



ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES ON MAINTAINING RESERVES AND STATUTORY DEPOSITS

(Issued under Section 49 of the Financial Services Commission Act, R.S.A. c. F28 (as amended))

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 provide the Commission a bank 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.
- b. Beginning 15 February 2013, an external long term insurer not previously in compliance is required to deposit with the Commission 25% of its annual premium income net of re-insurance premiums for each class of insurance undertaken. (The required deposit will be increased by 5% each year to a maximum of 40% of net annual premium income.)
- c. Beginning 2 August 2013, all funds deposited with the Commission are to be held in individual accounts in its name for the benefit of each insurer at CIBC First Caribbean International Bank ("CIBC"). Any bank fees imposed by CIBC are payable by the insurer. Two senior officers designated by each insurer will be allowed to contact CIBC directly to obtain monthly interest/balance figures and CIBC may release such information to the designated officers in accordance with section 32(1)(a) of the Banking Act, R.S.A. c. B11.

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.

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

17 June 2014