



February 13, 2026

Rayford Britton
Head of Policy and Development
The Cayman Islands Monetary Authority
Pavillion East, Cricket Square
PO Box 10052 Grand Cayman
KY1-1001, Cayman Islands

Re: Consultation on Proposed Rule and Statement of Guidance – Actuarial Valuations (2025)
[RSOG]

Dear Mr. Britton:

On behalf of the Risk Management and Financial Reporting Council and Life Practice Council (together, the Academy) of the American Academy of Actuaries,¹ we appreciate the opportunity to provide comments to the Cayman Islands Monetary Authority (CIMA) regarding Consultation on Proposed Rule and Statement of Guidance – Actuarial Valuations (2025) (RSOG). The Academy believes this is an important issue and appreciates CIMA's consideration of public comments.

The Academy supports the additional clarifications included in the RSOG with respect to the actuarial valuation report, its contents, governance expectations, and its use in supporting reliable insurer solvency assessments. We also support the establishment of a proportionate framework relative to the insurer's size, complexity, and risk exposure. We believe these concepts will promote consistency with international best practice.

As drafted, the RSOG is a regime that increasingly resembles a market-consistent Economic Balance Sheet (EBS), but without the clarity, or predictability, of one. This could have unintended consequences that result in significant additional analysis without corresponding improvements in the reliability of solvency assessments.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Our comments below are intended to be constructive and focus on clarity and consistency of application, while preserving our understanding of the regulatory intent of the RSOG. We have structured our feedback in accordance with the format requested.

Comment 1: Market-Consistent Valuation and Use of Accounting Bases

(Sections 4 and 5 – “Total Balance Sheet Approach”)

The RSOG introduces requirements for market-consistent valuation of assets and liabilities while continuing to permit U.S. Statutory, U.S. GAAP, and IFRS as acceptable accounting regimes for general purpose financial reports. In practice, the cumulative effect of the RSOG appears to require extensive economic re-measurement alongside accounting valuations. This creates uncertainty as to whether CIMA intends that companies provide:

- a supplementary solvency assessment, or
- the preparation of a de facto parallel market-consistent balance sheet.

Academy observation:

Absent explicit clarification, insurers may adopt inconsistent practices, and peer reviewers may apply differing expectations.

A Total Balance Sheet approach could require a significant amount of revaluation. We suggest that CIMA considers whether there are other methods to achieve the appropriate level of understanding of a company’s risks. For example, sensitivity testing key reserving assumptions may prove to be helpful. Another possibility is stress testing assets and reserves under conservative market based and liability assumptions, recognizing key risks in the analysis.

Suggested clarification:

It is difficult for us to recommend an enhancement to the RSOG without understanding CIMA’s desired objectives for the Total Balance Sheet. For example, if CIMA wished for the Total Balance Sheet to be a required sensitivity test performed by the appointed actuary, then the following could be added to the RSOG to make that clear.

Suggested wording for example (illustrative):

“Market-consistent valuation under this Rule using appropriate margin is intended to be a sensitivity test used to support solvency assessment and risk analysis and does not require the preparation of a separate general purpose balance sheet unless explicitly stated.”

Comment 2: Market-Consistent Treatment of Assets

(Section 5; interaction with IFRS 9 / amortized cost assets)

As part of the Total Balance Sheet approach, the RSOG requires market-consistent assessment of assets, including those carried at amortized cost under IFRS 9.

Academy observation:

The RSOG requires insurers using IFRS to account for assets on a market consistent basis and amortized cost. Without fully understanding the rationale for this requirement, it is difficult for us to make a recommendation. If, for example, this requirement is meant as a sensitivity test to be done by the appointed actuary, then the RSOG should state the statutory valuation of assets is based on the accounting regime used by the insurer, but for the appointed actuary's report, a scenario should include the assets valued on a market consistent basis.

Suggested clarification for the example:

Explicitly state that amortized cost classification may remain for financial reporting, but that market-consistent valuation is required for risk and solvency analysis only, not re-booking.

Comment 3: Uncertainty Margin

(Section 5)

The RSOG includes an Uncertainty Margin but does not provide guidance on the level of risk the Uncertainty Margin should cover.

Academy observation:

While the guidance provides some examples of margins, it gives no guidance on either the amount of risk the margin should cover, nor how the Uncertainty Margin should be coordinated with CIMA required capital. For example, the uncertainty margins could cover up to a 70% CTE, while the required capital covers up to a 90% CTE. Another example could be that a 90% CTE total capital provision would be required, leaving to the insurer to decide how much is absorbed by reserves. The absence of this guidance may lead to inconsistent application and disagreement between appointed actuaries and peer reviewers.

Suggested enhancement:

We recommend including calibration criteria consistent with those supporting the risks captured in the capital requirements, while preserving professional judgment.

Comment 4: Peer Review Requirements

(Sections 7.3 through 7.5; 8.1, 8.5)

The RSOG requires that the reserving actuary's work be subject to peer review. This review needs to assess the reserving actuary's analysis, preparation, and documentation. It further requires the peer reviewer to perform independent analysis and calculations. The RSOG also requires, as part of the reserving actuary's report, a description of how the peer reviewing process was done to demonstrate full independence of the peer reviewer's work.

Academy observation:

As drafted, these provisions are unclear as to the expectations of the peer review(s). The RSOG may be interpreted as requiring a second full actuarial valuation of both the reserving and actuarial valuation report. We recommend that the focus of the peer review should be on the assurance of a sound actuarial process, accurate calculation methods, the validation of assumptions, and the appropriateness of the appointed actuary's conclusions.

There are terms in the RSOG that the Academy would like clarified. In some places, it refers to the reserving actuary and others to the appointed actuary. Is this the same individual? Section 8.1 refers to stages of peer review without defining what is meant by stage, and if this section applies to both the independent peer review as well as internal governance processes.

If a second full actuarial valuation is the intent, this may raise concerns regarding:

- benefit of an independent second actuarial valuation report vs audit of process and assumptions,
- timeliness of providing the peer review report,
- availability of qualified peer reviewers, and
- potential insufficient focus on detection of material problems.

Requiring a peer review of the reserving actuary's work has been done in other jurisdictions (e.g., Australia and Canada). One of the reasons given for this requirement is to make sure that the overall quality of the reserving actuary's work meets the regulator's requirements. Over time, the discipline necessitated by the requirements led to actuarial standards that obviated the need for peer review.

In both jurisdictions, there were eight key features to the process:

1. Mandatory peer review—both systems make it a regulatory obligation
2. Independence of the reviewer—from the insurer (and preferably the auditor in Canada)
3. Full access to information—the insurer must provide the reviewer with everything needed

4. Written report required—though distribution differs (regulator in Canada; board/auditor in Australia)
5. Quality/reasonableness assessment—substantive evaluation, not focused on a recomputation
6. Review of assumptions and methods, including data and material changes
7. Compliance with professional and regulatory standards
8. Transparency of scope—the report must document what was reviewed and how

These methodologies have resulted in several important outcomes:

- The peer review is done by someone independent of the company.
- The review is thorough; however, it is more of an audit than a full-on second appointed actuary report.
- The review is comprehensive and provides a full picture of all the appointed actuary's work both qualitatively and quantitatively.

Suggested clarification:

The RSOG contains most of the eight bullet points. Regarding point 5, we recommend that the peer review process not require the reviewing actuary to create a full second-appointed actuary report or unduly focus on replicating detailed calculations from scratch. Detailed calculations can be reviewed through a demonstration process, with the key being that the peer review actuary has the appropriate qualifications and experience to ask the right questions and evaluate the work performed. Also, regarding point 4, we recommend that the peer reviewer's report be distributed to CIMA, the company's board, and the company's independent auditor.

Suggested wording (illustrative) (new language in black *italics*):

7.2 The appointed actuary must include in the report their full name, professional credentials with confirmation of current good standing with their professional body, including compliance with annual Continuing Professional Development (CPD) requirements, and a declaration specifying whether they are engaged as an employee of the licensee or as an external consulting actuary. A peer reviewing actuary must also be nominated to ensure independent validation of the report's findings. *The peer review actuary must also state their independence from the insurer and that they have no conflict of interest in acting as a peer review actuary for the insurer. The peer review actuary cannot be an employee of the insurer or an affiliate of the insurer, or an employee of a company with close ties to the insurer, and should not be an employee of the firm's external auditor.*

7.3 The peer reviewing actuary must be sufficiently involved with the reserving actuary's analysis and documentation such that they can verify that all requirements of the RSOG have been carried out by the reserving actuary. *The peer review actuary must have full access to all information necessary to satisfactorily conduct the peer review. Required information not provided by the insurer should be indicated in the peer review report.*

7.5 The peer reviewing actuary must prepare a separate written report that independently

assesses the insurer's actuarial valuation in accordance with all applicable requirements of this RSOG. This report must be based on the peer reviewing actuary's ~~own analysis, calculations, and professional judgment, and not solely on a review of the appointed actuary's work.~~ review and challenge of the appointed actuary's work. The review and report should include appropriate analysis, review of supporting data and assumptions, calculations and professional judgement as the peer review actuary deems necessary. The peer review actuary may rely on the appointed actuary to provide requested calculations, alternative assumptions or scenarios; however, the peer review actuary must evaluate those calculations and determine their appropriateness. The peer review actuary must describe how the conclusion was reached that the requirements of the RSOG were satisfied by the appointed actuary. The peer reviewing actuary must document any areas of divergence from the appointed actuary's conclusions, along with commentary on the implications for the insurer's solvency assessment. The peer reviewer's report will be provided to CIMA, the company's board, and their independent auditor.

Comment 5 - Clarification

While the RSOG appears focused on long duration contracts, there is language that appears to leave open other business being swept in. To clarify that only long duration contracts are covered by the RSOG, we suggest:

Section 4.3 ~~The RSOG also applies to insurers that the Authority directs to prepare and submit actuarial valuation reports, such as those under specific licensing or regulatory conditions.~~ *In the event that such an insurer is a class B insurer that does not write long-term business, the requirements of the RSOG do not apply, and the Authority will discuss and agree with the Actuary and the insurer the required form and content of the actuarial valuation report.*

The Academy recommends that CIMA consider specifying an overall vision for what it wants the actuarial report to assess for solvency insights as well as expectations related to the amount of risk covered by reserves vs required capital.

As currently drafted, the RSOG seems unclear on many of these objectives, making it difficult for us to make constructive suggestions that would fulfill CIMA's goals. One direction that could meet a coordinated approach would be:

- The total balance sheet approach is to be a required sensitivity scenario in the appointed actuary's report.
- The peer reviewer would be a reviewer, not a doer. They would independently review processes, assumptions, and results, but would not independently redo the entire valuation process.
- There would be a clear statement of which portion of risk would be borne by reserves (including uncertainty margins) and which by required capital.

We reiterate our support for CIMA's objectives and believe that the above clarifications would significantly enhance the RSOG's effectiveness and consistency while maintaining actuarial judgment and its regulatory intent.

We would welcome the opportunity to engage further with CIMA on these matters.

Sincerely,

Jeremy Starr, MAAA, FSA
Chairperson, Reinsurance Working Group
American Academy of Actuaries