

APN 103: THE REPORT BY THE STATUTORY ACTUARY IN THE ANNUAL FINANCIAL STATEMENTS OF SOUTH AFRICAN LONG-TERM INSURERS

Classification

The inclusion of a Statutory Actuary's report in the annual financial statements is no longer required for South African long-term insurers as a result of changes to the Companies Act. This version of APN 103 is thus classified as an Advisory Practice Note (APN) for Statutory Actuary reports included in the financial statements of South African long-term insurers **with effect from 31 December 2012**. APN 103 replaces PGN 103. Where legislation or documentation refers to PGN 103 it should be interpreted as APN 103.

Abstract

This APN provides guidelines to Statutory Actuaries regarding the format and content of the Statutory Actuary's report to be included in the annual financial statements of the long-term insurer. If a Statutory Actuary's report is included in the published financial statements it should follow the minimum disclosure requirements in this APN.

Purpose

The purpose of this APN is to provide guidelines for the minimum content of the Statutory Actuary's report in the long-term insurer's annual financial statements to promote consistency and completeness of disclosure.

Legislation or Authority

Paragraph 12 of Schedule 4 of the Companies Act of 1973 stated that, in the case of a long-term insurer, a report by the Statutory Actuary shall be included in the financial statements, in accordance with a guideline issued by the Actuarial Society of South Africa. The new Companies Act of 2008 no longer requires the inclusion of the report of the Statutory Actuary in the financial statements of a long-term insurer.

Application

Statutory Actuaries

Author

Life Assurance Committee of the Actuarial Society of South Africa.

Status

Version 1	Effective from August 1986 until version 2
Version 2	Effective from financial years starting on or after 1 January 1998 until version 3
Version 3	Effective for financial years starting on or after 1 January 2002 until version 4
Version 4	Effective for financial years starting on or after 1 January 2005 until version 5
Version 5	Effective for financial years starting on or after 1 January 2011 until version 6
Version 6	APN 103 effective from 31 December 2012

Definitions

Published Reporting basis

The basis used for valuing assets and liabilities as published in the primary financial statements, in accordance with South African Generally Accepted Accounting Practice.

Statutory basis

The basis used for valuing assets and liabilities and determining capital adequacy requirements as provided to the FSB in annual LT statutory returns, in accordance with FSB Board Notice entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers" (currently Board Notice 14 of 2010 as published in Government Gazette number 32916 of 5 February 2010 which repealed previous Board Notices). Refer also to FSB Directive 140.A.ii (LT).

1. GENERAL COMMENT

- 1.1. The Actuarial Society of South Africa is not able to prescribe the nature of the disclosure in annual financial statements, but the Statutory Actuary is nevertheless encouraged to seek to influence the content of the annual financial statements to be consistent with APN 103 and SAP 104.
- 1.2. It should be noted that the board of directors is responsible for the annual financial statements. The information contained within a Statutory Actuary's report and the manner in which it is presented is, however, the responsibility of the Statutory Actuary. If part of the information that would have been included in the Statutory Actuary's report is instead provided elsewhere in the financial statements (see start of section 3 below), then the Statutory Actuary must be satisfied with the manner in which this information is presented elsewhere in the financial statements.
- 1.3. It is emphasised that every Statutory Actuary bears a personal professional responsibility for the reports he/she signs. He/she must take all relevant facts into account and consider them in the light of the unique and specific circumstances applying to the insurer at the time he/she compiles the report. This APN cannot cover all possibilities and should therefore be interpreted and followed in the spirit of the guidance given where a particular circumstance is not covered specifically.
- 1.4. This APN does not require the disclosure of items that are not material. Materiality guidelines must be the same as for other items in the financial statements, as decided by management and approved by the auditors.
- 1.5. If any embedded value information is provided in the financial statements or annual report, the actuary shall be guided by APN 107 (embedded value guidelines).
- 1.6. SAICA has drawn up an audit guide entitled "Auditor's Relationship with Actuaries in the Long Term Insurance Industry". This audit guide requires the auditor and the Statutory Actuary to work closely together. It can be expected that the auditor would wish to discuss the Statutory Actuary's report in the annual financial statements with him/her in the context of this APN.
- 1.7. There are (or are likely to be) differences between the value placed on assets and liabilities for *Published Reporting* and *Statutory* purposes (refer to SAP 104). The annual financial statements reflect the *Published Reporting* basis, and therefore most of the content of the Statutory Actuary's report is in respect of the *Published Reporting* basis. However, the solvency comparison between excess assets and capital adequacy requirements is only relevant on the *Statutory* basis. There is therefore a requirement to also provide the *Statutory* financial position in the Statutory Actuary's report.
- 1.8. This APN only refers to the Statutory Actuary's report as provided in the annual financial statements, and does not prescribe the information that is provided when financial results are first announced, or when interim results are published. The Statutory Actuary is nevertheless encouraged to seek to ensure that any of the information covered by this APN that is published elsewhere, is as far as possible consistent with this APN.

2. CONCERNS AROUND ANNUAL FINANCIAL STATEMENTS

- 2.1. In the event that the Statutory Actuary materially disagrees with the content of the annual financial statements, or has experienced pressure from the board or management to change the valuation basis, or the manner in which the financial results are presented, and is uncertain as to his/her correct course of conduct, he/she should contact ASSA through its President, President-Elect or Honorary Secretary.
- 2.2. If, in the Statutory Actuary's opinion, the financial results presented in the annual financial statements are materially inconsistent, the Statutory Actuary is required to report this inconsistency to the Registrar of Long-term Insurance within seven days of the publication of the annual financial statements.

3. REQUIRED DISCLOSURE

The Statutory Actuary's report shall contain the following minimum information, unless it is satisfactorily provided elsewhere in the annual financial statements in compliance with these requirements:

Statement of Assets, Liabilities and Excess Assets on the *Published Reporting* basis

- 3.1. A statement reflecting the values of assets and liabilities on the *Published Reporting* basis, and the excess of the value of assets over the value of liabilities (excess assets). The values of assets and liabilities shall be determined in accordance with South African Generally Accepted Accounting Practice, and shall be consistent with those provided elsewhere in the financial statements. Guidance to actuaries can be found in SAP 104. The statement shall reflect the values as at the current reporting date and as at the previous year-end.

Statement of Assets, Liabilities, Excess Assets and Capital Adequacy Requirements on the *Statutory* basis

- 3.2. A statement reflecting the values of assets and liabilities on the *Statutory* basis, the excess of the value of assets over the value of liabilities (excess assets), the total amount of the capital adequacy requirements and the ratio of excess assets to capital adequacy requirements. The values of assets and liabilities and the amount of the capital adequacy requirements shall be determined in accordance with the methods used for Statement C3 in the annual *Statutory* returns (refer to SAP 104, Section 5 – *Statutory* reporting: Assets and Liabilities and Section 6 – *Statutory* reporting: Capital Adequacy Requirements), and shall reflect the total in and outside RSA. The statement shall reflect the values as at the current reporting date and as at the previous year-end.
- 3.3. Since the deadline for *Statutory* returns is usually after the date when the annual report is published, it is possible that some of the *Statutory* calculations may not have been completed by the time the annual report is produced. In this event, the Statutory Actuary must provide a reliable estimate of these figures.

Certification of *Statutory* Financial Position

- 3.4. A certificate signed by the Statutory Actuary that the *Statutory* valuation has been conducted and that the Statutory Actuary's report has been produced in accordance with applicable SAPs and APNs (including APN 103 and SAP 104), and that the long-term insurer is financially sound on the *Statutory* basis and is likely to remain financially sound in the foreseeable future.
- 3.5. If the financial position is such that the excess assets on the *Statutory* basis are less than the *Statutory* capital adequacy requirements, or that the Statutory Actuary is unable for any other reason to certify that the long-term insurer is financially sound (where financial soundness includes meeting the asset spreading requirements as prescribed by the Long Term Insurance Act) or is likely to continue to remain financially sound, then the certificate shall be amended accordingly,

and explanatory commentary shall be provided setting out the reasons for the insurer's financial condition and the steps required to restore or ensure financial soundness.

The Statutory Actuary must include detail in the Statutory Actuary's report of any dispensation received by the FSB in respect of the spreading requirements (if applicable). The Statutory Actuary's report must also explicitly disclose that the spreading criteria are required by the Long Term Insurance Act.

Analysis of Change in Excess Assets on the *Published Reporting* basis

3.6. An analysis of the change in the excess of the value of assets over the value of liabilities on the *Published Reporting* basis over the reporting period, split into at least the following components:

- Any capital raised.
- Any dividends paid.
- Investment returns (including realised and unrealised capital appreciation or depreciation) generated by the excess of assets over liabilities. Where funds are 'borrowed' from shareholder funds to finance the business (such as for unamortised acquisition expenses), this reduces the shareholder funds that are invested externally, and a notional interest payable on this 'loan' should be charged against operating profit and included here.
- Operating profit, excluding the effect of changes in valuation methods or assumptions. Operating profit should include the effect of items such as corporate expenses and support provided to policyholder funds (for Bonus Stabilisation reserves).
- The financial effect of changes in the valuation methods or assumptions. This is the capitalised value of the corresponding profit or loss that would have arisen in future years if the method or assumption change had not been made. The quantum of any changes in the value of discretionary margins due to assumption or method changes in respect of such discretionary margins should be disclosed separately.
- Tax.

The above items may alternatively be shown net of tax, if preferred.

Reconciliations

3.7. Where reported earnings provided elsewhere in the annual financial statements differ from the change in the excess assets as reflected in 3.6 above, after excluding the effect of any capital raised or any dividends paid, a reconciliation between these two items shall be provided.

3.8. Where the excess assets on the *Published Reporting* basis differ from the excess assets on the *Statutory* basis, a reconciliation reflecting and an explanation of the main differences shall be provided.

Changes in *Published Reporting* Valuation Methods or Assumptions of Assets or Liabilities

3.9. A brief description of any material changes in methods or assumptions (including changes in the method or assumptions used for determining discretionary margins) since the previous reporting period shall be provided. Disclosure of the financial effect thereof is provided for in 3.6 above.

***Published Reporting* Liability Valuation Methods and Assumptions**

3.10. A description of the valuation methods and assumptions according to which various broad categories of liabilities were valued for the *Published Reporting* figures shall be given. For items such as mortality and expenses, the report shall state how each of the main assumptions compare with recent actual

experience. The nature of and dates of the most recent experience investigations for the main classes of business should be provided. Should there be expected future deviations, e.g. the effect of AIDS on mortality, the way in which this is taken into account shall be stated. The assumptions for items like investment return, bonuses assumed for discounted cash flow valuations, expense inflation, discount rates and growth of dividends/rents as well as the relationship between the different items shall be disclosed.

- 3.11. The way in which policyholders' reasonable benefit expectations were provided for shall also be shown. For example, the level of future bonus rates (e.g. supportable or last declared) provided for. Supportable bonuses are those that could be declared if investment returns assumed in the valuation were earned, before taking account of any bonus stabilisation reserves. Where a bonus rate for any of the ensuing three annual bonus declarations is assumed that is lower than the lesser of the supportable bonus rate and last declared bonus rate, or where a bonus rate beyond three years is assumed that is lower than the supportable bonus rate, this shall be disclosed with details of the reductions in bonus rates assumed.
- 3.12. A description shall be provided of the way in which any bonus stabilisation reserves are determined and have been allowed for. For a prospective valuation, where it is assumed that future bonuses differ from supportable bonuses (as defined above in 3.11), there is an implicit bonus stabilisation reserve that must be quantified for the purposes of 3.13 below. This implicit bonus stabilisation reserve is defined as the difference between the reserve based on supportable bonuses and the reserve based on assumed bonuses. When calculating bonus stabilisation reserves, appropriate allowance shall be made for bonuses accrued up to the valuation date (at declared, interim or expected bonus rates, depending on the timing of the valuation and the timing of the bonus declarations).
- 3.13. Where the bonus stabilisation reserve for any class of business is more negative than -7.5% of corresponding liabilities at the valuation date, this fact shall be disclosed. It is recommended that an explanation of what caused this to occur be provided. If the bonus stabilisation reserve is more negative than -7.5% of corresponding liabilities at the valuation date, the Statutory Actuary shall also state why he/she believes that this can be recovered through under-declaration of bonuses during the ensuing three years.
- 3.14. Any reduction, whether by cancellation or temporary suspension, of previously declared non-vested bonuses shall be described, and the financial effect thereof shall be quantified and disclosed. The extent to which the financial effect of such reduction of previously declared non-vested bonuses differs from the underlying asset value movement shall be quantified and the accounting treatment thereof described, with specific reference to its effect on bonus stabilisation reserves and disclosed earnings. Similar disclosures shall be made in the event of the reversal of any such reduction in non-vested bonuses.
- 3.15. The nature of and reason for any material discretionary margins shall be described. If no embedded value information is provided in the company's or group's annual report, then the present value of the discretionary margins shall be disclosed.
- 3.16. The description of the liability valuation methods and assumptions may be succinct and may cover broad principles for major classes of business only, provided these classes account for at least 75% of total liabilities.

Published Reporting Asset Valuation Methods and Assumptions

- 3.17. A brief description of the methods and assumptions used for valuing the assets, which shall be within the confines of IAS 39 (AC 133). In addition, a description shall be included of the way in which asset values are smoothed, if applicable. The descriptions may be succinct and may cover broad principles for major classes of assets only.

Statutory Capital Adequacy Requirements

- 3.18. A brief summary of the main assumptions adopted for calculating the *Statutory* capital adequacy requirements shall be provided. These assumptions include the material off-setting management actions assumed (including those actions that may already have been assumed in calculating the liabilities), the circumstances in which these actions would be taken, and the manner in which the capital itself is invested. The financial effect on the capital adequacy requirements of all the assumed management actions shall be provided, and the management actions described shall account for at least 90% of this financial effect.
- 3.19. For assumed off-setting management actions, the Statutory Actuary shall certify that these actions have been approved by specific resolution by the board of directors, and that he/she expects that these actions would be taken if the corresponding risks were to materialise.
- 3.20. A statement shall be made as to whether the ordinary capital adequacy requirements (OCAR), termination capital adequacy requirement (TCAR), or minimum capital adequacy requirement (MCAR) applied.
- 3.21. If the FSB has granted permission for the use of a different model and/or method for calculating *Statutory* capital adequacy requirements, this fact shall be disclosed and a summary of the different methodology and assumptions shall be provided.

Other

- 3.22. If the Statutory Actuary is unable to reconcile major differences between the valuation data and the accounting data, or major differences in the build-up of the valuation data, the problem shall be discussed with the company and with the auditor. If the differences cannot be reconciled and are material, it will be necessary to disclose this fact and to give an opinion of the extent and effect of the discrepancy, and to state what allowance has been made in the valuation for the discrepancy.
- 3.23. Any other descriptions or explanations considered necessary to enable a reader to gain a meaningful appreciation of the figures presented shall also be disclosed.

4. NOTES

- 4.1. The requirements detailed above, and any other information included in the report, shall be presented in a way that minimises the possibility of misinterpretation. The format detailed in the annexure hereto is suggested in this context, but variations thereof may be appropriate in individual circumstances. The statement reflecting the values of assets and liabilities may, for example, be incorporated into the balance sheet.
- 4.2. The annexure includes recommendations regarding the content and format of the report. The format provided is illustrative, not prescriptive.
- 4.3. Where the format of the analysis of the change in excess assets (as reflected in 3.6 above) has changed as a result of this version of this APN, it is not necessary to restate the format for the prior year, which was analysed in terms of the previous version of this APN.

**SUGGESTED CONTENT AND FORMAT FOR THE
STATUTORY ACTUARY'S REPORT**

Statement of Assets, Liabilities, Excess Assets and Capital Requirements

Published Reporting Basis

R'm	31.12.2012	31.12.2011
Total value of assets as per balance sheet	115 600	103 750
Value of policy liabilities	101 000	90 000
Current and other liabilities as per balance sheet	2 850	2 700
Total value of liabilities	103 850	92 700
Excess Assets	11 750	11 050

Statutory Basis

R'm	31.12.2012	31.12.2011
Value of assets on the Statutory basis	112 100	101 750
Value of policy liabilities	100 000	90 000
Current and other liabilities	3 000	2 700
Total value of liabilities	103 000	92 700
Excess Assets	9 100	9 050
Capital Adequacy Requirements	6 000	5 400
Ratio of Excess Assets to Capital Adequacy Requirements	1.5 x	1.7 x

Certification of Statutory Financial Position

I hereby certify that:

- the valuation on the Statutory basis of the ABC Life Assurance company as at 31 December 2012, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa Standards of Actuarial Practice and Actuarial Practice Notes; and
- Assets exceeded liabilities plus the Capital Adequacy Requirements at the valuation date;
- The company met the asset spreading requirements of the Long Term Insurance Act at the valuation date; and
- In my opinion the company is financially sound at the valuation date and is expected to remain so for the foreseeable future, where financial soundness includes meeting the asset spreading requirements as prescribed by the Long Term Insurance Act.

Signed

.....

Name Statutory

Actuary Date

Analysis of Change in Excess Assets on Published Reporting Basis

The excess of the value of assets over the value of liabilities has changed as follows over the reporting period:

	31.12.2012	31.12.2011
Excess Assets as at end of reporting period	11 750	11 050
Excess Assets as at beginning of reporting period	11 050	10 000
Change in Excess Assets over the reporting period	700	1 050

This change in the excess assets is due to the following factors:

	31.12.2012	31.12.2011
Investment return generated by excess assets over liabilities:		
Investment income	600	550
Capital appreciation	<u>900</u>	<u>450</u>
Total investment return	1 500	1 000
Operating profit	1 400	1 250
Changes in valuation methods or assumptions	100	- 150
Tax	- 450	- 350
Total earnings	1 700	1 750
Capital raised	-	-
Dividends paid	- 1 000	- 700
Total change in excess assets	700	1 050

Reconciliation to Reported Earnings

	31.12.2012	31.12.2011
Total earnings as per the above table	1 700	1 750
Reported earnings in annual financial statements	1 740	1 750
Difference	- 40	-

The reasons for this difference are as follows

Reconciliation of Excess Assets between Published Reporting Basis and Statutory Basis

	31.12.2012	31.12.2011
Excess Assets on Published Reporting Basis	11 750	11 050
Excess Assets on Statutory Basis	9 100	9 050
Difference	- 2 650	- 2 000

The reasons for this difference are as follows...

Changes in Published Reporting Valuation Methods or Assumptions

The value of liabilities as at 31.12.2012 decreased by R100million as a result of changes to valuation assumptions.

The main assumption changes causing this decrease were as follows

Published Reporting Valuation Methods and Assumptions

The valuation was performed using the Financial Soundness Valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis. Investment contracts without discretionary participation features have been valued in terms of IAS 39 (AC 133).

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy, to avoid the premature recognition of profits that may give rise to losses in later years.

Published Reporting Liability Valuation Methods and Assumptions

Insurance contracts and investment contracts with participation in profits on a discretionary basis

In the calculation of liabilities for insurance contracts and for investment contracts with discretionary participation features, provision has been made for:

- the best-estimate of the future experience, plus
- the compulsory margins prescribed by SAP 104, plus
- discretionary margins as follows to release profits consistent with policy design:
 - reduce the valuation rate for liabilities by 0.25 percentage points to release profits consistent with the amount of assets managed from year to year.
 - increase the mortality and morbidity assumptions by 10% to release expected risk profits consistent with the amount of cover provided from year to year.
 - An allowance for the shareholders 10% participation of the expected reversionary and terminal bonus payable each year in respect of conventional with profit business.
 - An allowance for the shareholders 10% participation of the bonus expected to be declared each year in respect of smoothed bonus business.

The following are the main assumptions used to calculate the value of the liabilities:

- The assumptions (before adding margins) with regard to future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the company's recent experience and provision has been made for the expected increase in the occurrence of AIDS-related claims. The most recent main experience investigations were ...
- Provision for expenses (before adding margins) starts at a level consistent with the company's current experience and allows for a 5% escalation per annum thereafter (previous year: 6%).
- Where relevant, liabilities include provisions to meet maturity, mortality and disability guarantees and for losses in respect of potential lapses and surrenders.
- The discount rates quoted below are before the allowance for compulsory and discretionary margins and tax.

- For non-profit annuities, liabilities have been calculated by discounting expected future annuity instalments and expenses at interest rates based on the bond yield curve at the valuation date.
- A discount rate of 8% (previous year: 9%) has been used to value other non-profit business.
- Profit-sharing life and term annuity instalments and future expenses in respect of these instalments have been discounted at 8% per annum (previous year: 9%). Future growth is provided for at the latest declared growth rate.
- For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 8% p.a. A discount rate of 8% per annum (previous year: 9%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.
- For individual unbundled policies of which the bonuses are stabilised/smoothed, a gross premium valuation was done. Future bonuses were provided for at bonus rates that would be declared should an investment return of 8% per annum be earned. A discount rate of 8% per annum (previous year: 9%) was used to place a present value on assumed future cash flows. A negative Rand reserve has been allowed for, equal to the present value of future charges not required for risk benefits and renewal expenses. Bonus stabilisation reserves were held to equate the liabilities to the market value of the corresponding assets.
- For market-related unbundled business (e.g. those where a portion of the premium is allocated to an accumulation account) the liability was taken as the market value of the units notionally credited to the policies, less the present value of future charges not required for risk benefits and renewal expenses. For the purpose of calculating the Rand reserves, the same discount rates as applied to individual investment series policies above, were used.
- In the case of group policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus corresponding bonus stabilisation reserves. Group linked business was valued at the market value of the underlying assets.
- Policyholders' reasonable benefit expectations have been allowed for as follows ...
- Bonus stabilisation reserves have been determined as follows ...
- No bonus stabilisation reserve for any class of business was more negative than -7.5% of corresponding liabilities at the valuation date.
[Note to Statutory Actuary: Where the bonus stabilisation reserve for any class of business is more negative than -7.5% of corresponding liabilities at the valuation date, this fact must be disclosed. It is recommended that an explanation of what caused this to occur be provided. If the bonus stabilisation reserve is more negative than -7.5% of corresponding liabilities at the valuation date, the Statutory Actuary must also state why he/she believes that this can be recovered through under-declaration of bonuses during the ensuing three years].

Investment contracts without discretionary participation features

In the calculation of liabilities for investment contracts that provide investment management services, e.g. market-related investment contracts, the account balance has been held as the value of the liability. No negative Rand reserves have thus been held for these contracts. A Deferred Acquisition Cost (DAC) has been held as an asset, which defers the incremental acquisition costs over the term of the policy, and a Deferred Revenue Liability (DRL) has been held as a liability, which defers initial fees over the term of the policy. As at 31 December 2012, the DAC held is R500 million and the DRL is R350m.

For structured products, the value of the assets has been held as the value of the liabilities.

Service contracts

A DAC and a DRL have been held where incremental acquisition costs have been incurred and initial fees have been received, respectively. These both total R50 million as at 31 December 2012.

Published Reporting Asset Valuation Methods and Assumptions

All assets (including the excess of assets over liabilities) have been valued at market value/fair value.

[Note to Statutory Actuary: This paragraph should refer to the "normal" accounting notes, where more information would be provided about what is meant by market value/fair value: for example, how properties and unlisted subsidiaries were valued].

Statutory Capital Adequacy Requirements

The Statutory capital adequacy requirements have been calculated in accordance with section 6 of SAP 104. The following main assumptions have been used to calculate the investment resilience capital adequacy requirement:

- That a decline of 30% in equity asset values, 15% in property values, and 10% in fixed interest asset values (as a result of an increase of 25% in fixed-interest yields) will occur, in accordance with SAP 104.
- That 50% of accumulated non-vested bonuses would be removed should asset values decline to this extent and not subsequently recover within a few months. This assumption reduced the capital adequacy requirements by R5bn.

I certify that the off-setting management actions assumed above have been approved by specific resolution by the board of directors, and that I am satisfied that these actions would be taken if the corresponding risks were to materialise.

For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR) to determine the ordinary capital adequacy requirements (OCAR), it has been assumed that assets backing the capital adequacy requirements are invested 80% in equities and 20% in fixed interest assets.

The OCAR exceeded the termination capital adequacy requirement (TCAR), and thus the capital adequacy requirements have been based on the OCAR.

Other

[Note to Statutory Actuary: Comment on any material unreconciled differences between the valuation data and the accounting data, or in the build-up of the valuation data, on the extent and effect of any such discrepancies, and on what allowance has been made in the valuation for any such discrepancies.

Provide any other descriptions or explanations considered necessary to enable a reader to gain a meaningful appreciation of the figures presented].