



INTERNATIONAL ACTUARIAL ASSOCIATION

Meeting of the IAIS Task Force of the Actuarial Standards Committee

Part 1 (TF members only): Tuesday, 9 September 2014 at 18:00

Part 2: Friday, September 12, 2014, 14:00-17:30

Millennium Gloucester Hotel, London, United Kingdom

Minutes

Part 1 (TF members only): Tuesday, 9 September 2014 at 18:00

Part 1 of the meeting was attended by Andrew Chamberlain (Chairperson) , Jules Gribbles, Francis Ruygt and Amali Seneviratne (staff liaison).

The purpose of the meeting was to get a high level understanding on the comments received on the SOI Consultation. An initial draft of a summary of the responses was discussed. Eleven organizations responded to the consultation and all commenters responded favourably to developing an ISAP. Very few changes are likely to the SOI on the basis of the comments received. Several comments were for consideration when drafting the ISAP. A more detailed discussion will follow at Friday's meeting. Jules Gribbles gave an update on the IAIS activities.

Part 2: Friday, September 12, 2014, 14:00-17:30

Attendance:

Members Andrew Chamberlain, [Chairperson and Liaison to ASC]
Jules Gribble
Toshihiro Kawano
Francis Ruygt
Dave Sandberg

Amali Seneviratne – Staff Liaison

Observers Kikuo Asano
Guy Castagnoli
Dave Finnis
Tom Herget
Mary Hosford
John Instance
John Maroney
Yoshio Nakamura
Erurt Visser
Jeffrey Young
Jesús Zúñiga

1. The Chair opened the meeting welcoming everyone and conducting round table introductions.
2. The agenda for the meeting was agreed without change.
3. The Chair gave a brief feedback on the discussions at the ASC meeting on Wednesday. The aim is to present a revised SOI to the ASC for discussion on Saturday.
4. Jules Gribbles gave an update on the activities of the IAIS since Washington. A lot of work has happened during the summer with the second consultation on BCR in July, considering the comments received and analyzing the data from the field testing project. However, no major changes are expected to the second consultation document on BCR other than a few minor tweaks.
The next development is the Higher Loss Absorbency (HLA) which is expected to be completed around September 2015. Both the BCR and HLA will apply to GSIIIs.
The Development of the ICS is expected to be completed in 2016. It is intended to be a globally comparable risk based capital standard applicable to IAIGs. One of the driving issues is the comparability between jurisdictions, which although is not entirely clear yet. At least three more rounds of annual field testing will take place upto 2018. The feedback from the field testing will be used to refine what is under development as well as what has already been development as they progress with the ICS.
The Capital requirements for GSIIIs will consist of BCR + HLA. Once the ICS is developed the capital requirements will change to ICS + HLA, with a possible recalibration (or even serious revision) of the HLA for ICS.

5. Discussion

The TF discussed the [summary of comments received on the SOI](#) consultation taking each comment and considering if it warranted a change to the SOI or was for deliberation when drafting the ISAP. There was general agreement that no substantial changes were necessary to the SOI.

The proposed changes to the SOI were noted for discussion at the ASC meeting. ([Refer markup for proposed changes](#))

Next the initial draft on current estimates prepared by the ISAP [4] task force was discussed.

The general key comments resulting from the discussion are as follows:

- The content is too detailed. Educational material should not be included in the ISAP.
- IAIS TF will copy whatever possible from the work done by the ISAP [4] task force.
- To what extent will the IAIS provide technical specifications?
- The discount rate and profit sharing issues are often inter-related. Need to think through how best to organize and approach to these.

On Profit Sharing, either building a complex stochastic model that follows behavior of the assets or using a deterministic model by fixing the discount rate can be considered. Is the IAIS likely to prescribe a method? It is likely that most organizations are already using stochastic modeling and choice of method will probably be based on materiality and proportionality.

The general reaction to the work of the ISAP [4] TF was that the IAIS TF is likely to approach the drafting differently, using the control cycle as a basis for structuring the ISAP. Comparability was a key objective of the IAIS. The group discussed how comparability in current estimates (which is a high priority for the IAIS) could be

achieved, and recognized that actual vs. expected results is a fundamental topic that needs to be identified.

ISAP [4] could elaborate more on the importance of using of experience studies for deriving assumptions. The Chair will provide a verbal feedback to the ISAP [4] TF over lunch on Saturday.

6. Next steps and timeline prospect

The next step would be to finalise the SOI and report on the consultation and seek EC approval to move forward to drafting an ED. This will be done soon after the London meetings, possibly targeting submission to the EC, possibly for approval at their November meeting.

The TF broadly identified the following topics to be included in the ED, to start on preliminary drafting.

- Concept of the Actuarial Control Cycle, relating to mortality and morbidity assumptions – (Dave Sandberg agreed to do a preliminary draft with two other volunteers)
- Discount rates – (Andrew Chamberlain will do a preliminary draft)

Preliminary drafts will be developed on these two areas by November for discussion with the full TF.

Contract boundaries and profit sharing were other topics identified, but deferred for later discussion.

Dave Sandberg, Francis Ruygt, John Maroney, Jules Gribbles and Andrew Chamberlain will setup a possible meeting in Amsterdam in conjunction with the IAIS meetings in the week of 20 October 2014.

The TF will plan some conference calls before the next meeting in Zurich to move the forward with the drafting.

The meeting ended with the Chair thanking all those who attended.