds not being transferred at the renewal date and loss of interest on the additional funds. Funds that are not able to be added at the rollover date will be held in a non-interest bearing account until the next maturity date to avoid loss of interest and/or the interest rate with respect to the funds held in the certificate of deposit. Early redemption may result in a different interest rate being applied, in accordance with the going rate on offer at the bank.

5. Approved Securities

a. Debt Securities issued or guaranteed by the following:

   i. Members of the Organisation for Economic Co-operation and Development;
   ii. Member states of the Caribbean Community and Common Market; and
   iii. British Overseas Territories and Crown Dependencies.

b. The Commission will consider requests from insurers for the recognition of additional government issuers not listed above.

6. Interim Requirement for IFRS Reporting Entities

a. For entities reporting under International Financial Reporting Standards (IFRS), the statutory reserve requirement will be calculated as follows:

   Insurance contract liabilities + Reinsurance contract held liabilities + Other policy liabilities valued using IFRS 17 + Other policy liabilities.

b. For entities reporting under IFRS, the statutory deposit requirement will be calculated as follows:

   40% of *Insurance Revenue (Prior Calendar Year)* less *Net expenses from reinsurance contracts held (Prior Calendar Year)*

c. All procedures stated within this Guideline above other than the calculation of the requirement apply to IFRS reporting entities.

All licensed insurers conducting domestic insurance business are expected to achieve compliance with these guidelines by 15 February of each year.

Amended as approved by the Board
Anguilla Financial Services Commission

3 July 2026 (Revised)