

The Actuarial Profession

making financial sense of the future

Update from Current Issues Committee

Laurence Townley

Current Issues

▪Solvency 2

▪Courts Act

▪IASB

▪Mutual Fund Scandal

▪FSA

▪About the Current Issues Committee

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EU Solvency 2 Project

What makes a good solvency system?

2001

2002

2003

2004

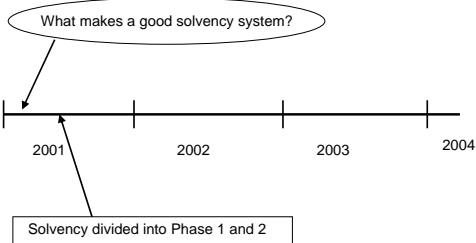
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EU Solvency 2 Project

1. Protect Policyholders
2. Comparable and Transparent
3. Match risks
4. Simple
5. Up to date
6. Consistent with IASB
7. Avoid extra capital costs

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EU Solvency 2 Project

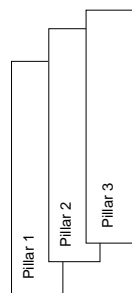


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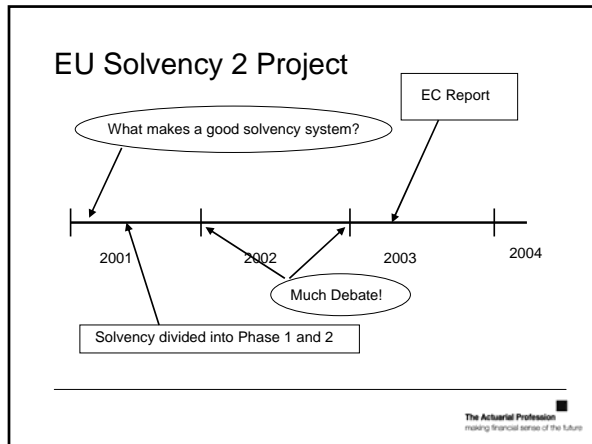
Solvency 2 Phase 1

▪KPMG Report

▪Sharma Report



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Solvency 2: EU Report 2003

- Summary
 - Overall solvency
 - Three-pillar approach useful
 - Incentive to manage risks
 - Target Capital
- Recommendations
 - Harmonisation
 - Equalisation Reserves

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Solvency 2 Phase 2

- Technical Pillar 1 issues

Pillar 1 Rules on:

 1. Technical Provisions
 2. Asset Admissibility
 3. Solvency Margin
- CEIOPS

Pillar 1

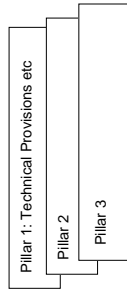
Pillar 2

Pillar 3

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Solvency 2 Technical Pillar 1 Issues

- Definition of Technical Provisions
- Prudence in Outstanding Provisions
- Discount Rate
- Equalisation Reserves
- Target Capital
 - Risk Measure
 - Time Horizon
 - Confidence Interval
- Operational Risk
- Correlation



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Courts Act 2003

- Personal Injury Awards
- Insurer Liabilities Change
 - Nature
 - Amount
- Self fund vs. Purchase Annuity
- Restricted Market

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IASB Projects

- Insurance Contracts
- IAS 39

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IASB: Insurance Contracts

- IFRS
- ED5
 - Definition of Insurance Contract
 - Significant Level of Insurance Risk?
 - Unbundling?
- Phase 1: 1 January 2005
- Phase 2: 1 January 2007

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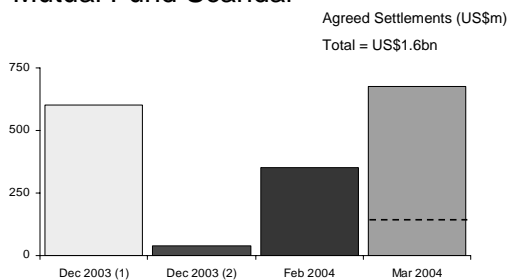
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Mutual Fund Scandal

- Market Timing
- Late Trading
- SEC
 - 24 funds and brokers
 - Handful of Settlements
 - Large Fines

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Mutual Fund Scandal



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Financial Services Authority

- Insurance Selling
- Reinsurance of UK Motor Liability
- CP190

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CIC: Current Issues Committee

- Terms of Reference
- What we did in 2002- 2003
- Publications

CIC: Publications

- Regulatory
- Solvency
- International
- Government Initiatives
- Claims / Legal Issues
