



The Actuarial Profession
making financial sense of the future

International accounting standards working party


31st annual GIRO convention

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IAS Working Party 2004

What the paper covers:
(☺ means in today's presentation)

- Report on IFRS 4 – implementing Phase 1 ☺
- Issues for implementing Phase 2 (valuation of insurance liabilities)
 - IASB going back to basics – so we do too
 - Look at some recent papers ☺
 - Discuss principles and suggest solutions
 - Final thoughts including link to regulation ☺




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IFRS4

- Risk transfer
- Risk management
- Reserving assumptions
- Sensitivity analysis



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Phase 2, valuation of liabilities – risk margins

- 3 actuarial papers reviewed
 - SIAS paper
 - PwC paper for CAS
 - Tillinghast paper for CAS
- Examined cost of capital approach to determining risk margins (which are added to discounted reserves)
- Conclusion: may be a workable base from which to develop valuation rules for risk margins. Not aware of anything better.

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Phase 2, valuation of liabilities – final remarks

- Detailed discussion in paper – not tried to cover today
- Political issues – many companies concerned about volatility of earnings. Strong hostility in some quarters.
- IASB pronouncements: “show it like it is”
- Need to demonstrate “unnecessary” volatility is avoided
- When will it happen? Not by 2005.
- Risk margins? Probably, together with discounting
- Regulators will not want to double-count margins: expect regulations to change again to coincide with IFRS phase 2.

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**All feedback gratefully received
Including after GIRO**

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