

V.1 General guidelines

Pursuant to section 6, fifth paragraph of the State Decree Captive Insurance Companies (AB 2002 no. 50) (SDCIC) the Centrale Bank van Aruba (the Bank) shall determine the models of the reporting statements.

1. Sending and addressing of the statements

According to section 6 paragraph 1 of the SDCIC the captive insurer shall send, within six months after the end of each financial year, statements to the Bank, which provide a clear picture of the operations carried out by the insurer and of its financial position. Mentioned statements must be submitted to:

**Centrale Bank van Aruba
Supervision Department
J.E. Irausquin Boulevard 8
Oranjestad**

2. Scope

The statements should reflect the operations conducted in or from Aruba.

3. Reporting date

The reporting period of the statements must be from January 1st to December 31st of the corresponding reporting year.

4. Management certification

Management should state on forms that the filled out statements are true and correct.

5. Adding of new headings

Adding of new headings to the statements is not allowed. If it is difficult to classify a particular item, it should be included under the heading that is most suitable and a brief explanatory note should be added.

6. Explanation of significant changes

In case of a significant change in a balance sheet or profit and loss item compared to previous year, a separate written explanation must be provided for that change.

REPORTING FORMS

With important changes we refer in any case to all changes in the balance sheet and profit and loss items that consist of the greater of 10% or Afl. 1 million of the amount reported in the preceding year.

7. Conversion of currencies

The amounts filled out on the statements must be stated in Aruban Florins. Amounts denominated in foreign currencies should be converted into Aruban Florins against the prevailing exchange rate at year-end.

8. Rounding of figures

All amounts should be rounded off to thousand Florins. The rounding off should be effected in such a way that the total assets equal the total liabilities. If there is an amount under Afl. 500, it should be rounded off to zero; the relevant item should then show "0" (zero) or left blank.

9. Offsetting

Offsetting of debit and credit balances of a similar nature is not allowed. Debit and credit balances should be reported at their corresponding amounts (i.e. gross).

10. Valuation of assets and liabilities

It is required to apply the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) or similar internationally recognized accounting standards.

11. Technical provisions

According to section 7, of the SDCIC, an insurer shall maintain adequate technical provisions, which are fully covered by admissible assets. A life insurance company must also take into account the Actuarial Guidelines for Insurance Companies issued by the Bank.

The Bank may raise objections against the nature and valuation of these assets, which objections shall be promptly addressed by the insurer.

12. Solvency requirements

According to section 8, first paragraph of the SDCIC, a captive insurer must have at its disposal a minimum solvency margin amounting to:

- 1) In the case of a pure captive insurer, at least Afl. 300.000 (Aruban florins);
- 2) In the case of an association or industrial captive insurer, at least Afl. 500.000 (Aruban florins);

REPORTING FORMS

- 3) In the case of rent-a-captive, at least Afl. 1.000.000 (Aruban florins);
- 4) In the case of other captive insurance company a minimum solvency margin to be determined by the Bank that will range between Afl. 300.000 and Afl. 1.000.000 (Aruban florins).

Furthermore, pursuant to the second paragraph of section 8 of the SDCIC, an insurer must comply with the Solvency Guidelines issued by the Bank.

13. Management letter

The management letter issued by the external auditor must be submitted together with the insurer's certified annual statements completed in the Bank's format.

14. Fine

Section 16, first paragraph of the SOSIB states that, if a captive insurer does not submit its certified annual statements on time, the Bank may impose a fine of AFL 1,000 for each day the captive insurer has been in default.

ANNUAL STATEMENTS
LIFE CAPTIVE INSURANCE COMPANIES

REPORTING FORMS

1. MANAGEMENT CERTIFICATION

We, the undersigned, hereby certify as follows:

1. That the attached balance sheet, income statement, and other forms are true and correct.
2. That all assets, liabilities, income and expenditures for the period ending December 31, 20xx are included in these financial statements.
3. That all the assets reported are the property of the company, free of liens and claims, unless stated otherwise in these financial statements.
4. That all known capital and or surplus commitments and contingent liabilities are disclosed appropriately in these financial statements.

Name and position : _____

Signature : _____

2. MANAGEMENT REPORT

In this report senior-management of the company must elaborate on the most important developments occurred during the reporting year and present the company's projections on the operations of the company for the immediate future.

REPORTING FORMS

A. BALANCE SHEET

		CURRENT YEAR	PREVIOUS YEAR
	ASSETS		
1.00	Investments		
2.00	Fixed Assets		
3.00	Affiliated Companies		
4.00	Current Assets		
5.00	Intangibles		
	TOTAL ASSETS		
	LIABILITIES AND SHAREHOLDERS' EQUITY		
6.00	Technical Provisions		
7.00	Long Term Liabilities		
8.00	Current Liabilities		
	TOTAL LIABILITIES		
9.00	Shareholders' Equity		
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

REPORTING FORMS

B. INCOME STATEMENT

		CURRENT YEAR AFL	PREVIOUS YEAR AFL
	INCOME:		
1.00	Net earned premiums		
2.00	Investment income		
3.00	Other income		
	TOTAL INCOME		
	EXPENDITURES:		
4.00	Net claims incurred		
5.00	Commissions and other acquisition costs		
6.00	General and administrative expenses		
7.00	Change in technical provisions		
8.00	Policyholders' dividends		
9.00	Other expenditures		
10.00	Extraordinary results		
	TOTAL EXPENDITURES		
	NET INCOME (LOSS) BEFORE TAXES:		
11.00	Less: Corporate taxes		
	NET INCOME (LOSS) AFTER TAXES		
12.00	Less: Shareholders' dividend		
	NET EARNINGS		

C. ACCOUNTING AND VALUATION PRINCIPLES

Summarize the accounting and valuation principles used to prepare the statements and disclose any significant change(s) in the principles applied in comparison with previous year.

REPORTING FORMS

D. NOTES TO THE BALANCE SHEET

		CURRENT YEAR AFL	PREVIOUS YEAR AFL
1.00	INVESTMENTS:		
1.10	Shares		
1.20	Bonds		
1.30	Real Estate		
1.40	Time Deposits		
1.50	Mortgage Loans		
1.60	Policy Loans		
1.70	Other Loans		
1.71	- Secured		
1.72	- Unsecured		
1.80	Other		
	Total		
2.00	FIXED ASSETS:		
2.10	Real Estate		
2.20	Office Furniture and Equipment		
2.30	Other-Specify		
	Total		
3.00	AFFILIATED COMPANIES:		
3.10	Shares		
3.20	Loans		
3.30	Current Accounts		
	Total		
4.00	CURRENT ASSETS:		
4.10	Cash on Hand and at Banks		
4.20	Agents' and Brokers' Debit Balances		
4.30	Uncollected Premiums from Direct Business		
4.40	Investment Income Due Or Accrued		
4.50	Amounts Receivable from Reinsurers		
4.60	Amounts Due from Members (Mutual Companies)		
4.70	Other – Specify		
	Total		
5.00	INTANGIBLES:		
	(Provide details)		

REPORTING FORMS

D. NOTES TO THE BALANCE SHEET
(Continued)

		CURRENT YEAR	PREVIOUS YEAR
6.00	TECHNICAL PROVISIONS:		
6.10	Previous Year		
6.20	Additions		
6.30	Deductions		
	Total		
7.00	MEDIUM AND LONG TERM LIABILITIES:		
7.10	Funds due to Financial Institutions (Bank loans)		
7.20	Funds due to Affiliated Companies		
7.30	Other-Specify		
	Total		
8.00	CURRENT LIABILITIES:		
8.05	Premiums Paid in Advance		
8.10	Premiums in Suspense		
8.15	Agents' and Brokers' Credit Balances		
8.20	Benefits Payable		
8.25	Bank Overdrafts and Loans		
8.30	Amounts Due to Reinsurers		
8.35	Corporate Taxes Payable		
8.40	Dividends Payable to Policyholders		
8.45	Dividends Payable to Shareholders		
8.50	Amounts Payable to Affiliates		
8.55	Other-Specify		
	Total		
9.00	SHAREHOLDERS' EQUITY:		
9.10	Issued and paid-in Capital		
9.20	Reserves- Specify		
9.30	Retained Earnings/Unrelieved Losses		
	Total		
	OFF BALANCE SHEET AND MEMORANDUM ITEMS:		
	Contingent Liabilities (provide details)		
	Commitments (provide details)		
	Related Party Transactions (provide details)		

REPORTING FORMS

E. NOTES TO THE INCOME STATEMENT

		CURRENT YEAR AFL	PREVIOUS YEAR AFL
1.00	NET EARNED PREMIUMS:		
1.10	Direct Written Premiums		
1.20	Assumed Reinsurance Premiums		
	Gross Written Premiums		
1.30	Less: Ceded Reinsurance Premiums		
	Total		
2.00	INVESTMENT INCOME:		
2.10	Direct Investment Income		
2.11	Dividend Income		
2.12	Interest on Bonds		
2.13	Income from Rent		
2.14	Interest on Time Deposits		
2.15	Interest on Mortgage Loans		
2.16	Interest on Policy Loans		
2.17	Interest on Other Loans		
2.18	Other – Specify		
	Sub-total		
2.20	Indirect Investment Income:		
2.21	Revaluation Adjustments		
2.22	Capital Gain / (Loss) On Sales		
2.23	Other – Specify		
	Sub-total		
	TOTAL INVESTMENT INCOME		
4.00	NET CLAIMS INCURRED:		
4.10	Deaths Claims		
4.20	Maturities / lapses		
4.30	Surrenders		
4.40	Other –Specify		
4.50	Less: Ceded Claims Recovered		
	Total		
6.00	GENERAL AND ADMINISTRATIVE EXPENSES:		
6.10	Personnel costs (including social premiums)		
6.20	Other – Specify		
	Total		

REPORTING FORMS

F. BREAK-DOWN OF THE INVESTMENTS

		LOCAL INVESTMENTS	FOREIGN INVESTMENTS	TOTAL
* AFL 1000				
1.00	INVESTMENTS			
1.10	Shares			
1.20	Bonds			
1.30	Real Estate			
1.31	- Own use			
1.32	- Other			
1.40	Time deposits with financial institutions			
1.50	Mortgage loans			
1.60	Policy loans			
1.70	Other loans			
1.71	- Secured			
1.72	- Unsecured			
1.80	Other – Specify			
	TOTAL			

REPORTING FORMS

G. COVERAGE TEST¹

	ADMISSABLE ASSETS	Outstanding Amount	Weight Factor	Weighted Assets
1.00	Investments:			
1.10	Shares		80%	.....
1.20	Bonds			
	Government Bonds		100%	.....
	Corporate-High credit quality		95%	.....
	Corporate-Medium to low grade quality		85%	.....
1.30	Real Estate		90%	.....
1.40	Time Deposits		100%	.....
1.50-1.60	Mortgage and Policy Loans		100%	.....
1.71	Other Loans – secured		100%	.....
1.72	Other loans – unsecured		95%	.....
1.80	Other		65%	.....
2.00	Fixed Assets:			
2.10	Real Estate-in own use		90%	.....
2.20-2.40	Other Fixed Assets		65%	.....
3.00	Affiliated companies²		90%	.....
4.00	Current assets:			
4.10	Cash on hand and at banks		100%	.....
4.20	Agents/brokers balances < 90 days		100%	.....
4.30	Uncollected Premiums, < 90 days		100%	.....
4.40	Investment Income due < 90 days		100%	.....
4.50	Reinsurance Receivables		100%	.....
4.60	Amounts due from Members		100%	.....
4.70	Other		100%	.....
	Total weighted assets			.....
7.00-8.25	Less: Total Borrowings			
	Assets available to cover Technical Provisions			.....
6.00	Less: Technical Provisions			.....
	Surplus or (Deficiency)			.....

For further guidance please refer to V.4 Quarterly Coverage Test Captive Insurance Companies.

¹ In case the company sells insured investment products, whereby the policyholder bears the complete investment risk, the investments and technical provisions associated with these products should not be included in the coverage test calculation. In such case an explanatory note should be added to the coverage test sheet.

² A current account with a company within a group is only admissible insofar it originates from the normal course of business.

REPORTING FORMS

H. SOLVENCY MARGIN REQUIREMENT

According to section 8, first paragraph of the SDCIC, a captive insurer must have at its disposal a minimum solvency margin amounting to:

- 1) In the case of a pure captive insurer, not less than Afl. 300.000 (Aruban florins);
- 2) In the case of an association or industrial captive insurer, not less than Afl. 500.000 (Aruban florins);
- 3) In the case of rent-a-captive, not less than Afl. 1.000.000 (Aruban florins);
- 4) In the case of other captive insurance company a minimum solvency margin to be determined by the Bank that will range between Afl. 300.000 and Afl. 1.000.000 (Aruban florins).

Solvency Margin Calculation Captive Insurance Companies		
		<i>Amount in AFL 1000</i>
Shareholders' Equity (= available solvency margin)	A	.....
	
	
Required solvency margin	B	.....
Surplus/(shortfall) (A-B)		.....

REPORTING FORMS

I. ADMISSABLE ASSETS TO COVER THE MINIMUM SOLVENCY MARGIN

Assets to cover the applicable minimum Solvency Margin		<i>Amount in AFL 1000</i>
1	Treasury bonds issued by the Government of Aruba;	.....
2	Shares certificates, debentures, profit-sharing certificate and other similar securities;	.....
3	Proof of partnership rights;	.....
4	Certificates of the assets as referred to in points 2 and 3;	.....
5	Scrip certificates of the assets as referred to in points 1 up to and including 3;	.....
6	Acknowledgement of debt towards the insurer, not being treasury bills or debentures, issued by or guaranteed by the Government of Aruba or other public entities in Aruba;	.....
7	Acknowledgement of debt towards the insurer, not being debentures, issued by companies incorporated in Aruba or issued by companies incorporated in Aruba for which a license pursuant to section 4 or 24 of the State Ordinance on the Supervision of the Credit System has been granted;	.....
	Total	_____

I. AUDITORS' REPORT

II. ACTUARIAL REPORT

Refer to the actuarial guidelines for life (captive) insurance companies issued by the Bank.

III. ACTUARIAL CERTIFICATION

Refer to the actuarial guidelines for life (captive) insurance companies issued by the Bank.

ANNUAL STATEMENTS
NON-LIFE CAPTIVE INSURANCE COMPANIES

REPORTING FORMS

1. MANAGEMENT CERTIFICATION

We, the undersigned, hereby certify as follows:

1. That the attached balance sheet, income statement, and other statements are true and correct.
2. That all assets, liabilities, income and expenditure for the period ending December 31, 20xx are included in these financial statements.
3. That all the assets reported are the property of the company, free of liens and claims, unless stated otherwise in these financial statements.
4. That all known capital and or surplus commitments and contingent liabilities are properly disclosed in these financial statements.

Name and position : _____

Signature : _____

2. MANAGEMENT REPORT

In this report senior-management of the company must elaborate on the most important developments occurred during the reporting year and present the company's projections on the operations of the company for the immediate future.

REPORTING FORMS

A. BALANCE SHEET

		CURRENT YEAR	PREVIOUS YEAR
	ASSETS		
1.00	Investments		
2.00	Fixed Assets		
3.00	Affiliated Companies		
4.00	Current Assets		
5.00	Intangibles		
	TOTAL ASSETS		
	LIABILITIES AND SHAREHOLDERS' EQUITY		
6.00	Technical Provisions		
7.00	Long Term Liabilities		
8.00	Current Liabilities		
	TOTAL LIABILITIES		
9.00	Shareholders' Equity		
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

REPORTING FORMS

B. INCOME STATEMENT

		CURRENT YEAR AFL	PREVIOUS YEAR AFL
	INCOME:		
1.00	Net earned premiums		
2.00	Investment income		
3.00	Other income		
	TOTAL INCOME		
	EXPENDITURES:		
4.00	Net claims incurred		
5.00	Commissions and other acquisition costs		
6.00	General and administrative expenses		
7.00	Change in technical provisions		
8.00	Policyholders' dividends		
9.00	Other expenditures		
10.00	Extraordinary results		
	TOTAL EXPENDITURES		
	NET INCOME (LOSS) BEFORE TAXES:		
11.00	Less: Corporate taxes		
	NET INCOME (LOSS) AFTER TAXES		
12.00	Less: Shareholders' dividend		
	NET EARNINGS		

REPORTING FORMS

C. INCOME STATEMENT BY INDEMNITY GROUP

		Accident & Health	Motor Vehicle	Marine Transport & Aviation	Property	Other	Total
	INCOME:						
1.00	Net Earned Premiums						
2.00	Investment Income						
3.00	Other Income						
	TOTAL INCOME						
	EXPENDITURES:						
4.00	Net Claims Incurred						
5.00	Commissions and other Acquisition costs						
6.00	General and Administrative Expenses						
7.00	Changes in other Technical Provisions						
8.00	Policyholders' Dividend						
9.00	Other Expenditure						
10.00	Extraordinary Results						
	NET INCOME (LOSS) BEFORE TAXES						

D. ACCOUNTING AND VALUATION PRINCIPLES

Summarize the accounting and valuation principles used to prepare the statements and disclose any significant change in the principles applied in comparison with previous year.

REPORTING FORMS

E. NOTES TO THE BALANCE SHEET

		CURRENT YEAR	PREVIOUS YEAR
1.00	INVESTMENTS:		
1.10	Shares		
1.20	Bonds		
1.30	Real Estate		
1.40	Time Deposits		
1.50	Loans		
1.51	- Secured		
1.52	- Unsecured		
1.60	Other – Specify		
	Total		
2.00	FIXED ASSETS:		
2.10	Real Estate		
2.20	Office Furniture and Equipment		
2.30	Motor Vehicles		
2.40	Other – Specify		
	Total		
3.00	AFFILIATED COMPANIES:		
3.10	Shares		
3.20	Loans		
3.30	Current Accounts		
3.40	Other -Specify		
	Total		
4.00	CURRENT ASSETS:		
4.10	Cash in Hand and at Banks		
4.20	Agents' and Brokers' Debit Balances		
4.30	Uncollected Premiums from Direct Business		
4.40	Investment Income Due or Accrued		
4.50	Amounts Receivable from Reinsurers		
4.60	Amounts Due from Members (Mutual Companies)		
4.70	Other – Specify		
	Total		
5.00	INTANGIBLES		
	(Provide details)		

REPORTING FORMS

E. NOTES TO THE BALANCE SHEET

(Continued)

		CURRENT YEAR	PREVIOUS YEAR
6.00	TECHNICAL PROVISIONS:		
6.10	NET UNEARNED PREMIUM PROVISION:		
6.11	Accident and Health		
6.12	Motor Vehicle		
6.13	Marine, Transport and Aviation		
6.14	Property		
6.15	Other -Specify		
	Sub-total		
6.20	NET CLAIMS PROVISION:		
6.21	Accident and Health		
6.22	Motor Vehicle		
6.23	Marine, Transport and Aviation		
6.24	Property		
6.25	Other -Specify		
	Sub-total		
6.30	FUNDS PROVISION:		
6.31	Accident and Health		
6.32	Motor Vehicle		
6.33	Marine, Transport and Aviation		
6.34	Property		
6.35	Other - Specify		
	Sub-total		
6.40	OTHER TECHNICAL PROVISIONS:		
6.41	Accident and Health		
6.42	Motor Vehicle		
6.43	Marine, Transport and Aviation		
6.44	Property		
6.45	Other - Specify		
	Sub-total		
	TOTAL		
7.00	LONG TERM LIABILITIES:		
7.10	Loans from Financial Institutions		
7.20	Members' Loans/Loans Affiliates		
7.30	Other-Specify		
	TOTAL		

REPORTING FORMS

E. NOTES TO THE BALANCE SHEET

(Continued)

		CURRENT YEAR	PREVIOUS YEAR
8.00	CURRENT LIABILITIES:		
8.05	Premiums Paid in Advance		
8.10	Premiums in Suspense		
8.15	Agents' and Brokers' Credit Balances		
8.20	Claims Outstanding		
8.25	Bank Overdrafts and Loans		
8.30	Amounts Due to Reinsurers		
8.35	Corporate Taxes Payable		
8.40	Dividends Payable to Policyholders		
8.45	Dividends Payable to Shareholders		
8.50	Amounts Payable to Members – (Mutual Companies)		
8.55	Amounts Payable to Affiliated Companies		
8.60	Other – Specify		
	TOTAL		
9.00	SHAREHOLDERS' EQUITY/SURPLUS-DEFICIT		
	ARUBA BRANCH:		
9.10	Issued and paid- in Capital		
9.20	Reserves- specify		
9.30	Retained Earnings / (unrelieved losses)		
	TOTAL		
	OFF BALANCE SHEET AND MEMORANDUM ITEMS:		
	Contingent Liabilities (Provide details)		
	Commitments (Provide details)		
	Related Party Transactions (Provide details)		

REPORTING FORMS

F. NOTES TO THE INCOME STATEMENT

		CURRENT YEAR	PREVIOUS YEAR
1.00	NET EARNED PREMIUMS:		
1.10	Direct Written Premiums		
1.20	Assumed Premiums		
	Gross Written Premiums		
1.30	Less: Ceded Premiums		
	Net Written Premiums		
1.40	Change In Unearned Premium Provision		
	TOTAL		
2.00	INVESTMENT INCOME:		
2.10	Direct Investment Income		
2.11	Dividend		
2.12	Interest Bonds		
2.13	Income From Rent		
2.14	Interest Time Deposits		
2.15	Interest Loans		
2.16	Other – Specify		
	TOTAL		
2.20	INDIRECT INVESTMENT INCOME:		
2.21	Revaluation Adjustments		
2.22	Capital Gain/(Loss) On Sales		
2.23'	Capital Gain/(Loss) On Exchange Rates		
2.24	Other – Specify		
	TOTAL		
3.00	OTHER INCOME-(provide details)		
4.00	NET CLAIMS INCURRED:		
4.10	Direct Claims Paid		
4.20	Assumed Claims Paid		
	Gross Claims Paid		
4.30	Less: Ceded Claims Recovered		
	Net Claims Paid		
4.40	Change In Net Claims Provision		
	TOTAL		

REPORTING FORMS

F. NOTES TO THE INCOME STATEMENT

(Continued)

		CURRENT YEAR	PREVIOUS YEAR
5.00	CHANGES IN OTHER TECHNICAL PROVISIONS:		
5.10	Change in Funds Provision		
5.20	Change in other Technical Provisions		
	TOTAL		
7.00	GENERAL AND ADMINISTRATIVE EXPENSES:		
7.10	Personnel costs (including social premiums)		
7.20	Other-Specify		
	TOTAL		

REPORTING FORMS

G. NOTES TO THE INCOME STATEMENT BY INDEMNITY GROUP

		Direct written premium	Assumed premiums	Gross Written premiums	Ceded premiums	Net written premiums	Change in unearned premiums provisions	Net earned premium
1.10	Accident & health:							
1.11	Accident							
1.12	Medical							
1.13	Disability							
1.14	Other							
	Sub-total							
1.20	Motor Vehicle							
1.21	All risk							
1.22	Third party liability							
1.23	Disability							
1.24	Other							
	Sub-total							
1.30	Marine, transport and aviation:							
1.31	Ocean Marine							
1.32	Inland Marine							
1.33	Aircraft							
1.34	Other							
	Sub-total							
1.40	Property:							
1.41	Fire							
1.42	Homeowners multiple peril							
1.43	Commercial multiple peril							
1.44	Business interruption							
1.45	Burglary and theft							
1.46	Other							
	Sub-total							
1.50	Other:							
1.51	Other - Specify							
	Sub-total							
	TOTAL							

REPORTING FORMS

H. BREAK-DOWN OF THE INVESTMENTS

* AFL 1,000		LOCAL INVESTMENTS	FOREIGN INVESTMENTS	TOTAL
	TYPE			
	1.00 INVESTMENTS			
	1.10 SHARES			
	1.20 BONDS			
	1.30 REAL ESTATE			
	1.31 - OWN USE			
	1.32 - OTHER			
	1.40 TIME DEPOSITS WITH FINANCIAL INSTITUTIONS			
	1.50 LOANS			
	1.51 - SECURED			
	1.52 - UNSECURED			
	1.60 OTHER – SPECIFY			
	TOTAL INVESTMENTS			

REPORTING FORMS

I. COVERAGE TEST

* AFL 1,000	Admissible assets:	Outstanding amount	Weight Factor	Weighted Assets
1.00	Investments:		%	
1.10	Shares		80%	.....
1.20	Bonds:			
	Government bonds		100%	.....
	Corporate: Highest or strong credit quality		95%	.....
	Corporate: Upper medium to medium low quality		85%	.....
1.30	Real estate		90%	.....
1.40	Time deposits		100%	.....
1.51	Loans secured		100%	.....
1.52	Loans – unsecured		95%	.....
1.60	Other		65%	.....
2.00	Fixed assets:			
2.10	Real estate		90%	.....
2.20/2.30/2.40	Other fixed assets		65%	.....
3.00	Affiliated Companies ¹		90%	.....
4.00	Current assets			
4.10	Cash in hand and at banks		100%	.....
4.20	Agents/brokers balances, 90 days and under		100%	.....
4.30	Uncollected premiums, 90 days and under		100%	.....
4.40	Investment income due, 90 days and under		100%	.....
4.50	Amounts receivable from reinsurers		100%	.....
4.60	Amounts due from members		100%	.....
4.70	Other		100%	.....
	Total weighted assets			.....
7.00/8.25	Less: Total Borrowings			.....
	Assets available to cover Technical provisions			.....
6.00	Less: Technical provisions			.....
	Surplus or (Deficiency)			.....

For further guidance please refer to V.4 Quarterly Coverage Test Captive Insurance Companies.

¹ A current account with a company within a group is only admissible insofar it originates from the normal course of business.

REPORTING FORMS

J. SOLVENCY MARGIN CALCULATION CAPTIVE INSURANCE COMPANIES

Solvency Margin Calculation Captive Insurance Companies		
<i>Amount in AFL 1000</i>		
Shareholders' Equity (= available solvency margin)	A	.....
Required solvency margin	B	.....
Surplus/(shortfall) (A-B)		.....

REPORTING FORMS

K. ADMISSIBLE ASSETS TO COVER MINIMUM SOLVENCY MARGIN

According to section 8, first paragraph of the SDCIC, a captive insurer must have at its disposal a minimum solvency margin amounting to:

- 5) In the case of a pure captive insurer, not less than Afl. 300.000 (Aruban florins);
- 6) In the case of an association or industrial captive insurer, not less than Afl. 500.000 (Aruban florins);
- 7) In the case of rent-a-captive, not less than Afl. 1.000.000 (Aruban florins);
- 8) In the case of other captive insurance company a minimum solvency margin to be determined by the Bank that will range between Afl. 300.000 and Afl. 1.000.000 (Aruban florins).

Assets to cover the applicable minimum Solvency Margin		<i>Amount in AFL 1000</i>
1	Treasury bonds issued by the Government of Aruba;	.....
2	Shares certificates, debentures, profit-sharing certificate and other similar securities;	.....
3	Certificates of the assets as referred to in points 2;	.....
4	Scrip certificates of the assets as referred to in point 3;	.....
5	Acknowledgement of debt towards the insurer, not being treasury bills or debentures, issued by or guaranteed by the Government of Aruba or other public entities in Aruba;	.....
6	Acknowledgement of debt towards the insurer, not being debentures, issued by companies incorporated in Aruba or issued by companies incorporated in Aruba for which a license pursuant to section 4 or 24 of the State Ordinance on the Supervision of the Credit System has been granted;	.....
	Total	_____

I. AUDITORS' REPORT

II. ACTUARIAL REPORT

III. ACTUARIAL CERTIFICATION

IV.4 Quarterly Coverage Test Captive Insurance Companies

1. Legal framework

According to section 7 of the State Decree Captive Insurance Companies (SDCIC) an insurer should maintain adequate technical provisions which are fully covered by assets. The Centrale Bank van Aruba (the Bank) may raise objections against the nature and valuation of these assets, which objections shall be promptly met by the insurer and the Bank can provide general guidelines with regards to the contents and the magnitude of the technical provisions.

2. Purpose

The purpose of section 7 of the SDCIC is to ensure that the technical provisions are at all times fully covered by sufficient and acceptable assets in order to guarantee that the captive can meet its actual and future obligations.

3. Policy

In exhibit 1 (life captives) and 2 (general captives) the Bank has listed the categories of assets that can be maintained to cover the technical provisions with their respective weight factors. In order to address specific risk issues, such as the risk that assets could lose value, the Bank has applied the assets-risk method. This method is part of the so-called “risk based capital” standards, which have been prepared by the National Association of Insurance Commissioners (NAIC) of the USA. According to this method a risk factor will be assigned to each assets category. This factor is related to the riskiness of the assets. The riskiness is associated with the insurer’s assets losing value and therefore no longer being adequate to cover the liabilities. In order to determine the required amount needed to cover the risk, individual groups of assets are examined separately. The balance sheet values of the relevant assets categories used are multiplied by factors (percentages), which after they have been multiplied by a risk factor are to reflect the special risk of the asset group (excluding the interest rate risk). The risk factors of the assets have been fixed by the NAIC. The lower the risk, the lower the risk factor applied. Government paper for example bears a 0% risk factor while shares bear a 20% risk factor.

4. Coverage test

The “total weighted assets” to cover the technical provisions is derived by adding up the sum of the balance sheet assets multiplied by their respective weight factor. Assets that bear a 0% risk factor, for example government bonds, will have a weight factor of 100%, while shares that bear a 20% risk factor will have a weight factor of 80%.

REPORTING FORMS

From the “total weighted assets” the borrowings are deducted, resulting in the amount of assets to cover the technical provisions.

Subsequently, the amount of the technical provision is subtracted from the “assets to cover the technical provision” resulting in either a deficit or a surplus. In case of a deficit, the Bank will only allow a shortfall if the captive can prove by means of an Asset Liability Management Study that the assets to cover the technical provision are sufficient.

The coverage test is also part of the annual filings that all captives should submit to the Bank (refer to exhibits 1 and 2).

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Exhibit 1

COVERAGE TEST¹ Life Captives

	ADMISSABLE ASSETS	Outstanding Amount	Weight Factor	Weighted Assets
1.00	Investments:			
1.10	Shares		80%	.....
1.20	Bonds			
	Government Bonds		100%	.....
	Corporate-High credit quality		95%	.....
	Corporate-Medium to low grade quality		85%	.....
1.30	Real Estate		90%	.....
1.40	Time Deposits		100%	.....
1.50-1.60	Mortgage and Policy Loans		100%	.....
1.71	Other Loans – secured		100%	.....
1.72	Other loans – insecured		95%	.....
1.80	Other		65%	.....
2.00	Fixed Assets:			
2.10	Real Estate-in own use		90%	.....
2.20-2.40	Other Fixed Assets		65%	.....
3.00	Affiliated companies²		90%	.....
4.00	Current assets:			
4.10	Cash on hand and at banks		100%	.....
4.20	Agents/brokers balances < 90 days		100%	.....
4.30	Uncollected Premiums, < 90 days		100%	.....
4.40	Investment Income due < 90 days		100%	.....
4.50	Reinsurance Receivables		100%	.....
4.60	Amounts due from Members		100%	.....
4.70	Other		100%	.....
	Total weighted assets			.....
7.00-8.25	Less: Total Borrowings			
	Assets available to cover Technical Provisions			.....
6.00	Less: Technical Provisions			.....
	Surplus or (Deficiency)			.....

¹ In case the company sells insured investment products, whereby the policyholder bears the complete investment risk, the investments and technical provisions associated with these products should not be included in the coverage test calculation. In such case an explanatory note should be added to the coverage test sheet.

² A current account with a company within a group is only admissible insofar it originates from the normal course of business.

REPORTING FORMS

Exhibit 2

COVERAGE TEST GENERAL CAPTIVES Non-life Captives

* AFL 1,000	Admissible assets:	Outstanding amount	Weight Factor	Weighted Assets
1.00	Investments:		%	
1.10	Shares		80%	.....
1.20	Bonds:			
	Government bonds		100%	.....
	Corporate: Highest or strong credit quality		95%	.....
	Corporate: Upper medium to medium low quality		85%	.....
1.30	Real estate		90%	.....
1.40	Time deposits		100%	.....
1.51	Loans secured		100%	
1.52	Loans – unsecured		95%	.....
1.60	Other		65%	.....
2.00	Fixed assets:			
2.10	Real estate		90%	.....
2.20/2.30/2.40	Other fixed assets		65%	.....
3.00	Affiliated Companies ¹		90%	.....
4.00	Current assets			
4.10	Cash in hand and at banks		100%	.....
4.20	Agents/brokers balances, 90 days and under		100%	.....
4.30	Uncollected premiums, 90 days and under		100%	.....
4.40	Investment income due, 90 days and under		100%	.....
4.50	Amounts receivable from reinsurers		100%	.....
4.60	Amounts due from members		100%	.....
4.70	Other		100%	
	Total weighted assets			.....
7.00/8.25	Less: Total Borrowings			.....
	Assets available to cover Technical provisions			.....
6.00	Less: Technical provisions			.....
	Surplus or (Deficiency)			.....

¹ A current account with a company within a group is only admissible insofar it originates from the normal course of business.