



ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES ON MAINTAINING RESERVES AND STATUTORY DEPOSITS

(Issued under Section 61 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 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.

Due to the closure of operations in Anguilla on 31 January 2019 of CIBC FirstCaribbean International Bank (Barbados) Limited, where the statutory deposits were previously held, the Commission was required to transfer insurers' funds held to satisfy the statutory deposit requirement to another bank in Anguilla. The funds were transferred to Scotiabank Anguilla Limited, now Republic Bank (Anguilla) Limited. The Commission arranged for funds to be deposited into individual Term Deposits in the name of the Commission and held for the benefit of each insurer. The Term Deposits are held for a 3-month term and renew automatically upon maturity. The interest earned on each term deposit is 0.01% per annum. 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 Term Deposit held for the insurer's benefit on the next maturity date to avoid loss of interest income due to early redemption of the Term Deposit.

- b. A copy of the remittance advice indicating funds transferred must be submitted to the Commission at least 30 days prior to the Term Deposit renewal dates of 27 February, 27 May, 27 August and 27 November in order to ensure that funds can be transferred to the noted Term Deposit prior to reinvestment at the aforementioned dates. 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 approaching renewal date and loss of interest income; in such cases, funds will be transferred to the Term Deposit at the following renewal date.

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*

24 March 2020 (Revised)