

Insurance Authority's Review of Actuarial Reports on Reinsurance Adequacy and Investment & ALM for Year 2025

IA Expectations of the Board of Directors,
Executive Management, Appointed Actuary,
and Head of Actuarial Function

1. Reinsurance Adequacy Report 2025

The IA expects,

- The Company's management to carefully consider the treaty type most appropriate for its portfolio, and ensure its alignment with the Company's risk appetite, financial objectives, and market conditions.
- The Board of Directors and Senior Management to actively consider the recommendations of their Appointed Actuary when making reinsurance purchase decisions, with due input from Underwriting and Reinsurance functions.
- The Board of Directors to seek to fully understand the rationale behind the recommendations of its Appointed Actuary, including the impact of any changes to actuarial models and methodologies used, and actively consider those recommendations, with due consideration of the reinsurance market conditions, and the Company's own risk appetite.
- Where not already in place, RBC considerations are incorporated into reinsurance purchasing decisions.
- The management to consider the optimal treaty structure for each line of business individually so that any decision around purchasing a bouquet of treaties can be taken from an informed position.
- Each Appointed Actuary to remain abreast of the latest professional developments in the area of reinsurance optimization and continue to explore and implement more sophisticated modeling techniques.
- The Board of Directors and Senior Management to set clear goal(s) for the Appointed Actuary so that the output generated is in line with the expectations and business requirements of management.
- The Board of Directors and Senior Management to seek to understand the impact of the credit ratings of its reinsurers on the reinsurance contract assets under IFRS 17 and on the credit risk capital charge under the RBC framework, and to ensure that its selection of reinsurers considers the attractiveness of the terms & conditions as well as the financial strength of the reinsurer, while also complying with the relevant IA regulations in this regard.
- Companies to explore opportunities to strengthen the domestic reinsurance market and retain more business within the Kingdom, while ensuring they diversify their reinsurance book to mitigate the accumulation risk as well as counterparty default risk, and maintain a balanced approach to risk management.
- The management to put in place robust processes for providing underwriting, risk and actuarial support in aid to the reinsurance purchase decisions, thus ensuring that placement of risks under treaty and facultative arrangements is done at optimal terms for the Company.

2. Investment and Asset Liability Management Report 2025

The IA expects,

- The Appointed Actuary to perform thorough analysis and provide clear recommendations to the investment team and Senior Management that are insightful and assist in informed decision-making in the process of making suitable investment choices.
- The investment team, Senior Management, and Board of Directors to critically assess and understand the recommendations made by the Appointed Actuary, including implications of the current investment choices and alternatives available, on the Company's ability to meet its liabilities with sufficient confidence and in a timely manner.
- Companies to increasingly embed capital considerations into their investment decision-making process, and to define policies and processes for the Prudent Person Principle during 2026, to be approved by the Board of Directors of each insurance or reinsurance company in line with their risk appetite and solvency needs.
- The risk function, as the function ultimately responsible for overseeing and embedding RBC results within the Company's enterprise risk management framework, to monitor the Company's investment position against relevant market benchmarks and RBC metrics, and where the Company is identified as an outlier, seek appropriate justification or require corrective action from the investment team.

3. Actuarial Function's Contribution

The IA expects,

The contribution of the Actuarial Function in each insurance company to increase over time in all areas, such that the overall contribution leading to the production of each actuarial report is deemed significant. In particular, the IA expects to see all internal actuarial functions playing an active role in the Analysis step, followed by an increase in their role in preparing the actuarial reports. The Insurance Authority sees this active participation as an essential tool for the professional development of the internal actuarial function of the Company, in particular for actuarial candidates working within those actuarial functions.

The IA expects the Company management to provide adequate resources (human and technological) to the internal actuarial function, thus enabling it to play a significant role in producing the above statutory reports.