Form of the Certificate of the Actuary in Life Insurance Business For the year……

Form of the Certificate of the Actuary in Life Insurance Business

I, the undersigned, ______________________ am a licensed Actuary by the Central Bank of Jordan, with Actuarial Credential from _________________________and as assigned by the_________________________Company. I have calculated contract liabilities, adhering to Actuarial Standards of Practice (ASOP's)
, for the Reporting Period _________________________of which I have prepared a report (enclosed),
_________________________; I hereby declare the following:-

Yes	*No*	*Statement*
		Data validations and other checks have been carried out to review the consistency, completeness, and accuracy and accordingly, the same data has been used to determine the contract liabilities as at the valuation date. Proper records have been kept by the company adequate for the purpose of the valuation.
		That the premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the company that are available for the purpose, to enable the company to meet its commitments in respect of these contracts and, in particular, to establish adequate contract liabilities.
		All the actuarial assumptions and their derivations used to produce actuarial cash flows and to set aside the contract liabilities as at the valuation date are appropriate.
		Profitability tagging assigned to the appropriate Group of Contracts has been done accurately.
		The total contract liabilities of the Company have been valued for its Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) and Local Regulations for the year ended 31 December xxxx.
		The amount of contract liabilities, including any increase in those liabilities arising from a distribution of surplus pursuant to the company's financial statements dated / / which I have valued in accordance to the provisions of relevant instructions issued by the Central Bank of Jordan, is appropriate and sufficient for the Company and the valuation conforms to accepted actuarial practice in Jordan and the financial statements fairly present the results of the valuation.
		Actuarial items related to producing IFRS Disclosures 100 and 101 for Gross and Reinsurance Contracts are accurate.

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Appointed Actuary, credentials.
Signature and Date

The following table presents a summary of contract liabilities recommended by the appointed actuary as at the valuation date (in Jordanian Dinars):

Measurement Models	Results Summary	Excluding Receivable/Payable		Including Receivable/Payable[1]	
		Liabilities/(Assets) for Remaining Coverage	Liabilities/(Assets) for Incurred Claims	Liabilities/(Assets) for Remaining Coverage	Liabilities/(Assets) for Incurred Claims
Premium Allocation Approach (PAA)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
General Measurement Model (GMM)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
Variable Fee Approach (VFA)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
Overall	***Insurance Contract Assets***				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				

[1] Actuarial liabilities/assets excluding receivable/payable is the primary responsibility of the Appointed Actuary however, for completeness purpose the table after incorporating receivable/payables have been added to match with the financials.

The following table presents the change in methodologies and assumptions as compared to previous annual reporting:

Description of Change	Previous Year-End Assumption/Methodology	Current Assumption /Methodology
Change 1		
Change 2		
Change 3		
Change 4		
Change 5		
Change (add as appropriate)		

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Appointed Actuary, credentials.
Signature and Date

The following table[2] presents a summary of contract liabilities by measurement models as set aside by the Company as at the valuation date (in Jordanian Dinars):

Measurement Models	Results Summary	Excluding Receivable/Payable		Including Receivable/Payable[3]	
		Liabilities/(Assets) for Remaining Coverage	Liabilities/(Assets) for Incurred Claims	Liabilities/(Assets) for Remaining Coverage	Liabilities/(Assets) for Incurred Claims
Premium Allocation Approach (PAA)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
General Measurement Model (GMM)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
Variable Fee Approach (VFA)	*Insurance Contract Assets*				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				
Overall	***Insurance Contract Assets***				
	Insurance Contract Liabilities				
	Reinsurance Contract Assets				
	Reinsurance Contract Liabilities				

Appointed Actuary, credentials
Signature and Date

[2] This table will not be required if the company has set aside the same contract liabilities as recommended by the appointed actuary
[3] Actuarial liabilities/assets excluding receivable/payable is the primary responsibility of the Appointed Actuary however, for completeness purpose the table after incorporating receivable/payables have been added to match with the financials.

The following table presents a summary of contract liabilities measured under IFRS-4 recommended and booked by the Company as at the valuation date (in Jordanian Dinars):

Line of Business / Reserving Segments	IFRS-4 Liabilities (as recommended by the Appointed Actuary)			IFRS-4 Liabilities (as booked by the Company)		
	Gross of Reinsurance (Account Value only)	Gross of Reinsurance (Non-Account Value)	Net of Reinsurance	Gross of Reinsurance (Account Value only)	Gross of Reinsurance (Non-Account Value)	Net of Reinsurance
Total						

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Appointed Actuary, credentials

The Actuary's Report on Life Insurance Business

Date: / /

Name of Company	**:**	
Branches (Inside/ Outside the Kingdom)	**:**	
Report of the financial year ended in	**:**	
Date of the valuation regarding this report	**:**	
Signed off date	**:**	
Name of the Actuary who has prepared the valuation of the company	**:**	

The Actuary's Report on Life Insurance Business

This report contains the following data and information: -

First: General Data:

1- The date to which the investigation relates (the "valuation date") ………………

2- This Report has been made in accordance with the provisions issued by the Central Bank of Jordan :-

- ☐ Yes
- ☐ No, (below is a detailed clarification for the other basis adopted in the valuation).

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Second: <u>Data Availability and Quality: -</u>

This section includes a detailed description setting out the extent of the review of and verification of the data and whether the data is satisfactory. It also includes a clear description of the methods and procedures used to ensure that the valuation data is sufficient, reliable and accurate, as follows:

1- The type of data provided, and the review and verification procedures applied thereto.

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2- The procedures and/or methodology used to transform such data into data that may be suitable for the valuation.

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3- The procedures and steps undertaken to ensure that the valuation data is sufficient, reliable and accurate.

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4- Availability assessment of Data reporting including detailed comments on Accuracy, Completeness and Consistency of data.

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5- Any shortcomings or limitations related to Data quality and completeness along with the steps to account for the shortcomings.

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6- Data reconciliation table containing reconciliation at least for the last three years, separately for each item (maturity claims and reinsurance part of mortality claims, surrender claims, premium, reinsurance premium, outstanding claims and reinsurance outstanding claims, commission, reinsurance commission etc.)

7- Any reliance on data provided by the external auditor should be described.

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8- Any reliance on any other parties, including other actuaries, pool arrangement and investment management, etc. should be fully described.

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9- Reliance on Actuarial Software and IFRS Engine for computation of the contract liabilities and the extent of review, validation or testing of the IFRS Engine results undertaken before signing off.

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Third: <u>Non-Linked Contracts</u>

This section contains a full description of the benefits for each category of contract other than an investment-linked contract, including the following:

- The name given to that category and details on the level of aggregation (containing the list of portfolios, cohort and profitability tagging).
- Any premium rate guarantees or material options, including in particular any guaranteed surrender values.
- Regarding group credit life insurance, whether free cover limits exist and how they are set, details of the underwriting process, and details of the risk assessment done for already existing portfolios. How the premium is being paid for such schemes (monthly, single or any other mode).
- Whether the contract was open to new business during the reporting Period.
- Any Optional Benefits or Riders offered under each category of the Contract along with a full description of benefits.
- All Statistical information, for the current period as well as the last period, including the number of contracts (separately for each status), written premium, sum assured, etc along with the reinsurance details.
- For each type of contract, the details are required for the investment component of non-linked liabilities, if any. Details of any guarantees of investment performance or related to investment performance of non-linked liabilities or bonuses, if applicable.

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Fourth: Investment Linked Contracts

1- This section contains a full description of the benefits and investment linked component details for each category of investment-linked contract, including the following:

A. The name given to that category and details on the level of aggregation (containing the list of portfolios, cohort and profitability tagging).

B. The type of contract, according to the list of minimum required portfolios as mentioned in the related instruction

C. A statement of the frequency of premiums.

D. A brief description of the benefits under the contract, including any guarantees and any material options.

E. Any Optional Benefits or Riders offered under each category of the contract along with a full description of benefits.

F. The percentage of invested premiums (deemed or actual) for specimen ages and terms.

G. A list of the internal linked funds or directly held assets to which benefits under the contract may be linked, and details of the relationship between their value and benefits payable to policyholders, if any.

H. Details of any guarantees of investment performance or related to investment performance.

I. A description of the way in which the company recovers its costs (including acquisition expenses, renewal expenses and commission and the costs attributable to the provision of policy benefits) out of the contracts. Where the policy provides for the allocation of units, the annual rate of any management charges shall be given. Where the amount of premiums deemed to be invested after allowing for the effect of any charges is greater than the amount of the premiums, an explanation shall be given.

J. Details of any restrictions on increases in charges.

K. The method used to calculate surrender values and details of any restriction on the payment of surrender values.

L. A brief description of any other features of the contract not disclosed above is material to the method and basis of valuation under IFRS reporting. M. Whether the contract was open to new business during the reporting period.

N. Any increases in the rates of charges applied generally to contracts during the reporting period, including charges for the provision of policy benefits met by the cancellation of units notionally allocated to contracts.

O. All Statistical information, for the current period as well as the last period, including the number of contracts (separately for each status), written premium, sum assured, etc. along with the reinsurance details.

P. For each type of contract, the full details are required for the invested amounts of each fund along with a reconciliation table to compare with the data values. In case, if any differences are observed between data values of investment linked liabilities and invested linked assets, an explanation will be required including how such difference has been considered under IFRS reporting.

2- A description of the method, or if there is more than one method of the methods and the types of units to which each applies, used for:

A. The creation and cancellation of units in internal linked funds.

B. Determining unit prices for the allocation of units to, and the cancellation of units from, policies.

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3- For each internal linked fund:

A. The investment strategy of the fund as stated in any policy document, illustration, prospectus or advertisement and an explanation of any deviation from that strategy at the valuation.

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B. For each type of unit based on that fund, the initial and periodic charges made to the fund in respect of investment expenses, and the nature of any other pricing adjustments.

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Fifth: Determination of Contract Liabilities

This section contains documentation of the general principles and methods adopted in the valuation by type of product assigned to each portfolio including a description of any non-standard methods. Description of contract liabilities should include specific reference to the following:

1- The contract assets/liabilities will be classified as follows:

- Liabilities for Remaining Coverage (LRC) – for insurance contracts issued by the Company.
- Liabilities for Incurred Claims (LIC) – for insurance contracts issued by the Company.
- Assets for Remaining Coverage (ARC) – for reinsurance contracts held by the Company.
- Assets for Incurred Claims (AIC) – for reinsurance contracts held by the Company.

2- Detailed comment on the methodology for the formation of Insurance and Reinsurance Portfolios. Details on the extent of compliance with the list of minimum required portfolios as mentioned in the related instruction.

3- Details on the level of aggregation (containing the list of portfolios, cohort and profitability tagging).

4- The measurement model used for each Portfolio of Insurance contracts issued, or Reinsurance Contracts held should be clearly disclosed along with the rationale behind the choice of the measurement model.

5- For all more than 1-year contracts where the Premium Allocation Approach is applied, the description, methodology and results of PAA eligibility testing to prove the application of PAA and all the assumptions used to derive the results.

6- Methodologies used to calculate each component of contract liabilities / assets calculated by application of the Premium Allocation approach (PAA), General Measurement Model (GMM) or Variable Fee approach (VFA) disclosed separately for insurance contracts issued and reinsurance contracts held by the company.

7- Disclose all types of cash flows being considered in the fulfillment cash flows to determine the IFRS contract liabilities/assets separately for insurance contracts issued and reinsurance contracts held by the company.

8- Basis of determination for loss component and contractual service margin along with the details of coverage units. Coverage units should explain the projected pattern separately for each group of contracts.

9- Risk adjustment methodology, confidence interval and its derivation separately for LRC and LIC where applicable.

10- Document how each type of policy status of the company's system is being considered in the IFRS fulfillment cash flows.

11- Impact of current and future bonuses (if any) on the fulfillment cashflows.

12- For the current and future years, treatment of investment minimum guarantees or any returns in excess of minimum guarantees and their impact on the fulfillment cash flows, if any, at the level of granularity on which calculations have been done.

13- The basis of the cashflow calculations for any options and guarantees (other than Investment performance guarantees)

14- Confirmation that different types of risks are not merged into one portfolio – separately reviewed for insurance contracts issued and reinsurance contracts held by the company.

15- For reinsurance contracts held by the company for life long-term contracts (may be based on quota share treaty, yearly renewable term, surplus share treaties or any other treaty arrangements etc.) containing the reinsurance premium guarantees for long-term arrangements will need to apply GMM.

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16- For portfolios where PAA has been applied, the following needs to be determined for each group of contracts:

- Liabilities for Remaining Coverage/Assets for Remaining Coverage: unearned premium reserves, deferred acquisition cost (optional if it is less than 1 year) and loss component, reflecting any financing component, separately for insurance contracts issued and reinsurance contracts held by the company. It is also required to carry out impairment testing and set aside resulting liabilities, if any.

- Liabilities for Incurred Claims /Assets for Incurred Claims: outstanding claims liabilities, Incurred but Not (enough) reported claims liabilities, assets for incurred claims (outstanding and IBN(E)R), unallocated loss adjustment expense and risk adjustment, separately reflecting the impact of discounting, for both insurance contracts issued and reinsurance contracts held by the company.

17- For portfolios where PAA has been applied, a full description of the methods and assumptions used in determining the Liabilities for Incurred claims for insurance contracts issued by the company and Assets for Incurred Claims for reinsurance contracts held by the company for each portfolio, including the following factors:

- Any contract provisions, or deferred periods, that would tend to lead to the claims reported to the company being delayed.

- The loss ratio history of the company over the last five years, particularly any significant lags in claims reporting experienced by the company during those years. The loss ratios should present separately the following: paid loss ratio, incurred loss ratio, ultimate loss ratio for insurance contracts issued by the company where reinsurance paid ratio, reinsurance incurred ratio, reinsurance ultimate loss ratio for reinsurance contracts held by company based on quarterly

   or monthly lags. The LIC cash flows gross of reinsurance either based on any accident or underwriting periods net of salvage and subrogation should not be negative.

- A detailed description of back-testing or runoff analysis of claims liabilities for the last three years on a Semi-Annual Basis separately for insurance contracts issued and reinsurance contracts held. If the Company has booked different liabilities for incurred claims as compared to those recommended by the Actuary, then Back-testing needs to be conducted on both, booked and recommended liabilities for incurred claims.

- A description of the calculation of Claim development factors based on Quarterly or Monthly Accident periods separately for insurance contracts issued and reinsurance contracts held, otherwise justify if annual development factors have been used. Development factors used in the calculation should be based on Paid or Incurred Claims.
- It is expected that insurance companies will not apply PAA for life products that contains deposit components (i.e. cash value or account value type products)

Sixth: Assumptions and basis of Assumptions

This section contains the following:

1- The tables of mortality and morbidity assumed in the valuation of each category of the contract[3] with a clear indication of best estimate assumptions.

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2- A general description of how the tables of mortality and morbidity assumed in the valuation of the various categories of the contract have regard to the country in which the contract was written.

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3- Details of any allowance made for future reductions in mortality rates in the tables of mortality assumed for the valuation of annuity contracts.

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4- Details of any allowance made, and the amount of any provision held, for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality and morbidity experience of the company in the tables of mortality and morbidity assumed in the valuation of contracts.

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5- Details of all other Assumptions (all period lapses, current and future years investment returns for guarantees products, yield curves separately for linked and non-linked liabilities) used in calculating the contract liabilities/assets along with an explanation of the methodology used in their derivation.

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6- The rationale behind the significant deviation in any assumptions as compared to those used at earlier reporting periods, the rationale behind the deviation should be disclosed in detail.

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[3] If the tables used have not been published, full details of the rates of mortality or morbidity used are required.

7- For composite companies writing both life and general business, segregation of expenses for life insurance business and non-life insurance business shall be clearly made. All direct expenses related to life or general business should be directly charged. If a common resource is involved in working for life and non-life companies, then the allocation percentage should be defined. Generally, it is expected that the allocation of expenses between life and general would remain the same over the periods.

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8- Comment on the Expense studies with expenses pertaining to only the life business written by the Company. The appointed actuary also needs to provide comments on the expenses along with the details of the methodology used to allocate these expenses to portfolios. Details of per policy level expense factors derived and used by the Company for the current period and past period. How the expenses have been categorized in line with IFRS definition for the life business.

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9- Within life business, details need to be provided stating the following:

- All directly attributable expenses related to each portfolio.
- Any Indirectly attributable expenses need to be allocated to each portfolio. It is expected that the allocation will remain the same in all the periods unless justify otherwise.
- All acquisition costs should be clearly allocated to each portfolio.
- All maintenance attributable expenses (including renewal commissions) need to be classified separately.
- Any unattributable expenses should be documented and justified properly.
- Any significant trends in the managing costs of insurance policies need to be stated.

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10- The following minimum list of assumptions along with the basis to be produced:

- Results of the Experience studies (mortality/morbidity, investment return, expenses, lapses)
- Investment return assumption for current and future years where any guarantees are being provided by the insurance company along with its basis.
- Yield curve separately for linked and non-linked cash flows and any illiquidity adjustment

- Assumptions related to Risk Adjustment and confidence interval separately for Liabilities for Remaining Coverage and Liabilities for Incurred Claims
- All assumptions used in Loss component calculations and their derivation/basis.
- Any other assumptions related to the application of PAA, GMM and VFA (experience adjustment current and future portion, acquisition cost deferred, Reinsurer default probability, or other accounting policy choices etc.).

Seventh: Bonus Declarations

This section contains the following:

1- The principles on which the distribution of profits among policyholders and shareholders is based, as described in any of the following documents:

A. The constitution of the company.

B. Board resolutions of the company.

C. Any policy issued by the company.

D. Any advertisement issued by, or on behalf of, the company.

E. Any other relevant document.

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2- For each Takaful/With-profit fund, if any, a broad statement of the company's aims in relation to the distribution of profits among policyholders, including:

A. Its aims in relation to policies that mature or are surrendered and claims arising by death.

B. The appropriate and equitable treatment of different groups of takaful/with-profit policyholders.

C. A description of the methods used by the company to ensure that these aims are achieved.

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3- Particulars of the bonus/surplus allocated to each category of contract, including the basis of calculation and the circumstances and the form in which the bonus/surplus is payable.

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Eighth: Reinsurance

For the purposes of calculating the liabilities/assets for the Reinsurance contracts held by the company pursuant to the regulatory requirements issued by the Central Bank of Jordan, find below a description to the mechanism of matching reinsurance ceded complies with Instructions No. (4) of 2002, "Reinsurance Instructions and the Amendments Thereof" and relevant Instructions.

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Nine: <u>Takaful</u>

For takaful companies, it is required to provide an appropriate allocation of all expenses (including non-attributable expenses) between takaful funds and Shareholders' funds along with justification. It is expected that the allocation/basis will remain consistent for all reporting periods.

Appointed Actuary of takaful companies needs to determine and sign off on the surplus/deficit of the Participants' Takaful Fund(s) for the full reporting period, along with the recommendations of the distributable surplus, if any.

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Ten: <u>Actuarial Appendices</u>

1- The full break-up of contract liabilities (Liabilities for Remaining Coverage and Liabilities for Incurred Claims, Assets for Remaining Coverage and Assets for Incurred Claims) by separately providing the impact of receivable and payable is required.

2- The following forms as per the supervisory returns require sign-off from the appointed actuary:

- Appendix 1: Comparison of liabilities Start of Period (SOP) and End of Period (EOP)
- Appendix 2: Discount Rates for Cashflows that vary with Underlying Items
- Appendix 3: Discount Rates for Cashflows that do not vary with Underlying Items
- Appendix 4: Expenses
- Appendix 5: Risk adjustment for Liabilities for Incurred Claims (both gross and reinsurance)
- Appendix 6: Risk adjustment for Liabilities for remaining coverage (both gross and reinsurance)
- Appendix 7: Statistical data
- Appendix 8: Reserving Segment Level Sheet for Group Life and Group Credit Life
- Appendix 8: Reserving Segment Level Sheet for Group Life and Group Credit Life
- Appendix 9 to 14: Roll Forward Disclosures (related to actuarial items)