



The Actuarial Profession

making financial sense of the future

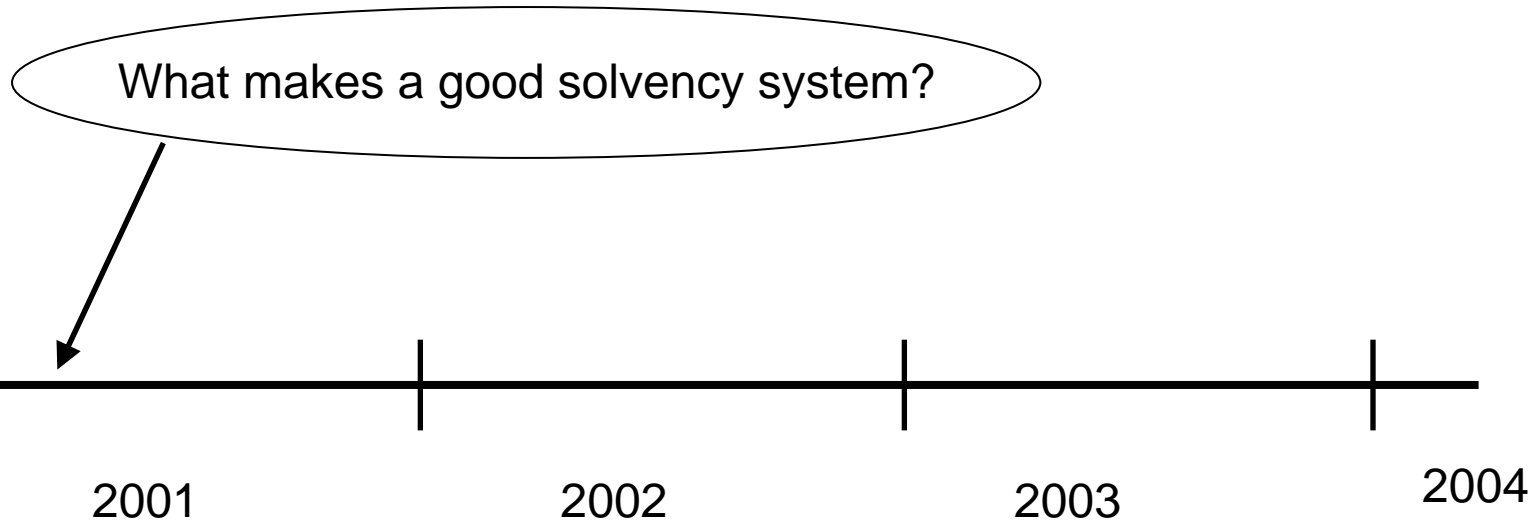
Update from Current Issues Committee

Laurence Townley

Current Issues

- **Solvency 2**
- Courts Act
- IASB
- Mutual Fund Scandal
- FSA
- About the Current Issues Committee

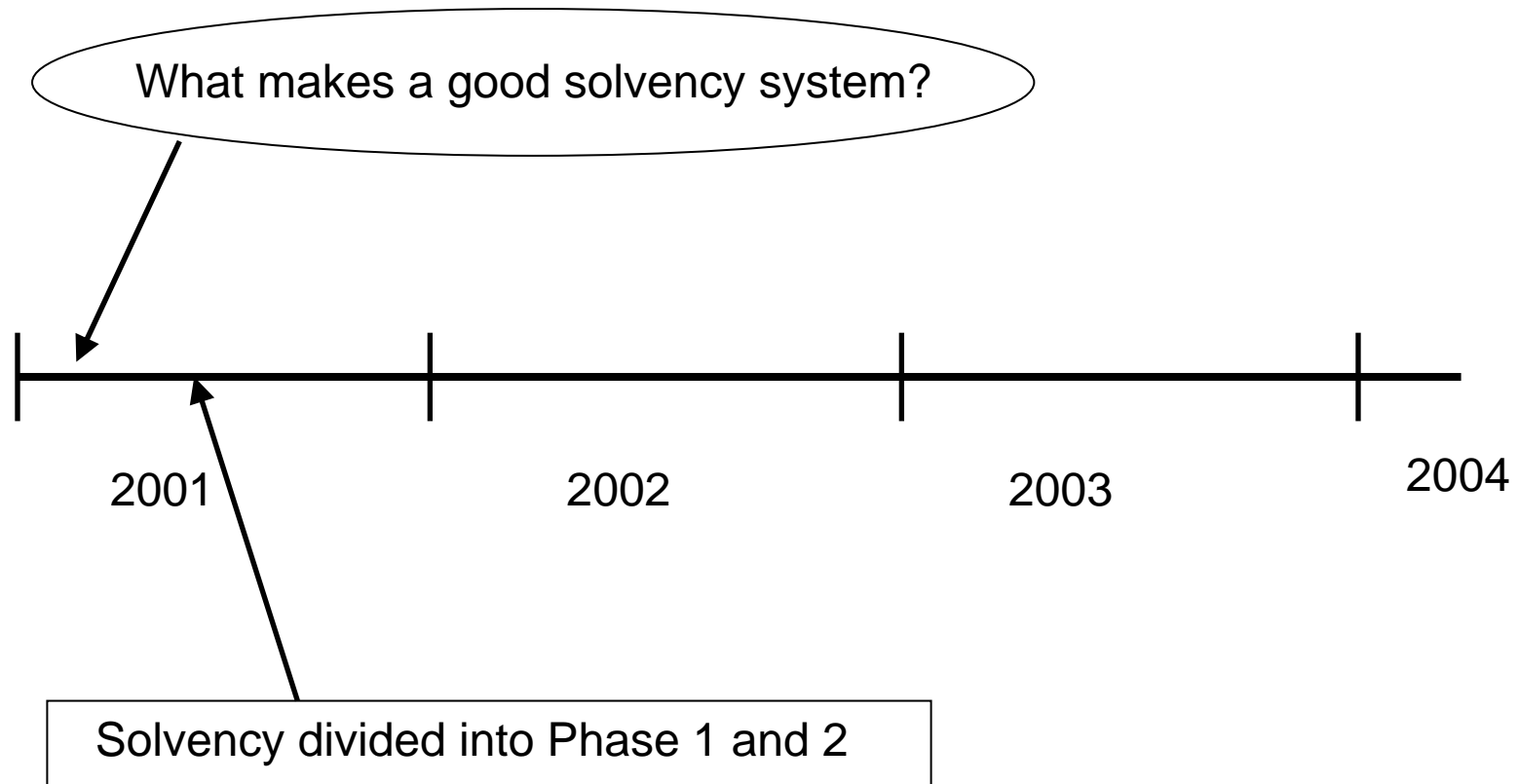
EU Solvency 2 Project



EU Solvency 2 Project

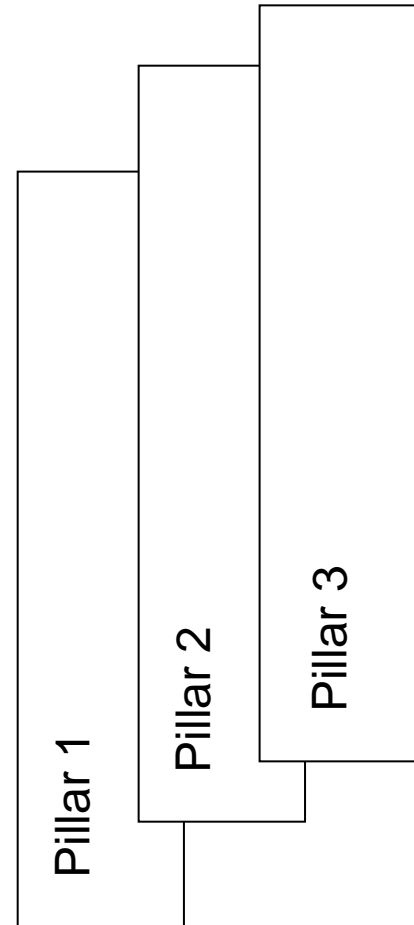
1. Protect Policyholders
2. Comparable and Transparent
3. Match risks
4. Simple
5. Up to date
6. Consistent with IASB
7. Avoid extra capital costs

EU Solvency 2 Project

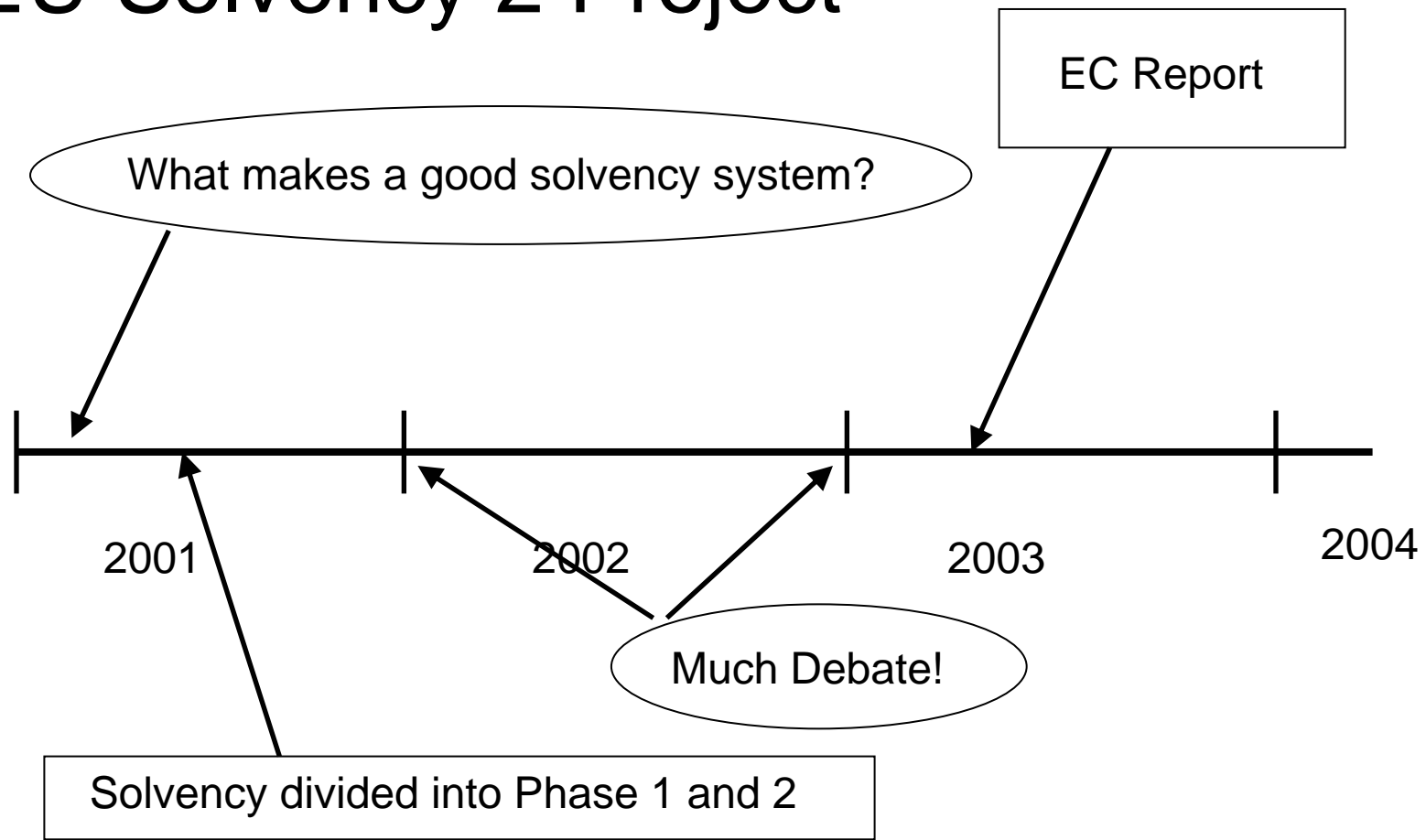


Solvency 2 Phase 1

- KPMG Report
- Sharma Report



EU Solvency 2 Project



Solvency 2: EU Report 2003

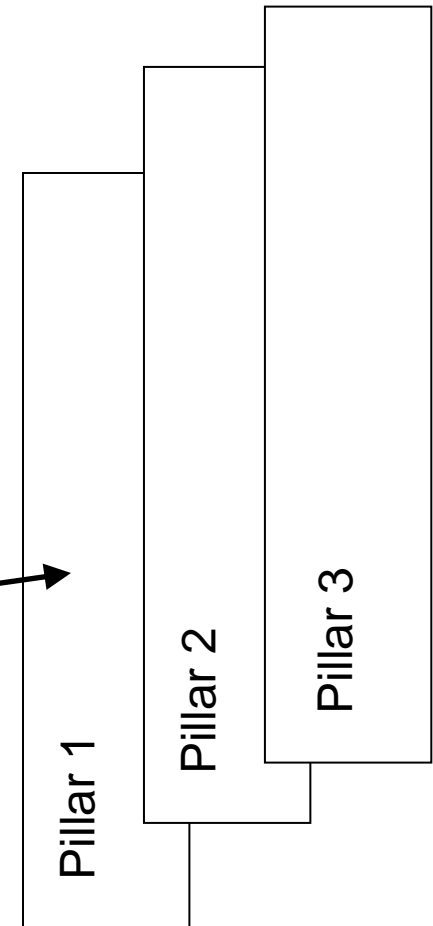
- Summary
 - Overall solvency
 - Three-pillar approach useful
 - Incentive to manage risks
 - Target Capital
- Recommendations
 - Harmonisation
 - Equalisation Reserves

Solvency 2 Phase 2

- Technical Pillar 1 issues

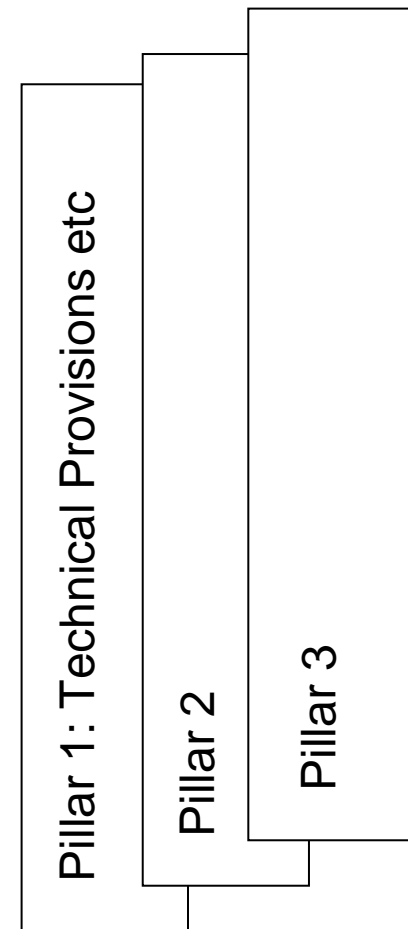
Pillar 1 Rules on:
1. Technical Provisions
2. Asset Admissibility
3. Solvency Margin

- CEIOPS



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



Current Issues

- Solvency 2
- **Courts Act**
- IASB
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Courts Act 2003

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

Current Issues

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IASB Projects

- Insurance Contracts
- IAS 39

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

Current Issues

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- **Mutual Fund Scandal**
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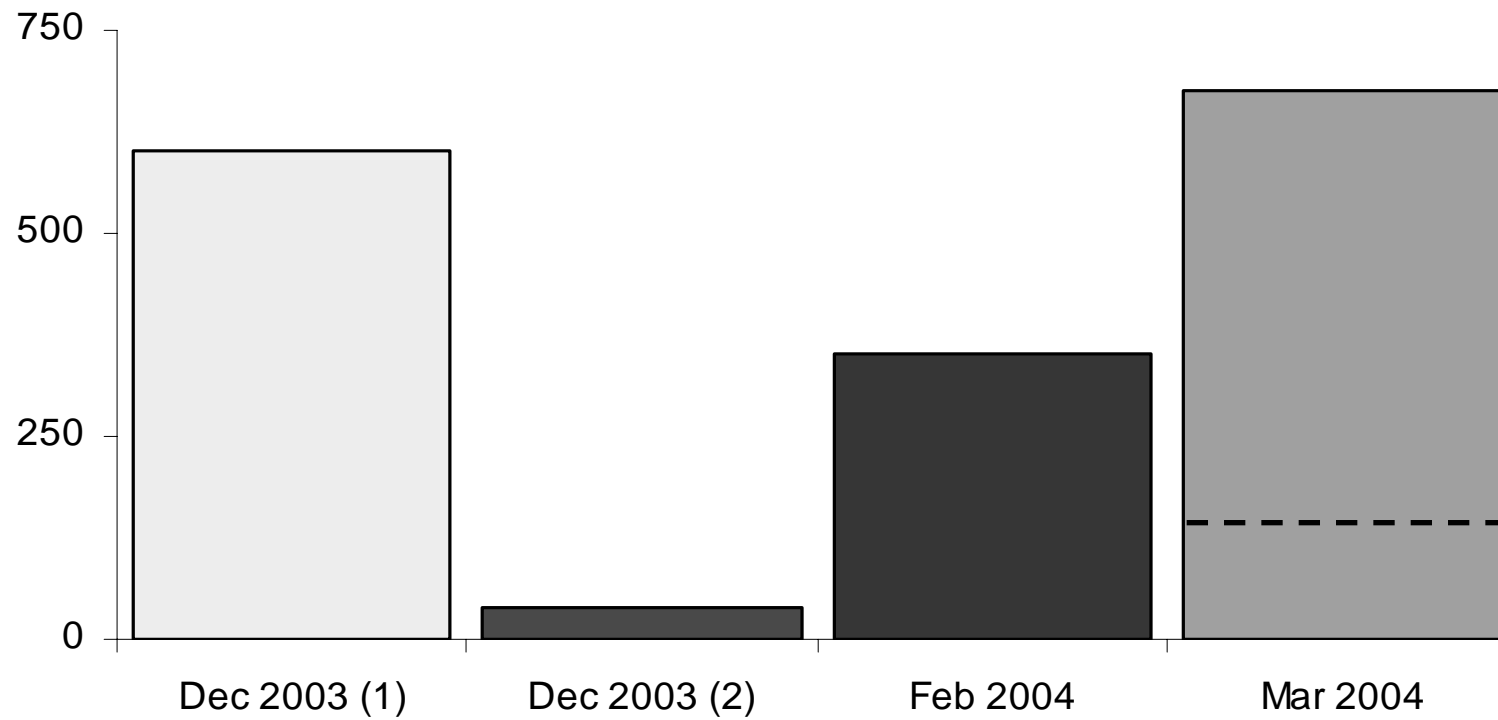
Mutual Fund Scandal

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

Mutual Fund Scandal

Agreed Settlements (US\$m)

Total = US\$1.6bn



Current Issues

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Financial Services Authority

- Insurance Selling
- Reinsurance of UK Motor Liability
- CP190

Current Issues

- Solvency 2
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- Mutual Fund Scandal
- FSA
- **About the Current Issues Committee**

CIC: Current Issues Committee

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

CIC: Publications

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