



## **CLARIFICATION NOTE FOR GUIDELINES ON VALUATION BASIS FOR LIABILITIES OF LABUAN GENERAL AND LIFE INSURANCE BUSINESS**

### **1.0 Purpose**

- 1.1 This Clarification Note is issued to clarify on the implementation approach for the Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business and Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (collectively referred to as “the Guidelines”) which were issued on 1 September 2015. The requirements of the Guidelines also serve as the first step for the industry in adopting a risk-based capital regime under the Insurance Capital Adequacy Framework (ICAF).
- 1.2 This Clarification Note shall be read together with the Guidelines and to be considered as part of the same. All other policy requirements in the Guidelines remain effective.

### **2.0 Current Requirements of the Guidelines**

- 2.1. Under the Guidelines, all Labuan general and life (re)insurers are required to comply, among others, with the following key requirements effective from financial year beginning from 1 July 2016:
  - (i) The requirements on the valuation of the insurance liabilities which includes:
    - (a) appointment of an actuary to certify the said valuation;
    - (b) the approach used for the valuation;
    - (c) reporting of the valuation results to Labuan FSA; and
  - (ii) The resultant insurance liabilities provisioning shall be effected in the audited financial statements for the financial year beginning from 1 July 2016 and onwards.

### **3.0 Clarification on the Implementation of the Guidelines**

- 3.1 Taking cognisant of the current insurance market developments, there is a need for the industry to implement the Guidelines in a more practical approach whilst making progress for the adoption of the ICAF as planned. In this regard, Labuan

(re)insurers are accorded additional time to effect the requirements of the Guidelines so as to avoid significant adverse implications to their financials.

3.2 For clarity, the modified timeline for compliance of the Guidelines' requirements shall be as follows:

Requirement	Compliance for Financial Year Beginning	
	1 July 2016 and prior to 1 January 2018	1 January 2018 and onwards
(i) Compliance to the requirements on the valuation of the insurance liabilities.	Yes	Yes
(ii) Effecting the resultant insurance liabilities provisioning in the audited financial statements of the (re)insurers.	No, but the provisioning amounts need to be appropriately computed and maintained for the actuarial valuation reporting to Labuan FSA.	Yes, the provisioning amounts must be fully recognised in the audited financial statements.

**Labuan Financial Services Authority**  
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