

April 3, 2009

Mr. Evan Hermiston
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CASTRIES

Dear Sir

Preparation of Audited Financial Statements Guideline – All Insurance Company

The Financial Sector Supervision Unit (FSSU) has in the past received companies' audited financial statements in a number of varying forms, some of which do not lend to the extraction of information of the insurance activities of licensees. This poses difficulty for the FSSU and in going forward we require that the following details be adhered to in the preparation of your audited financial statements:

I. Balance Sheet

- (a) **Assets** – a complete breakdown of all assets (current & long-term) should be provided.
- (b) **Liabilities** – All provisions and reserves for insurance business should be clearly shown with accompanying notes where necessary. (current & long-term)
- (c) **Surplus** – The composition of surplus should be clearly shown with accompanying notes where necessary.

II. Income Statement

- (a) **Revenue** – a complete breakdown of the components of revenue should be provided and the revenue derived from insurance activity should be clearly identified.
 - i. **Premium** - information should include premiums written, reinsurance ceded, net premiums and earned or unearned premiums.
 - ii. **Investment Income** - should be identified along with the investments from which the income was derived.

- iii. **Other Income** - should be should be shown along with the sources of this income.
- (b) **Expenses** – all expenses should be clearly identified e.g.
 - i. **Claims Paid** – These should be clearly shown highlighting reinsurance recoveries where applicable.
 - ii. **Other Expenses** – These should be clearly shown under their respective categories.

III. Notes to the Financial Statements

- (a) **Adjusted Shareholders' Equity** - An adjustments to total Shareholders Equity to exclude any non-allowable assets. The Guidance Notes provide clarification on the list of items that are allowable and non-allowable.

The following format should be presented as a "Note to the Financial Statements":

Total Shareholder Equity	x	
Less: Non-allowable Assets	(x)	

Adjusted Shareholder Equity	x	

- (b) **Premium** - information should include premiums written, reinsurance ceded, net premiums and earned or unearned premiums per line of business.
- (c) **Claims Paid** – These should be clearly shown highlighting reinsurance recoveries per line of business.

IV. Additional Information

- (a) **Performance Ratio** - The measures of performance ratios are required to be submitted with the submission of the audited Financial Statements and not with the semi-annual returns.
- (b) **Actuarial Opinion** – An actuarial opinion has to be submitted in respect of the licensee's liabilities outstanding on its account of its long term insurance business and in respect of the licensee's loss and loss reserve provision on the account of its general insurance business.

We look forward to your cooperation on this matter.

Yours faithfully

CALIXTE LEON
Director, Financial Sector Supervision

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