FSA Financial Resource Requirements

(Workshop - 2002 GIRO Convention, Disneyland Resort Paris)

This session relates to the proposed new rule contained in the FSA's CP97 at PRIR 2.3.1

A *firm* must not enter into a new *contract of insurance* unless it is satisfied on reasonable assumptions as to the adequacy of:

(1) the *premiums* receivable and the investment income expected to be earned from those *premiums*; and

(2) the *reinsurance* arrangements made in respect of those risks, to enable it, when taken together with the *firm's* other resources, to meet all risks and other commitments accepted under the contract.

I propose to cover the following:

- What this rule does not mean (ie exclude the more fanciful interpretations)
- History
- How it fits in with our other rules
- What this rule is intended to mean

The bulk of the session will be devoted to a discussion as to what firms must do to comply with the rule, how actuaries can assist and any professional issues arising.

The issues that may be covered include:

- identification and management of potential accumulations,
- changes in the nature of risks,
- anti-selection,
- new classes of business,
- legal risk, …

If attendees wish and time permits, we can discuss other aspects of the FSA's proposals.

PH Hinton
4/10/02