

1 Valuation of Premium Liability

1.1 Using the table below as reference, the actuary will compute the unearned premium reserves (UPR) (column B) and the best estimate (BE) (column C) of the unexpired risk reserves (URR) for each line of business.

1.2 The actuary would also compute the provision for adverse deviation (PAD) for each line of business, as well as on the insurance fund level, on a 75% level of sufficiency (column D).

1.3 For the purpose of computing the premium liability on the insurance fund basis, the greater of the UPR and the BE of URR (column E) would be used. The sum of figures in column E (550) would be compared against the (BE + PAD) of the URR at fund level (560).

1.4 The premium liability in this example would be \$560,000. This would be the amount of reserves that the Company needs to provide for this insurance fund to meet the premium liability.

(\$'000)

Line of Business (Please specify)	Unearned Premium Reserves (UPR) ¹	Best Estimate (BE) of Unexpired Risk Reserves (URR) ²	BE plus Provision for Adverse Deviation (PAD) at 75% sufficiency level	Higher of UPR and BE of URR
(A)	(B)	(C)	(D)	(E)
1	200	150	190	200
2	300	350	400	350
Fund	500¹	500²	560³	550⁴

¹ Calculated in accordance with the basis set out in Regulation 20A of the Insurance Regulations [as amended by the Insurance (Amendment) Regulations 2002]. Fund total for Column B is the sum of individual lines.

² Fund total for Column C is the sum of individual lines.

³ Calculated at 75% level of sufficiency by line and on a fund basis. Fund total for Column D is not the sum of individual lines.

⁴ Fund total for Column E to be compared to Fund Total for Column D.

2 Valuation of Claims Liability

2.1 Using the table below as reference, the actuary will compute the best estimate of claims liability for each line of business under column B. He would also compute under column C, the BE + PAD for the individual lines of business as well as the whole fund on a 75% level of sufficiency.

2.2 In this example, the amount of reserves that the Company needs to provide for this insurance fund to meet the claims liability is \$340,000.

(\$'000)

Lines of Business	BE of Claims Liability	BE + PAD (at 75% sufficiency level)
(A)	(B)	(C)
X	180	200
Y	150	180
Total	330	340*

* Computed on a fund basis and is not sum of (BE + PAD) of the individual lines of business. In the Actuary's Report submitted to the Authority, the actuary should allocate the fund PAD (ie, \$340,000 – \$330,000 = \$10,000) to the individual lines of business in a consistent and logical manner. The allocation should be shown in the column on PAD in Table 2 of MAS 210. It is not shown here.