ملحق رقم (1)

Form of the Certificate of the Actuary in General Insurance Business For the year.....

Form of the Certificate of the Actuary in General 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 being kept by the company are adequate to the purpose of the valuation.
		That the procedures followed by the Company for specifying the amount of the outstanding claims liabilities are effective and being executed by people of an appropriate level of skill, knowledge and experience.
		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 with the provisions of relevant Instruction 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 by Measurement models as 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 Incurred Claims	**Liabilities/(Assets) for Remaining Coverage**	**Liabilities/(Assets) for Incurred Claims**	**Liabilities/(Assets) for Remaining Coverage**
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				
Overall	***Insurance Contract Assets***	-	-	-	-
	Insurance Contract Liabilities	-	-	-	-
	Reinsurance Contract Assets	-	-	-	-
	Reinsurance Contract Liabilities	-	-	-	-

[1] Actuarial liabilities 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 Incurred Claims	Liabilities/(Assets) for Remaining Coverage	Liabilities/(Assets) for Incurred Claims	Liabilities/(Assets) for Remaining Coverage
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				
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 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	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Total				

Appointed Actuary, credentials

(Attachment)

The Actuary's Report in General Insurance Business

Date: / /

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

The Actuary's Report in General Insurance Business

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 of the relevant instructions issued by the Central Bank of Jordan:

- [ ] Yes
- [ ] No (below is a detailed clarification f or the incompatibility with the provisionsof the aforementioned Instructions).

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3- A brief description of any important changes in the year since the previous report should be set out, particularly: -

- changes in claims administration processes.
- changes in reserving procedures.
- any other change that affects the contract liabilities

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4- List the standard of materiality in the report, and clarify the basis applied thereto.

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Second: Data Availability and Quality: -

This section includes a detailed description setting out the extent of the review of and verification of the data and whether the data was satisfactory. The methods and procedures used to ensure that the valuation data are sufficient, reliable and accurate. It also includes a description of the practices and methods used to recommend the contract liabilities and accuracy of the data, 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 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 (premium, reinsurance premium, claim and reinsurance claims, Outstanding claims and reinsurance outstanding claims, salvage and subrogation settled and outstanding salvage and subrogation, commission, reinsurance commission etc.)

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

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8- Any reliance on any other parties, including other actuaries, pool arrangement and TPA, etc.

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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: Commentary on each type of insurance contracts issued and reinsurance contracts held by the Company: -

For each type of insurance contract issued and reinsurance contracts held by the company, a detailed description will be required for each of the following: -

1- 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.

2- 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.

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 along with the rationale behind the choice of the measurement model.

5- A description of the business underwritten, with comments on the propensity of the license to develop outstanding claims (either for gross claims or salvage and subrogation recoveries) for five years or more.

6- Any significant changes in the assumptions or techniques used in the previous valuation report in estimating the contract liabilities and the financial impact of such, and the justification for the changes.

7- Any significant change in the level of retention, level or type of reinsurance coverage.

8- Any significant change in the method of recording data or in any other financial or accounting practice.

9- A detailed description of any contract underwritten for a period of more than 12 months, and any explicit or implicit guarantees contained within such contracts.

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

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

Fourth: Determination of Company's Liabilities for Remaining Coverage/Assets for Remaining Coverage: -

1- This will be classified as follows:
- Liabilities for Remaining Coverage (LRC) – for insurance contracts issued by the Company.
- Assets for Remaining Coverage (ARC) – for reinsurance contracts held by the Company.

2- Under Premium Allocation Approach and for each group of contracts, it is required to book the 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.

3- It is also required to carry out impairment testing and set aside resulting liabilities, if any.

4- Confirmation that the contract liabilities as recommended by the appointed actuary have been booked by the company.: -

☐ Yes
☐ No (below is a clarification of the reasons).

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5- Expense studies being carried out in relation to each group of contracts and their allocation approach to each portfolio.

6- Within General 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 would remain the same in all the periods unless justify otherwise.
- All acquisition costs should be clearly allocated to each portfolio.
- Any unattributable expenses should be documented and justified properly.
- It is expected that the above expenses classification will be used to determine the Loss component for each portfolio separately.
- All claims related to direct and indirect expenses need to be estimated.
- Any significant trends in the managing costs of insurance policies need to be stated.

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.

8- For each group of contracts, a detailed description of the calculations undertaken to determine the amount of the Loss component, if any, including the following: -

A- The underwriting results of insurance contracts issued, and reinsurance contracts held for each group of contracts for the past three years, and the implications for the adequacy of the premium rates to each class.

B- Brief explanation of onerous contract tagging assigned to any group of contracts at the inception of the contract.

C- Any significant trends in the severity and frequency of claims.

D- Any contracts where the pattern of the risk may not be uniformed over the term of the contract, in particular: -

- Where the pattern of risk varies over the term of a contract is due to seasonal or other factors.
- The treatment of contracts of less than one year's duration including foreign motor insurance and travel insurance policies.
- Any contracts of more than one year's duration.

E- How the expense study referred above in paragraph 6 being used to determine the loss component.

F- Changes in the insurance business underwritten by the company including: -

- Any changes in premium rates.
- Any important changes in the coverage under the insurance policies.

G- For loss recovery component, the impacts of the reinsurance arrangements including the following: -

- Any adjustments under excess of loss reinsurance treaties where the premium rate varies with the claims experience.

- Any adjustments under proportional reinsurance treaties where the ceding commission varies with the claims experience.

- Any adjustments relating to an inflation clause or due to exchange rate movements.
- Any changes in the cost of reinsurance.

- Any changes in retention levels.

- Any significant changes in reinsurance terms and conditions.

H- Any commission payable to insurance agents.

I- Any future premiums collectible after the valuation date, and any effects of any significant lags in the collection of these premiums on the contract liabilities established.

9- For portfolios where GMM has been applied, the following needs to be disclosed:
- 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.
- 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.
- Risk adjustment methodology, confidence interval and its derivation separately for LRC and LIC where applicable.

Fifth: Determination of the Company's Liabilities for Incurred Claims or Assets for Incurred Claims: -

1- This will be classified as follows:
   - Liabilities for Incurred Claims (LIC) – for insurance contracts issued by the Company.
   - Assets for Incurred Claims (AIC) – for reinsurance contracts held by the Company.

2- It is required to determine the outstanding claims liabilities, Incurred But Not (enough) reported claims liabilities, salvage and subrogation, 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.

3- Individual outstanding Cases (applicable for all types: gross, salvage and subrogation and reinsurance): -

A- Confirmation that individual outstanding cases estimates have been used:

☐ Yes

☐ No (below is an explanation why such confirmation cannot be given).

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B- A statement setting out the methods and assumptions used to ensure the accuracy of the contract liabilities for the individual outstanding cases and the total outstanding case reserves, and for each portfolio.

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C- A statement setting out the effects, if any, of changes in the methods of recording and reporting incurred and paid claims, and for each portfolio.

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4- A statement disclosing the amount by which the Reported Outstanding Claims Liability established at the end of each of the last three years has exceeded or was less than the corresponding actual claims paid for each year and current Reported Outstanding Claims Liability, and for each portfolio.

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5- A statement of any significant trends in the severity and frequency of claims.

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6- A statement of the frequency and severity of large losses.

7- A statement of any important changes in the coverage of the insurance policies.

8- A description of changes in the cost of reinsurance and/or the structure of the reinsurance arrangements, including any profit commissions or swing rates, whenever appropriate for each reinsurance portfolio.

9- A statement setting out the amount of salvage and subrogation for each portfolio, (where these amounts are significant and crucial; find below a statement setting out the methods and assumptions used to ensure their accuracy).

10- 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[4] 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, salvage and subrogation settled ratio, salvage and subrogation incurred 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 statement setting out the effects, if any, of the changes in the timing and methods of recording and reporting incurred and paid amounts.
- 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, reinsurance contracts held and Salvage & Subrogation (where applicable). 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, reinsurance contracts held and Salvage & Subrogation (where applicable), otherwise justify if annual development factors have been used. Development factors used in the calculation should be based on Paid or Incurred Claims.

[4] Separately for insurance contracts issued and reinsurance contracts held, Ultimate Loss ratio (for non-life) is calculated as a percentage of ultimate claims cost to earned premiums.

- A detailed description of the calculation of Claim liabilities separately for reinsurance contracts held and Salvage & Subrogation claims. Ideally, net of reinsurance liabilities should not be calculated directly from the triangles or justify otherwise.

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11- A statement on Risk adjustment, derivation method, confidence interval chosen, any allocation method applied, and diversification technique being used for both insurance contracts issued and reinsurance contracts held by the company.

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12- Claims related expenses need to be used to estimate the cost of claims handling liabilities for the future business. Accordingly, the Allocated /Unallocated loss adjustment expenses need to be set up for each portfolio by the Company.

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Sixth: Assumptions and basis of Assumptions: -

This section contains the following:

1- Details of all Assumptions to determine the contract liabilities / assets along with an explanation of the methodology used in their derivation.

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2- 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- The following minimum list of assumptions along with the basis to be produced:
   - All assumptions used in Loss component calculations and their derivation/basis.
   - Yield curve and illiquidity premium and its derivation, if any.
   - Any assumptions related to salvage and subrogation.
   - Assumptions related to Risk Adjustment and confidence interval separately for Liabilities for Remaining Coverage and Liabilities for Incurred Claims Expense studies with expenses pertaining to only General 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.
   - Any other assumptions related to the application of PAA and GMM (experience adjustment current and future portion, acquisition cost deferred, Reinsurer default probability, etc.)

Seventh: Reinsurance: -

1- For the purposes of calculating the liabilities/assets for the reinsurers contracts held by the company pursuant to the regulatory requirements[5] 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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2- In order to estimate reinsurance liabilities/assets, using the separate triangles and separate reserving for Reinsurance contracts held by the company.

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3- A statement on the sufficiency of Reinsurance Data for estimation of claim development factors.

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[5] The Company may maintain the Outstanding Claims Liability and the Unearned Premiums Liability after deducting the share of the reinsurer pursuant to what has been ceded from the insurance risk.

Eight: Takaful

1- 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.
2- 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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Nine: Actuarial Appendices: -

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 Yield Curves
   - Appendix 3: Expenses
   - Appendix 4: Risk adjustment for Liabilities for remaining coverage (both gross and reinsurance)
   - Appendix 5: Loss Component
   - Appendix 6: Loss Recovery Component
   - Appendix 7: Reserving Segment Sheets
   - Appendix 8 to 13: Disclosures (related to actuarial items)