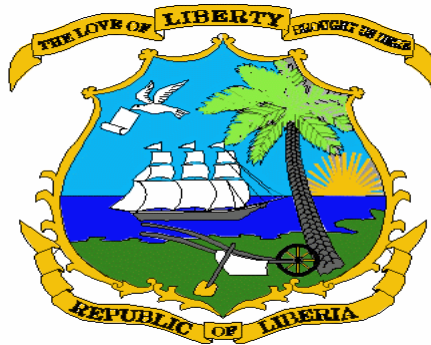


THE LIBERIA OFFICIALGAZETTE



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EXTRAORDINARY

The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the New Insurance Act of 2013, specifically Section 12.1 of the Act has issued on March 23, 2016, Regulation No. CBL/RSD/INS/003/2016 herein under:

**REGULATION NO.CBL/RSD/INS/003/2016
CONCERNING FINANCIAL STATEMENTS, AUDIT, ACTUARIAL
FUNCTION AND APPOINTED ACTUARY OF INSURANCE COMPANIES**

BY ORDER OF THE PRESIDENT
MARJON KAMARA
MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA
MARCH 23, 2016

1.0 Introduction

Pursuant to its authority under Section 12.1 of the new Insurance Act of 2013, the Central Bank of Liberia (CBL) hereby prescribes and issues the regulation concerning Financial Statements, Audit, Actuarial Function and Appointed Actuary of insurance companies as follows:

2.0 Specified accounting standards.

- 2.1 For the purposes of the Act and this Regulation, the specified accounting standards at present shall be the United States General Accepted Accounting Principle (GAAP) or any internationally accepted accounting standards.
- 2.2 A licensed insurer shall ensure that its financial statements, and any group accounts required to be submitted to the Authority, are prepared in accordance with the specified accounting standards.

3.0 Qualifications of auditor.

- 3.1 A person shall not be appointed as the auditor of a licensed insurer unless the person:
 - (a) is a Certified Public Accountant within the meaning of the Liberian Institute of Certified Public Accountants Act of 2010;and
 - (b) has been in practice as an accountant for at least 5 years.

4.0 Auditor to be independent.

- 4.1 A licensed insurer shall take reasonable steps to ensure that the person it appoints as an auditor is independent of it and shall not appoint as its auditor a person who it knows or ought to know, has a conflict of interest with respect to the insurer.
- 4.2 The auditor of a licensed insurer shall take reasonable steps to satisfy himself, herself or itself that he, she or it is independent of the licensed insurer and has no conflicts of interest with respect to the insurer.
- 4.3 A licensed insurer shall notify the Authority in writing if, at any time, it forms the opinion that its auditor is not independent of it.

5.0 Provision of Information on Auditor

- 5.1 An auditor, or a person that a licensed insurer proposes for appointment as its auditor, shall, at the request of the Authority, provide the Authority with such information or documentation regarding the auditor's experience, skills and resources as the Authority reasonably requires to determine whether the person is fit and proper to audit the licensed insurer.

- 5.2 A request under subsection 5.1 may be made as part of the approval basis or at any subsequent time.

6.0 Auditor Rotation.

- 6.1 A person may not be appointed, or act as, the auditor of a licensed insurer for more than 5 successive years or for more than 5 years in any period of 7 successive years.
- 6.2 Where in any period of 5 successive years, the auditor of a licensed insurer has been an individual who is an employee or partner of a firm, no employee or partner of the firm or the firm itself may be appointed, or act as, the auditor of the licensed insurer unless a period of at least 2 years has elapsed following the last such employee or partner ceasing to act as auditor of the insurer.
- 6.3 Subsection 6.2 applies whether the same individual or different individuals, each or who is an employee or partner of the firm, has or have acted as auditor of the insurer during the 5- year period.

7.0 Obligations of auditor.

- 7.1 The auditor of a licensed insurer shall:
- (a) audit the licensed insurer's financial statements and report to the insurer in accordance with:
 - (i) the auditing standards published by the Governing Council of the Liberian Institute of Certified Public Accountants; and
 - (ii) such other recognized international auditing standards as may be approved by the Authority on a case-by-case basis;
 - (b) prepare a long form report and a management report;
 - (c) in the case of a life insurer, cause a liability adequacy test to be carried out and certified by a qualified actuary;
 - (d) certify the insurer's compliance with the capital and solvency requirements specified in the Act and the Prudential Regulation;
 - (e) certify the licensed insurer's compliance with such obligations and matters as may be specified in the Act or other Regulations;
 - (f) provide such certifications or confirmations as may be specified by the Authority in a written notice sent to the licensed insurer and the auditor; and
 - (g) carry out such other duties as may be required of the auditor by the Act or the Regulations.
- 7.2 Where the auditor of a licensed insurer is an individual, he or she shall sign the audit report.

- 7.3 Where the auditor is a partnership or a corporate body, the audit report shall be signed by an individual who is:
- (a) qualified to act as the auditor of a licensed insurer; and
 - (b) authorized to sign the audit report on behalf of the partnership or corporate body.
- 7.4 The auditor shall provide copies of the long form report and the management report to the licensed insurer and to the Authority, within three months of the end of the financial year.

8.0 Time period for submission and publication of financial statements.

- 8.1 A licensed insurer shall submit its financial statements and the documents specified in section 9.8 subsection 1 of the Act to the Authority within three(3) months of the end of the financial year to which the financial statements relate.
- 8.2 A licensed insurer shall submit its periodic financial statements and the documents specified in section 9.8 subsection 1 of the Act to the Authority within one month of the last day of the period to which the periodic financial statements relate.
- 8.3 A licensed insurer shall publish its financial statements at least four times a year; and such publications shall be made quarterly.
- 8.4 The first publication shall consist of the annual audited accounts;and shall be made not later than the fourth month from the end of the financial year to which the financial statements relate.
- 8.5 The other three publications shall consist of unaudited quarterly reports for the remaining three-quarters of the year.These publications shall consist of the unaudited quarterly reports for the ,2nd,3rd and 4thquarters of the year,which shall be published not later than the month succeeding the end of the period to which the financial statements relate.
- 8.6 The annual audited accounts and the unaudited quarterly financial reports shall be published in at least two widely-read newspapers and the website of the licensed insurer , for at least three consecutive days. In the case of the annual audited report, the publication shall include the opinion of the external auditor.
- 8.7 Prior to each of the publications required under these regulations, the licensed insurer shall submit copies of the financial statements to the CBL for its review of compliance with these regulations and approval for publication.
- 8.8 Where the Central Bank is of the opinion that the annual audited financial statement does not comply with the requirements of these regulations or contain information that may be misleading in any way, or not published with the contents specified in these regulations, the Central Bank may require the insurer to:

- (a) amend or correct the audited financial statements to comply with these regulations or any other additional requirements
- (b) correct the misleading information;
- (c) republish the amended or corrected audited financial statements;or
- (d) submit to the Central Bank any further documents or information needed for verification.

9.0 Actuarial function.

9.1 The principal responsibilities of the actuarial function are:

- (a) the evaluation of, and the provision of advice to the insurer concerning:
 - (i) the technical provisions;
 - (ii) premium and pricing;
 - (iii) scenario and sensitivity testing; and
 - (iv) compliance with the obligations of the insurer, concerning the matters specified in section 7.6 subsection 1 paragraphs (a), (b) and (c) under the Act and these Regulations; and
- (b) reporting to the board (through the responsible officer for the actuarial function) on the matters specified in paragraph (a) and in relation to the matters specified in subsection 9.4.

9.2 The actuarial function shall carry out such activities as are necessary to undertake the responsibilities specified in subsection 9.1 and, in particular, shall evaluate, review, and where appropriate calculate, and provide advice on:

- (a) the insurer's actuarial and financial risks;
- (b) the insurer's investment policies and the valuation of its assets;
- (c) the insurer's solvency position, including a calculation of minimum capital required for regulatory purposes and liability and loss provisions;
- (d) the insurer's prospective solvency position;
- (e) the insurer's risk assessment and management policies and controls relevant to actuarial matters or to the financial condition of the insurer;
- (f) the distribution to policyholders of policy dividends or other benefits;
- (g) the insurer's underwriting policies;
- (h) the design of the insurer's reinsurance program in line with the company's risk strategy as approved by the board, and the subsequent negotiation of reinsurance arrangements;

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- (i) product development and design, including the terms and conditions of insurance contracts;
 - (j) the sufficiency and quality of data used in the calculation of technical provisions;
 - (k) experience reviews and profit testing;
 - (l) the completion of a financial condition report, where applicable; and
 - (m) the approval of any dividend or other benefits to be paid to shareholders.
- 9.3 A licensed insurer shall require the responsible officer for the actuarial function to report to the board on:
- (a) any matter that may have an adverse material impact on the insurer's solvency or financial condition; or
 - (b) if the insurer is in contravention of, or the person responsible for the actuarial function considers that the insurer is likely to contravene, any provisions of the Act or these Regulations concerning the matters specified in subsection 9.1(a) or (b) or any requirements concerning stated capital, solvency or financial condition.
- 9.4 Without limiting subsection 9.1, paragraph (b), the responsible officer for the actuarial function shall report to the board:
- (a) on any matter that may have an adverse material impact on the insurer's solvency or financial condition;
 - (b) on any circumstance that may be material to an actuarial review of the insurer, including that the technical provisions and other liabilities are not adequate;
 - (c) if, in the opinion of the actuarial function:
 - (i) the reinsurance cover held by the insurer is not adequate;
 - (ii) there are grounds for the insurer to provide notification to the Authority of any matter under section 6.8 of the Act;
 - (d) on any other matter specified by the board.

10.0 Appointed Actuary.

- 10.1 Every life insurer shall appoint an appointed actuary.
- 10.2 The appointed actuary may be an employee of the insurer or an external actuary.

11.0 Avoiding conflicts, external actuary.

- 11.1 An insurer shall not appoint an external actuary as appointed actuary unless the board has taken reasonable steps to:
- (a) determine whether the person to be appointed has any interest or holds any position, whether in or outside the insurer, that may conflict with the person's functions and duties as appointed actuary; and
 - (b) following the appointment:
 - (i) require the appointed actuary to advise it of any conflicts that may arise during the person's appointment; and
 - (ii) seek periodic confirmation from the appointed actuary as to whether any conflicts of interest have arisen since the actuary's appointment.
- 11.2 If the board determines that a person to be appointed, or a person who has been appointed, as appointed actuary has any conflicts of interest, the board shall either ensure that the conflict is appropriately managed and controlled or, if that is not possible, ensure that the person is not appointed or ceases to be the appointed actuary.
- 11.3 The fact that a person is the appointed actuary of more than one licensed insurer is not, in itself, a conflict of interest.

12.0 Actuarial review and financial condition report, life insurer.

- 12.1 A life insurer shall:
- (a) ensure that its appointed actuary undertakes an actuarial review of its business and, if required by the Authority, a group actuarial review, in respect of each financial year; and
 - (b) take all reasonable steps to ensure that the appointed actuary prepares a written financial condition report for the insurer within sufficient time for the insurer to submit the financial condition report to the Authority in accordance with subsection 12.3(b).
- 12.2 The actuarial review required by subsection 12.1 shall include:
- (a) an assessment of the insurer's compliance with the prudential requirements specified in the Act and these Regulations and any directions imposed by the Authority, including an assessment in relation to each statutory fund and benefit fund and the shareholders' fund;
 - (b) a detailed evaluation of the insurer's financial condition;
 - (c) a valuation of the insurer's policy liabilities;
 - (d) a professional opinion on the matters specified in paragraphs (a) to (c).

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12.3 The financial condition report shall be:

- (a) approved and signed by the appointed actuary before submission to the Authority under section 9.8, subsection 1 of the Act; and
- (b) submitted to the Authority within four months of the end of the financial year.

BY ORDER OF THE PRESIDENT

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