



ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES ON MAINTAINING RESERVES & STATUTORY DEPOSITS FOR LICENSED INSURERS

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

1. Statement of Objective

The objective of these guidelines is to set out procedures for compliance with the reserves and statutory deposit requirements established under sections 8(1) and 8(2) of the Insurance Act, R.S.A. c. 116.

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)

- a) By 15 February of each year, all companies carrying on general business should provide the Commission with computation worksheets detailing their required statutory reserves in accordance with section 8(1) of the Act. This computation should reflect the company's position as of 31 December the preceding year.
- b) By 15 February of each year, all companies carrying on general business should provide the Commission with evidence that their required reserves are being held as follows:

- 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 restricting 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)

- a) By 15 February of each year, all external insurers should provide the Commission with computation worksheets detailing their required statutory deposit in accordance with section 8(2) of the Act. This computation should reflect the company's position as of 31 December of the preceding year.
- b) Beginning 15 February 2009, external insurers are required to deposit with the Commission 25% of their annual premium income net of re-insurance premiums with respect to each class of insurance undertaken. The required deposit will be increased by 5% each year to a maximum of 40%.
- c) External insurers will earn an interest rate per annum equivalent to the prevailing savings rate as set by the Eastern Caribbean Central Bank, less 1%.

5. Approved Securities

- a) Debt Securities issued or guaranteed by the following governments:
 - i) Members of the Organisation for Economic Co-operation and Development (OECD);
 - ii) Member states of CARICOM; and
 - iii) British Overseas Territories and Crown Dependencies.
- b) The Financial Services Commission will consider requests from insurers for the recognition of additional governments not listed above.

All domestic and foreign insurers are expected to achieve compliance with these guidelines by 15 February of each year.

***Financial Services Commission
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