

The Actuarial Profession

making financial sense of the future

Changes to the FSA returns

Robert Kipling  
CILA 28 September 2005

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Agenda

- Reasons for change
- Forms 40-60
- Valuation report
- December 2005 procedures

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Less is more ...

## Purpose of changes

- Improve ability to analyse risks
- Improve FSA and industry processes

## Agenda

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## Structure of revenue accounts

- Split UK Life, UK Pension, Overseas
- UK Life includes UK PHI and ISA
- Split gross, reinsurance ceded (intra-group), reinsurance ceded (external)
- Split by subfund

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## Unit-linked fund reporting

- Balance sheets no longer required at firm level
- Exception reporting for gearing
- Unit price reporting of selected funds

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## Movement reporting

- Current Form 46 dropped
- No plans for replacement in annual returns
- PIA persistency survey under review

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Asset reporting

- Changes to Form 48
- Split of assets between with-profits and non-profit
  - Reclassification to allow for economic exposure
  - Investment return

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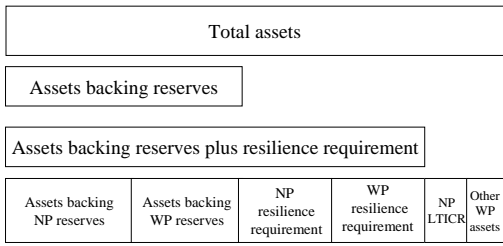
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Allocation of assets for resilience test



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Fixed interest asset reporting

- Calculation of mean term
- Corporate bonds split by credit rating

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New business and liability reporting

- Summary Forms 46 and 50
- Product code
- Number of policyholders

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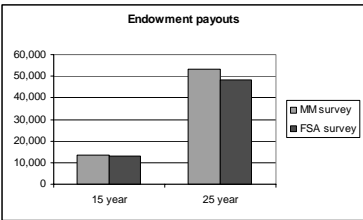
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With-profits payouts



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With-profits reporting

- New Forms 59A and 59B
- Payout for specimen policies as at 1 March
- Maturities and surrenders
- Annual bonus rate in valuation report
- FSA to continue private reporting of supplementary information, such as payout comparison with asset shares

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## Product disclosure

Significant changes only  
Products opened or closed to new business

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## Treating customers fairly - NP business

- Unit management charges
- Service charges
- Non-profit deposit administration interest rates
- Reviewable premiums on non-linked protection policies
- Risk premium charges on linked policies

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## Valuation basis disclosure

Tables showing current and previous year  
Specimen mortality rates for assurances  
Specimen annuity values  
Expense bases  
Persistency assumptions

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## Reserves for options and guarantees

Guarantee annuity rate options  
Guaranteed surrender value options  
Guaranteed insurability options  
Other guarantees

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## Reinsurance

- Reporting of significant treaties only
- Continue to show further detail for financing reinsurance
- Current retention by ceding office

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## Handbook text for 2005 year end

- Some minor corrections to PS05/2 text included in CP05/9
- Further minor corrections and clarifications to be included with feedback to CP05/9
- Email likely to replace disk for electronic submission

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## Discussion points

- What statements could a firm make regarding whether a subfund is open / closed to with-profits and non-profit business?
- What asset split should be shown in Form 48?
- What persistency data could be shown?

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