

COMMITTEE ON INSURANCE REGULATION REPORT ON ACTIVITIES MAY 2006 – OCTOBER 2006

Liaison with International Association of Insurance Supervisors (IAIS) and other international organizations

The 13th Annual Conference of the IAIS was held in Beijing, China, October 18-21, 2006, and attended by Francis Ruygt and Michael Eves on behalf of the IAA.

Thierry Poincelin represented the IAA at the OECD Insurance and Private Pensions Committee meeting in Geneva, July 6-7, 2006.

IAIS Enhanced Disclosure Subcommittee

The Insurance Accounting Committee took the lead in preparing a response to the draft IAIS “Standard on Disclosure Concerning Technical Risks and Performance for Life Insurers” paper. The comment letter was issued on August 22, 2006 using the fast track procedure. The Final Standard was approved at the Annual Conference in Beijing on October 22, 2006. At the meeting in Beijing, the Technical Committee decided to merge the activities of this Subcommittee with those of the Accounting Subcommittee. From October 2006 onward the activities of the Enhanced Disclosure have been absorbed by the Accounting Subcommittee. IAA contact persons to this subcommittee include Henk van Broekhoven, Francis Ruygt, Yuji Morimoto, Paul McCrossan and Sam Gutterman. -

IAIS Solvency and Actuarial Issues Subcommittee

Stuart Wason, Rolf Stölting and Terry Vaughan attended a meeting of the subcommittee in Quebec City, Canada, August 29 – September 1, 2006, which included discussion of the Common Structure paper (see “Submissions” below). On August 2, 2006, the Financial Risks Committee responded to the request for comments on the IAIS “Draft Supervisory Standard on Asset Liability Management.” A revised Draft Supervisory Standard was subsequently issued on August 23, which took account of many of the concerns raised in our comment letter.

Solvency Subcommittee

Since May 2006, the subcommittee has focussed on developing a best practices paper on the subject of Internal Models. The first draft will be discussed in Edinburgh.

The subcommittee prepared the IAA response to the “Draft IAIS Common Structure and Common Standards for the Assessment of Insurer Solvency” paper (see “Submissions” below).

Reinsurance Subcommittee

The subcommittee took the lead in drafting the IAA response to the “IAIS Guidance Paper on Risk Transfer, Disclosure and Analysis of Finite Reinsurance” (see details below). They continue to focus on collaboration with the IAIS on standards for disclosure for the Global Reinsurance Market Statistics.

The subcommittee has provided input to the Actuarial Standards Subcommittee in the preparation of its Practice Guideline on Accounting for Reinsurance Contracts.

Ad hoc Risk Margin Working Group

This ad hoc working group of the Insurance Accounting Committee, Insurance Regulation Committee and Solvency Subcommittee has held a number of conference call to progress its work on the preparation of a report initiated by the IAIS. Subjects covered in the report will include principles and approaches that are appropriate for the determination of best estimate policy obligations, risk margins and technical provisions.

ICA 2006

The sessions sponsored in conjunction with the Solvency Subcommittee and the Insurance Accounting Committee were well received. Topics included: How can Supervisors and Stakeholders Rely on Internal Models; Best Practices of Solvency Assessment; and Determination of Risk Margin in Technical Provisions.

Submissions

Draft IAIS Common Structure and Common Standards for the Assessment of Insurer Solvency
Following its October 2005 approval of the Framework Paper and the Cornerstones Paper, the IAIS developed a roadmap for elaboration of a common structure and common standards for the assessment of insurer solvency. The IAA Solvency Subcommittee responded to the first draft of the Common Structure paper in November 2005. The subcommittee then responded to the subsequent draft on July 31, 2006, using the fast track procedure.

IAIS Guidance Paper on Risk Transfer, Disclosure and Analysis of Finite Reinsurance

This paper provides insurance supervisors with information to aid in the evaluation of finite reinsurance from the perspective of the ceding insurer. A number of projects have been undertaken by the American Academy of Actuaries, Financial Accounting Standards Board, Canadian Institute of Actuaries, etc., concerning the transfer of insurance risk, accounting and disclosure issues, both with traditional reinsurance and finite reinsurance. The IAIS plans to revisit this guidance paper based on the outcome of these ongoing projects. On September 22, 2006 the Reinsurance Subcommittee prepared a response to the July 2006 draft of this paper. A revised draft of the Guidance Paper was later issued on October 2 which took account of most of our concerns.

The role of the actuary

It was decided in Paris that the Insurance Regulation Committee, together with the Insurance Accounting, Pension and Employee Benefits and Professionalism committees, will set up a working group to investigate the need for guidelines and/or an international model agreement on the respective roles of regulators and auditors. As a first step, the proposed working group will define the scope and the timing of the project more precisely.

Jukka Rantala, Chairperson