Reserve Bank of Fiji
Insurance Supervision Policy Statement No: 3A

NOTICE TO INSURANCE COMPANIES LICENSED UNDER THE INSURANCE ACT 1998

SOLVENCY REQUIREMENTS FOR INSURERS LICENSED TO CONDUCT LIFE INSURANCE BUSINESS IN FIJI

1. Introduction

1.1 This notice is issued under Section 3(2)[a] of the Insurance Act 1998 as part of the Reserve Bank of Fiji's standards governing the conduct of insurance business in the Fiji Islands. The purpose of this statement is to outline and clarify the minimum solvency requirements relating to insurers licensed to conduct life insurance business in Fiji.

1.2 In preparing this notice, reference has been made to recommendations of the International Association of Insurance Supervisors (IAIS), Fiji Accounting Standards, and powers under the Insurance Act and other relevant legislation including the Companies Act.

1.3 Comments sought from the industry in the first and the second drafts have been included where appropriate. The policy has also incorporated suggestions made by an IMF Technical Assistant on Insurance Supervision during the technical assistance mission in August 2002.

1.4 It is important to note that the requirements of this policy notice are only for the purpose of submitting prescribed returns to the Reserve Bank of Fiji. Life insurers may however, disclose their normal financial results derived from traditional accounting standards and generally accepted accounting practices, to other interested parties.

2. Background and Outline of the Approach

2.1 An insurer's core activity is the assumption of risks. The majority of insurer liabilities comprise obligations to policyholders. An adequate solvency margin should be maintained by an insurer to ensure that it is able to meet claims as they fall due.

2.2 The activities of insurance companies throughout the world are subject to supervision in the interests of consumer protection. Solvency requirements are designed to meet an insurer's obligations as they fall due. In Fiji, the insurance industry is supervised by the Reserve Bank of Fiji. Should an insurer fail to meet the requirements on capital strength, the Reserve Bank of Fiji as the supervisory authority is determined to intervene as early as possible to avoid excessive indebtedness of the insurer at the expense of policyholders. Regulatory intervention cannot prevent insolvencies, however, it should greatly reduce the likelihood of losses to policyholders.

2.3 The solvency margin of an insurance company is the surplus of assets over liabilities, both evaluated in accordance with accounting and supervisory standards. In general, an insurer's solvency relies on the prudent investment of assets corresponding to its policy liabilities. A company's solvency is not fully determined by its solvency margin alone. Solvency requirements should reflect the size, complexity and business risks of insurance companies.

2.4 To reduce the risk of failure for insurers, the Reserve Bank of Fiji ensures that they maintain sufficient assets to meet obligations under a wide range of circumstances. The minimum solvency requirement therefore has the following purposes:

- reduces the likelihood that an insurer will not be able to meet claims as and when they fall due;
- provides a buffer so that losses of policyholders can be limited in the event of the failure of the insurer;
- provides an early warning mechanism for supervisory intervention and corrective action; and
- promotes public confidence in the financial stability, capacity and claims paying ability of the insurance industry.

3. The Life Insurance Business

3.1 Life insurance business is defined under section 2(2) of the insurance Act 1998, as business that consists of the issuing of life policies or any business that relates to the business of issuing life policies, including business relating to the investment, administration and management of the assets of a statutory fund. The three distinct types of life insurance are:

a. term insurance – mainly provides protection;

b. endowment insurance (including annuity options) – designed primarily as a savings vehicle, whilst providing protection during the term of the policy; and

c. whole of life insurance – aims to provide protection whilst offering a savings element in terms of increasing cash value.

3.2 Assets and Liabilities of Life Insurers

3.2.1 One of the primary concerns of the Reserve Bank of Fiji is that a licensed life insurer needs to focus on prudently valued liabilities, and must maintain at all times, assets at least equal to its presently due and prospectively estimated liabilities. When assessing the value of an asset to be included for solvency purposes, the nature of the asset should be considered as well as the valuation method used. These should have regard to how liquid the asset is in order to meet policyholder liabilities in a timely manner.

3.2.2 Supplementary notes are provided as Appendix 1 to this statement, detailing how assets and liabilities are to be valued in the calculation of solvency of insurers licensed to conduct life insurance business in Fiji.

3.3 Establishment and Operation of Statutory Funds

3.3.1 Section 111 of the Insurance Act 1998 requires that an insurer that carries on life insurance business in the Fiji Islands must at all times have at least one statutory fund in respect of their Fiji business. It also requires an insurer incorporated in Fiji that carries on life insurance business outside Fiji to have a statutory fund or statutory funds exclusively in respect of that business.

3.3.2 Section 115 requires that a life insurer must keep the assets of the statutory fund distinct and separate from assets of other statutory funds or other from all other money, assets or investments of the insurer. Section 117 requires that an insurer to maintain records, which enable assets and liabilities of the fund to be identified and properly valued.

3.3.3 It must therefore be noted that solvency of life insurers should be calculated for each statutory fund maintained by a life insurer. The solvency positions for each statutory fund should meet the minimum requirements as noted in Part 4 below. This indicates that each statutory fund of a life insurer must be solvent, including the shareholders' fund.

4. Requirements under the Insurance Act 1998

4.1 Calculation of Solvency

4.1.1 Life insurers licensed to conduct business in Fiji are required to maintain minimum solvency requirements at all times. These are set out under section 31 of the Insurance Act. The solvency requirements for life insurers are specific to the nature of business and necessarily differ from the requirements for general insurers.

4.1.2 In Fiji, a life insurer is required to maintain for each statutory fund and the owners' fund, at all times a surplus of assets in Fiji over liabilities in Fiji of not less than-

(i) $1,000,000; or

(ii) the sum of 5% of the amount of net liabilities under life policies in Fiji up to net liabilities of $100,000,000 plus 2.5% of the amount of net liabilities under life policies in Fiji that exceed $100,000,000, whichever is the greater.

4.1.3 In total, all life insurers incorporated in Fiji are required at all times to maintain for each statutory fund and the owner's fund, a surplus of total assets over total liabilities of-

(i) $1,000,000: or
(ii) the sum of 5% of the amount of net liabilities under life policies up to net liabilities of $100,000,000 plus 2.5% of the amount of net liabilities under life policies that exceed $100,000,000,

whichever is the greater.

In addition to this, a life insurer incorporated in Fiji is required to maintain at all times paid up capital of not less than $1,000,000.

4.1.4 The Act also sets out the classification of assets for the purposes of calculating solvency positions of insurers. Section 33 allows the Reserve Bank to treat assets held outside Fiji as assets in Fiji for the purposes of the Act. Basically, assets held outside Fiji may be treated as assets in Fiji for the purpose of calculating solvency if the assets are kept in the name of the insurer and are beneficially owned by the insurer.

4.1.5 Section 34 also states that the Reserve Bank of Fiji must treat amounts owed to an insurer by a person outside the Fiji Islands under a contract of reinsurance as assets of the insurer in the Fiji Islands for the purpose of solvency.

4.2 Recognition of Assets in the Calculation of Solvency

4.2.1 In accordance with section 32(1) of the Insurance Act 1998, the following assets will not be included for solvency calculation:

a) a loan to a person who is, or when the loan was made, was-

(i) a director, principal officer, manager, actuary or auditor of the insurer – *section 32(1)(a)(i)*;

(ii) a director or principal officer of a body corporate related to the insurer – *section 32(1)(a)(ii)*;

(iii) the spouse or other immediate family member of a person referred to in (i) or (ii) above – *section 32(1)(a)(iii);*

b) a loan to, amount due from, debenture of, prepayment with, or share in a body corporate which is related to the insurer, except to the extent of the Reserve Bank of Fiji's approval under paragraph 4.2.2(ii) – *section 32(1)(b);*

c) an unsecured loan to a person who is, or when the loan was made was, an employee of the insurer – *section 32(1)(c)*;

d) an asset that is mortgaged or charged for the benefit of a person other than the insurer to the extent of the value of the mortgage or charge – *section 32(1)(d);*

e) an unpaid premium, other than an unpaid premium secured against a life policy, that became due to the insurer more than 3 months previously, unless approved as an asset under paragraph 4.2.2(iii) – *section 32(1)(e)*;

f) an amount due from a reinsurer that became due more than 3 months previously unless approved as an asset under paragraph 4.2.2(iii) – *section 32(1)(f)*;

g) a guarantee given to or in relation to the insurer, except to the extent of the Reserve Bank of Fiji's approval under paragraph 4.2.2(iv) – *section 32(1)(g)*; and

h) any other intangible asset – *section 32(1)(h).*

4.2.2 The Reserve Bank of Fiji may after application from an insurer, approve as an asset to be included for solvency calculations, the following:

(i) if the Reserve Bank is satisfied that a loan described in paragraph 4.2.1(a) above is sufficiently secured and the terms and conditions upon which the loan is offered are of a commercial arms length nature and not unduly favourable to the borrower. The loan will also be regarded as an asset for solvency calculations if it is by way of mortgage of a policy of life insurance issued by the insurer or advanced against the surrender value of a life policy issued by the insurer.

(ii) if the Reserve Bank of Fiji for paragraph 4.2.1(b) above is satisfied after having regard to the following matters may approve such asset for solvency calculations:

a) the proportion that the value of the loan, amount, debenture, prepayment or share, together with the aggregate value of all other loans to, amounts due from, debentures of, prepayments with and shares in, the body corporate made by the insurer, bears the total value of the assets of the insurer;

b) the proportion that the value of the loan, amount, debenture, prepayment or share, together with the aggregate value of all other loans to, amounts due from, debentures of, prepayments with and shares in, a body corporate which is related to the insurer, bears the total value of the assets of the insurer;

c) the proportion that the value of the loan, amount, debenture, prepayment or share bears the total value of the assets of the body corporate;

d) the nature, and the degree of diversity, of the assets of the insurer;

e) the nature, and the degree of diversity, of the assets of the body corporate related to the insurer; and

f) the nature of the business carried on by the body corporate related to the insurer.

(iii) if the unpaid premium and amount due from reinsurers in 4.2.1 (e) & (f), became due to the insurer more than 3 months but not more than 6 months previously, and the Reserve Bank of Fiji is satisfied that the premiums and the amounts due will be paid;

(iv) if the Reserve Bank of Fiji is satisfied that the guarantee described in 4.2.1(g) above:

a) has a guarantor or guarantors which is, or are, banks licensed under the Banking Act 1995;

b) is in a form satisfactory to the Reserve Bank of Fiji and includes provision to the effect that, in the event of the winding-up of the insurer, amounts due under the guarantee are available to meet the liabilities of the insurer; and

c) is not revocable without the approval of the Reserve Bank of Fiji.

4.2.3 Approval provided by the Reserve Bank of Fiji under paragraph 4.2.2 above is subject to revocation or variation, as the Reserve Bank of Fiji may deem necessary. Any revocation or variation will be served in writing to the insurer.

4.2.4 Section 2(3) of the Insurance Act 1998 defines that a person is related to an insurer if-

a) that person directly or indirectly controls, by any means whatsoever, the management of the insurer;

b) that person owns directly or indirectly 20% or more in nominal value of the equity share capital, as defined under in section 156 of the Companies Act, of the insurer;

c) the insurer directly or indirectly controls, by any means whatsoever that person; or

d) the insurer owns directly or indirectly 20% or more of the equity share capital, as defined in section 156 of the Companies Act, of that person.

4.3 Valuation of Assets

4.3.1 Section 35 of the Act requires the value of an asset of an insurer as at a particular time to be the market value of the asset at that time. *(Refer to Appendix 1 for the definition of market value and Appendix 2 for valuation of assets)*

4.3.2 Valuation techniques used by insurers should be consistent with the procedures adopted by The Fiji Institute of Valuers and Land Management. A valuer acceptable to the Reserve Bank for the purpose of valuing land and buildings is a property valuer registered with the Fiji Institute of Valuers and Land Management.

4.3.3 If the Reserve Bank is not satisfied that an asset of an insurer is valued in accordance with paragraph 4.3.1 above, it may direct that the value of the asset to be the value specified in its notice. The Reserve Bank of Fiji may revoke or vary this directive if it appears that it is no longer necessary or it should be varied or if the Reserve Bank of Fiji is satisfied after an application by the insurer that the direction is no longer necessary or it should be varied.

4.3.4 If the insurer served with a notice under paragraph 4.3.3 above commences to be wound up, the directive ceases to have effect.

4.4 Valuation of Liabilities

4.4.1 In computing the amount of the liabilities of an insurer, all contingent and prospective liabilities (other than liability in respect of share capital) must be taken into account. Contingent liabilities are those liabilities which may not actually eventuate ie. contingent on something happening, but they nevertheless have the potential to adversely impact on policyholders' funds. *(Refer to Appendices 1 & 2 for details on the valuation of liabilities.)*

4.4.2 The Reserve Bank of Fiji may direct an insurer in writing to make in its accounts a provision, or a further provision of a specified amount, or of an amount it determines in a particular manner *[section 38(2)].*

4.4.3 If the Reserve Bank is satisfied that the directive issued in paragraph 4.4.2 above is no longer necessary or should be varied, it must by notice in writing to the insurer, revoke or vary the directive. The notice must also be revoked or varied if the Reserve Bank deems it necessary after an application by the insurer to which the directive was issued *[section 38(4)]*.

5. Implementation Arrangements

5.1 This Notice applies to life insurance companies licensed under the Insurance Act, for financial years ending 31 December 2002.

5.2 Life insurers must note that at some stage, the Reserve Bank of Fiji may decide to consider refinements to the basis of solvency depending on individual insurer's asset and liability risks.

Reserve Bank of Fiji

December 2002

<u>Attachments:</u>

Appendix 1	-	Supplementary Notes (To be read in conjunction with the Asset and Liability Values for Solvency Purposes in Life Insurance Businesses).
Appendix 2	-	Proposed Asset Values for Solvency Calculations
Appendix 3	-	Proposed Liability Values for Solvency Calculations
Appendix 4	-	Worksheet for Calculating Solvency

APPENDIX 1

SUPPLEMENTARY NOTES

(To be read in conjunction with the attached Asset and Liability Values to Use for Solvency purposes in **Life Insurance** Business)

A. Background

1. The values to use for assets and liabilities in calculating a life insurer's solvency margin (adjusted net assets) required to be maintained by insurers under the Insurance Act 1998 are defined broadly in that Act and its Regulations.

B. Asset Values

2. A life insurer's assets are presumed available to meet insurer commitments, especially policyholder liabilities, thus encumbered assets are excluded from solvency calculations to the extent of the encumbrance. Intangible assets are also excluded for the same reason.

3. The Insurance Act 1998 specifies under section 35 that the value of an asset is its market value at a particular point in time. Despite the absence of a definition, it is presumed that this value is the best proxy to the "value of insurer investments at a point in time that is available to meet insurer obligations."[1] Market values of assets are therefore deemed to be the "net realisable value" or (gross market values less costs of realisation) of those assets.

4. All valuations for land & buildings provided for solvency purposes are to be done by an independent valuer acceptable to the Reserve Bank. The valuer must be a property valuer registered with the Fiji Institute of Valuers and Land Management.

C. Directing an asset to be valued at market value

5. Under section 35(2), the Reserve Bank of Fiji has power to direct that an asset, not valued in accordance with prescribed market values under section 35, be assigned a value specified in the written notice. Consequently, the recommended value that the Reserve Bank of Fiji specifies to be the value of those assets not appropriately valued, will be an estimate of the net realisable value of the asset in question.

D. Amounts due from reinsurers over six months

6. Apart from the availability of a life insurer's assets for its obligations, it would be prudent to also apply a time limit when considering the amounts that would be realised from the trade debtor and are represented by reinsurance recoveries. The Insurance Act 1998 prescribes that amounts due for over 3 months from reinsurers are to be excluded in the calculation of assets for the purpose of computing the insurer's solvency.

7. However, subsection 32(5) allows for an insurer to apply in writing to the Reserve Bank of Fiji to approve as an asset amounts due from reinsurers that became due to the insurer more than 3 months but not more than 6 months previously. The Reserve Bank of Fiji may approve those amounts due where it is satisfied that the amounts due will be paid. It must be therefore noted that amounts due from reinsurers more than 6 months

[1] Recently, the focus is more on policyholder obligations.

previously cannot be included in the calculation of assets for the purpose of computing solvency of insurers.

E. Unsecured Loans

8. Loans to directors and other persons prescribed in section 31(1)(a) are to be excluded in the calculation of assets unless approval is granted under section 31(2). Loans to related persons may be approved under section 31(3).

F. Land & Buildings

9. For the values of land and buildings, the Reserve Bank of Fiji will for the purpose of calculating solvency include 95% of the valuation provided by an independent valuer acceptable to the Reserve Bank.

G. Valuation of Shares

10. (i) Quoted

Valuation will be based on the latest stock market price. Appropriate discounts should be considered if the shares are thinly traded and/or comprise a large block of shares. Premiums may only be considered where there is a valid offer at a higher price evidenced by a firm commitment, such as purchase contracts or undertaking letters provided by solicitors or brokers.

(ii) Unquoted

An appropriate value may be considered provided the test of marketability is met. The condition of marketability would be considered based on the merit of each case. If it can be demonstrated that the shares are marketable, the basis of valuation applied should be the net tangible asset per share. A higher valuation may be considered if there is sufficient evidence to purchase at a higher value the net tangible asset per share. However, a value verified and confirmed by the external auditors is also acceptable.

H. Fixed Assets other than Land and Buildings

11. For the purpose of calculating solvency, the book value of motor vehicles only will be included if the rate of depreciation applied is not less than 20%. For furniture and fittings, the book values will be included for solvency purposes if their depreciation rates are 40% in the first year and 20% in the years after.

I. Liability Values

12. Section 38(1) of the Insurance Act 1998 requires that in computing total liabilities of an insurer, all contingent and prospective liabilities (other than liabilities in respect of share capital) must be taken into account. The Reserve Bank of Fiji may direct insurer to make in their accounts further provisions if it is not satisfied with the values presented.[2]

13. Furthermore, section 62(1) states that a licensed insurer in respect of any class of life insurance business, must at the end of each calendar year, cause an investigation to be made by an actuary into the financial affairs of the business, including a valuation of liabilities under life policies of every statutory fund.[3]

J. Conclusion

14. The values to use for assets and liabilities in calculating solvency are broadly defined in the Insurance Act 1998. The asset values to use is the market value

[2] Required under section 38(2) of the Insurance Act 1998.

[3] This is the actuarial assessment of what life insurers owe their policyholders at a point in time.

of those assets as required under section 35 of the Insurance Act 1998 and all liabilities are required to be disclosed. Values of liabilities submitted for solvency purposes may be actuarially assessed and approved.

15. The Reserve Bank of Fiji must be satisfied that life insurers have adequately considered their obligations in ascertaining their investment profiles. When assessing the value of an asset to be included for solvency purposes, the nature of the asset should be considered as well as the valuation method used. These should have regard to how liquid the assets are in order to meet policyholder liabilities in a timely manner.

16. The valuation of assets and liabilities for solvency purposes will be subject to ongoing review by the Reserve Bank of Fiji.

Reserve Bank of Fiji
December 2002

ASSET VALUES FOR SOLVENCY CALCULATIONS **APPENDIX 2**

LIFE INSURANCE BUSINESS

INSURANCE ACT 1998

PARTICULARS	Row No.	FACTOR %	COMMENTS
ASSETS			
Cash on hand	1	100	
Outstanding premiums	2	0 unless approved	s32(1)(e), s32(5) - Include amounts less than 3 months overdue
Amounts due from reinsurers on outstanding claims	3	100	
Amounts due from reinsurers on claims paid:			
- 3 months and under	4	100	
- over 3 months but 6 months and under	5	0 unless approved	s32(1)(f), s32(5). (Approval on merit).
- over 6 months	6	0	
Deferred reinsurance expense	7	100	s32(1)(f), s32(5) Approved if cancellation clause of reinsurance arrangements permits pro-rata refund of expenses.
Deferred acquisition expense	8	75	Reported value not to exceed 75% of commission component.
Prepayments:			
- related persons	9	0 unless approved	Approved if RBF is satisfied as to realisable value.
- non related persons	10	100	
Sundry debtors:			
- related persons	11	0 unless approved	Approved if RBF is satisfied as to realisable value.
- non-related persons	12	100	s32(2)
Other (attach details)	13	0 unless approved	
Sub-total [sum1:15]	14		
LOANS * **(attach supporting schedules)**			
Loans to directors and other persons prescribed in section 32 (1)(a):			
- secured	15	0 unless approved	s32(1)(a), s32(2)
- unsecured	16	0	Excluded under s32(2).
Loans to related persons:			
- secured:	17	0 unless approved	s32(1)(b), s32(3)
- unsecured	18	0	Excluded under s32(2)
Unsecured employee loan	19	0	Excluded under s32(1)c
Other loans:			
- secured	20	100	}These assets may be subject to review by RBF to confirm
- unsecured	21	0 unless approved	} realisability of the recoverable value.
Other (attach details)	22	0 unless approved	
Sub-total (loans) [sum 15:22]	23		
INVESTMENTS * (attach supporting details)			
Land and buildings	24	95% of value	Valuation to be done by an independent valuer acceptable to the Reserve Bank. This may be subject to review by the RBF to confirm realisability of the recoverable value.
Government securities	25	100	
Bank deposits	26	100	
Debentures with:			
- related persons	27	0 unless approved	s32(1)(b), s32(3). Approved if RBF is satisfied as to realisable value
- non-related persons	28	0 unless approved	
Shares in:			
- related persons	29	0 unless approved	
- non-related persons	30	Last sale value on Stock Exchange	Refer to Part G of Supplementary notes for unquoted shares.
Other (attach details)	31	100	This asset may be subject to review by the RBF to confirm realisability of the value.
Sub-total (investments) [sum24:31]	32		

FIXED ASSETS			
Motor Vehicles	33	Book Value or ‘0’	Book value if depreciation rate is not less than 20%. Accelerated depreciation of 40% for the first year and then 20% for years after.
Furniture and fittings	34	Book Value	
Computer hardware	35	Book Value	
Computer software	36	0	
Other (attach details)	37	0 unless approved	
<u>Sub-total (fixed assets)</u> (sum 33:37)	38		
INTANGIBLE ASSETS			
Future income tax benefit	39	0	s32(1)(h)
Goodwill	40	0	
Establishment costs	41	0	
Other (attach details)	42		
<u>Sub-total (intangible</u> (sum 39:42)	43		
OTHER ASSETS			
Other amounts due:			
- related persons	44	0 unless approved	s32(1)(b), s32(3)
- non related persons	45	100	
Other (attach details)	46	100	This asset may be subject to review by the RBF to confirm realisability of the value.
<u>Sub-total (other assets)</u>	47		
TOTAL ASSETS [sum 14+23+32+38+43+47]	48		

Notes:
“0” means that no value is recognised at all under the Insurance Act
“0 unless approved’ means asset will be evaluated according to Reserve Bank requirements.
“100” means that full value will be taken as presented, subject to prudential valuation.

LIABILITY VALUES TO USE FOR SOLVENCY CALCULATIONS for LIFE INSURANCE BUSINESS (INSURANCE ACT 1998)

APPENDIX 3

PARTICULARS	Row No.	FACTOR %	COMMENTS
LIABILITIES			
	49	100	
Balance of revenue account at year end	50	100	
[8A,r23 col 3	51	NA	
Claims admitted but not paid	52	NA	
Unearned premium provision	53		
Other (attach details)			
Sub-total [sum 49:52]			
			In accordance with accepted accounting principles.
	54	100	
	55	100	
OTHER PROVISIONS	56	100	
Taxation	57	100	
Dividends	58	100	
Stamp duty	59	100	
Fire service levy	60	100	
Employee entitlements	61		
Doubtful debts			
Other (attach details)			
Sub-total (provisions) [sum 54:60]			
	62	100	
	63	100	
	64		
BORROWINGS			
Borrowings from related persons			
Other borrowings	65	100	
Sub-total (borrowings) [sum 65:66]	66	100	
	67	100	
	68	100	
	69	100	
OTHER LIABILITIES	70	100	
	71		
Amounts due			
- to insurers			
- to reinsurers	72		
- to related persons			
- to agents and brokers			
Sundry creditors	73		
Other (attach details)	74		
Sub-total (other liabilities) [sum 65:70]		100	
TOTAL LIABILTIES [sum 55+61+64+71]			
NET ASSETS **[48-72]**			
CONTINGENT LIABILITIES			
OWNERS' FUNDS			
Authorised capital	75	100	
Paid-up capital	76	100	
Retained profits (loss)	77	100	
Balance of head office account	78	100	
Asset revaluation reserve	79	100	In accordance with accepted accounting principles
General reserve	80	100	
Other (attach details)	81	100	
	82		
TOTAL OWNERS' FUNDS[sum 75:81]			

Note:
The Reserve Bank has the discretion under the Insurance Act 1998 to direct any insurer to make further provisions if a particular liability is not satisfactory.

APPENDIX 4

Insurance Act 1998 – Minimum Solvency Requirement for Life Insurers

Name of Body Corporate:……………………………………………….

Balance Date:………………………………………………………….

PARTICULARS	$
Total Assets	
Less: Liabilities	
Net Assets	
Less adjustments: (Statutory Exclusions)* (1) Premium Outstanding for more than 3 months	
(2) Future Income Tax Benefits	
(3) Intangible Assets	
(4) Loans to Directors	
(5) Unsecured Employee Loans	
(6) etc	
Total Adjustments	
ADJUSTED NET ASSETS	
MINIMUM REQUIRED SOLVENCY MARGIN	
Calculated as:	
(i) $1,000,000; or	
(ii) 5.0% of net liabilities of up to $100,000,000 **PLUS**	
2.5% of net liabilities in excess of $100,000,000	
Whichever is the greater	
SOLVENCY SURPLUS (Adjusted Net Assets less Minimum Solvency Margin)	
* *For solvency purposes, all assets that are explicitly in the solvency policy as inadmissible are to be adjusted unless otherwise approved by the Reserve Bank of Fiji.*	