



CAYMAN ISLANDS MONETARY AUTHORITY

2019 Survey of Insurance Business Development Since 2015 Completion Procedures

1. The REEFS Survey document contains 8 sections, requesting insurance and asset information about the licensee's operations; where the Survey requires insurance or reinsurance liabilities, these points of information are requested gross and net of ceded amounts. All information requested is by financial year, no reference needs to be made to policy or treaty years. Whether or not licensees write Long-Term business, Medical related business or General Insurance business we request that the same procedures are followed. Similarly, as far as possible, licensees writing treaty or facultative reinsurance as reinsurers should follow the same procedures as below just as if they would as direct writing licensees. Their retrocessions being deducted to arrive at their net positions. However, the final section, (H – Catastrophe) of the Survey only relates to General Insurance licensees, both direct writers and those writing reinsurance. Licensees which are established within the SP/SPC structures should enter their data in the same consolidated manner they use for their annual returns.

The various sections relate to events in the indicated audited financial years at whatever date the licensee's financial year ends, Reserves would be those at the end of the year and Paid amounts the total of such payments during the financial year. If there has been a financial year less other than 12 months in length, do not make any adjustment for that variation in length. All financial amounts are to be entered in **US\$** and the full amounts should be entered.

In the minority of instances where negative values need to be entered in financial fields these will not be rejected, however there are controls in place to reject erroneous character strings. The Survey requires that insurance data is entered by Line of Business (LoB), the procedure for selecting LoB is the same for the first three sections (A-C) of the Survey. This procedure is described once only during the first section of the Survey. We elaborate further as follows:

- a. In Sections A-Reserves; B-Premiums & C- Pairs, in selecting appropriate LoBs, first identify from the drop down in the LoB headed column box, which one or more LoBs match your business. In respect of each LoB press the "+" sign, which is on the far left, to be provided with an extra row in which to record further entries. In the unlikely event of some of your LoBs not having a suitable option from the drop-downs, please group them against the "Other" option from the drop-downs.

Reserves should only relate to exposure to date. Case Reserves (sometimes known as reported claims reserves) are the reserves for known reported events carried at the year end. If any additional reserve is carried for expected changes in those reserves for known events, combined with a reserve for new claims events which are estimated but not reported, this reserve should be entered under the IBNR (Incurred but not reported) heading. Where possible, reserves for **external** claim related expenses incurred for expenses directly related to those claims e.g. relating to doctors, loss adjusters, engineers, lawyers etc. should be included within either type of the mentioned reserves. **Do not enter unearned premium reserves** because the Authority is not seeking information about future exposure.

Licenseses are also requested to make a best estimate as to the likely number of years it will take until at least 65% of the current total recorded reserve will be paid out, that is case reserves plus IBNR reserves. Then enter that number of years in the relevant "Outstanding Mean Term" box. The 65% has been chosen to match the mean term requirement by the same yardstick for all licenseses.

- b. Section B - Premiums, which have been written during the financial period, should be recorded gross and net of Reinsurance ceded, following earlier described LoB groupings.
- c. Section C - Paid losses, which have been paid during the financial period, should be recorded gross and net of reinsurance, following the earlier described LoB groupings.
- d. Section D – As far as possible Recoverables should match those actual values arising, by means of layered or other contractual procedure in the reinsurance agreement, which have already been incorporated into the financial fillings. These being recorded against each reinsurer by legally recognised name/jurisdiction of reinsurer. Whilst licenseses will need to enter the name of the reinsurer themselves, they are provided in the Survey with an extensive series of drop-down options to choose from to show the rating agency rating. The Survey requires that any reserves held against recoverables be split, as far as possible, between case reserves and IBNR, with definitions as described in the Reserves section of the Survey.
- e. Section E - Investment sheet 1 requests under E01 the market values of the various types of Preferred Stock the licensee may be holding grouped by security rating. Then moving down the sheet E02 requests that the various types of Investment Category holdings, other than Preferred Stock, be listed using the provided drop downs. Extra rows can be chosen following the earlier described method. Note that fixed income securities should only be recorded on Investment sheet 2. E03 and E04 are required to be filled in respect of Derivative Assets the two options should capture all derivative options.
- f. Section F - Investment sheet 2 requests the market values of fixed income securities be recorded split by the 4-way options stated i.e. Governments & Government Guaranteed Securities; Central Banks & Federal Reserve Securities; Corporate Bonds & Other Debt Securities, each of which has available within it a drop-down lists of security ratings by which entries should be grouped. Also

required is an estimate, of the weighted by market value, average remaining term to maturity, in years and quarters, of each of the groupings. Please express the value in decimals e.g. one year and a quarter please show as 1.25, of those securities.

The count of the number of separate issues of fixed income securities should be recorded. To be clear we are not requesting their value, only count 1 for each issuer. Please ignore any issuers regarded as having trivial amounts of stock against their name.

- g. In respect of Section G - Other Assets, please select from the provided drop-down list and record the market, or other current audited, value.

- h. Section H - Catastrophe sheet only applies to General Insurance (GI) business, whether it is written as insurance or reinsurance the request is the same. Enter the mean, and the extreme loss levels, across the combined GI book. The sheet should be completed to the extent that the relevant information is available already, or at least can be estimated approximately within the deadline for Survey submission. The Survey seeks the recording of losses which can be the expected outcome from the convolution of loss severity and loss frequency software over the licensee's exposure base on several different year return periods, typically 1 year in N years, where N takes stated values from 10 years to 500 years. The licensee's knowledge of the variety of values required should be a consequence of the licensee having established a framework in which there is an active approach to risk management within their operations and strategy decision making. The Authority realises that this request is being made to a wide variety of GI licensees some of whom will only be at the early stages of developing these concepts. Consequently, it will be very helpful if those licensees who do not have access to software to provide analytical answers, at least make a broad judgement as to the size of the values. In that way the Authority can build a better picture of the extreme loss potential of the GI market.