



**FREQUENTLY-ASKED QUESTIONS**  
**GUIDELINES ON VALUATION BASIS FOR LIABILITIES OF LABUAN GENERAL**  
**TAKAFUL BUSINESS**  
**GUIDELINES ON VALUATION BASIS FOR LIABILITIES OF LABUAN FAMILY**  
**TAKAFUL BUSINESS**

**A. DISCOUNTING OF LIABILITIES**

**1. Is a Labuan retakaful operator allowed to apply an adjustment to the base risk-free yield curve under the *Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business*?**

- The requirement on the adjustment to the base risk-free yield curve is applicable to Labuan retakaful operator. Paragraph 2.2 of the said Guidelines specifies that the term ‘Labuan takaful operator’ includes Labuan retakaful operator undertaking family retakaful business as well as Labuan insurer approved to carry out family takaful business or Labuan reinsurer approved to carry out family retakaful business, unless otherwise specified.
- The adjustment to the base risk-free yield curve may be made based on the Appointed Actuary’s professional judgement in line with the criteria prescribed under the said Guidelines.

**2. For discounting of liabilities under the *Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business* and the *Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business*, is there any prescribed method for converting spot rate to forward rate since there are different approaches that can be applied?**

Currently, Labuan FSA does not prescribe the method for converting spot rate to forward rate e.g. discrete or continuous rate methods. However, this would need to be justified by the assessment of the appropriateness of the method selected by the (re)takaful operator’s Appointed Actuary taking into account the individual (re)takaful operator’s circumstances.

## **B. RETAKAFUL RECOVERIES**

### **3. What are the eligibility criteria to be met if (re)takaful operators adopt the simplified approach for determining the expected net retakaful recoveries?**

The criteria for determining the expected net retakaful recoveries using simplified approach are:

- Where it is not practical for a Labuan takaful operator to explicitly determine the expected net recoveries from retakaful arrangements for each underlying contract according to paragraph 14.1 of the *Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business* and paragraph 13.1 of the *Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business*.
- For instance, for some retakaful arrangements which are non-proportional, the net retakaful recoveries may be derived as the difference between gross and net best estimate liabilities.
- The approach has to be documented.

## **C. COMPUTATION OF THE PROVISION FOR UNEARNED CONTRIBUTION**

### **4. Is there any restriction or condition imposed for the computation of the provision for unearned contribution (UCR)?**

There is no restriction or condition imposed on Labuan takaful operator for the computation of its UCR. As such the amount of UCR would be computed on net retakaful.