

COMMITTEE ON INSURANCE REGULATION REPORT FOR THE PERIOD NOVEMBER 2006 – MARCH 2007

UPDATE FROM MEXICO MEETING

At the center of the meeting were topics concerning the growing cooperation with the International Association of Insurance Supervisors (IAIS). The Insurance Regulation Committee acts as the responsible contact from the IAA to the IAIS. The chairman of the Solvency and Actuarial Issues Subcommittee of the IAIS, Rob Curtis, and Karen Doran from the Secretariat were guests at the meeting.

The draft of the so-called Risk Margin paper "*Measurement of liabilities for Insurance Contracts: Current Estimates and Risk Margins*", was discussed. A paper on this subject had been requested by the IAIS. Another paper on Internal Risk Models will be equally very interesting for the IAIS; a preliminary draft was on the agenda of the IRC.

In addition, Karen Doran presented a proposal on a probable direct cooperation on the development of a common glossary between the IAIS, the IAA, the Groupe Consultatif and the CEA (Association of the European Insurance industry). This project will be based on the recently published Solvency Glossary (Groupe Consultatif and CEA) and on existing glossaries of the IAIS and the IAA.

Another topic of the IRC meeting was a report of the ad hoc working group on the role of the actuary (initiated by the IRC) in which the coordination of different definitions of actuarial work between outside organizations (like EU Commission, IAIS, WTO) should be coordinated between the different IAA committees.

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

The first triennial meeting 2007 of the IAIS was held in Dubai, UAE, February 12-15 2007, and attended by Francis Ruyt and Rolf Stölting on behalf of the IAA.

IAIS Solvency and Actuarial Issues Subcommittee

The main topic of the two meetings of this subcommittee (in Rotterdam, Netherlands, November 13 –15, 2007 and in Johannesburg, South Africa, January 17-19, 2007) was the discussion of the modified Common Structure paper ("Common Structure and Common Standards for the Assessment of Insurer Solvency," see also "Submissions" below). During the triennial meeting in Dubai, this paper was finally adopted by the Technical Committee of the IAIS.

Solvency Subcommittee

Since November 2006, the subcommittee has focused on developing a best practices paper on the subject of Internal Models. Comments on the first exposure draft will be reviewed in Mexico City. 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 has been closely following the various activities concerning reinsurance business within different groups and projects (IAIS, Reinsurance Transparency Group, OECD, Solvency II, IFRS, Rating Agencies). In addition, input will be given to the Solvency Subcommittee on their first working draft IASP on “Internal Model Practices for Insurer Risk Assessment and Capital Requirements.”

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 calls 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.

Dated February 26, 2007, the Exposure Draft on “Measurement of Liabilities of Insurance Contracts: Current Estimates and Risk Margins” has been released for comment.

Submissions

Draft IAIS Common Structure and Common Standards for the Assessment of Insurer Solvency: As mentioned above, the IAIS once again modified the draft of this paper and submitted this version for consultation. The IAA Solvency Subcommittee responded to this draft of the Common Structure paper; the response was sent to the IAIS on January 12, 2007.

The role of the actuary

As decided in Paris, the Insurance Regulation Committee, together with the Insurance Accounting, Pension and Employee Benefits and Professionalism committees, has set up an ad hoc 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 working group is defining the scope and the timing of the project more precisely.

Rolf Stölting, Chairperson

Committee on Insurance Regulation

Jukka Rantala (until December 31 2006), Rolf Stölting (since January 1 2007), Chairpersons
David Sandberg (until December 31 2006),
Therese Vaughan and Toshihiro Kawano (since January 1 2007), Vice-Chairpersons

Solvency Subcommittee

Stuart Wason, Chairperson
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