

COMMITTEE ON INSURANCE REGULATION ACTIVITY REPORT NOVEMBER 2005 – APRIL 2006

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

The Insurance Regulation Committee continues to monitor developments leading up to the 13th Annual Conference of the IAIS in Beijing, China, October 18-21, 2006. Arrangements are ongoing for participation in committee meetings, panel discussions and presentations.

Dave Sandberg, Paul McCrossan, Francis Ruygt and Sam Gutterman represented the IAA at the IAIS Insurance Contracts Subcommittee meeting in Paris, March 15-17, 2006. Discussions included the subject of risk margins and the meeting was provided with an update of the work of the ad hoc Risk Margin Working Group. The Brussels meeting of the subcommittee on January 16, 2006 was attended by Dave Sandberg. Paul McCrossan and Francis Ruygt have attended several Insurance Contracts meetings, including one in Madrid, April 19-21, 2006, where the objective was completion of a draft second IAIS comment paper to the IASB on accounting for insurance liabilities, as input into its Phase II project (see “Submissions” below).

Thierry Poincelin attended the OECD Insurance and Private Pensions Committee meeting, in Paris, December 1-2, 2005.

IAIS Enhanced Disclosure Subcommittee

The mandate of this subcommittee is to draft standards and guidance papers aimed at enhancing the standards of disclosure by insurers. IAA contact persons to this subcommittee include Henk van Broekhoven, Francis Ruygt, Yuji Morimoto, Paul McCrossan and Sam Gutterman. The subcommittee plans to issue an initial draft of the “Standard on Disclosures concerning Technical Risks and Performance of Life Insurers” for consideration at its meeting in Ottawa, Canada, in May. After a consultation period of 90 days, the subcommittee will finalize the standard for approval in October 2006.

IAIS Solvency and Actuarial Issues Subcommittee

Representing the IAA, Stuart Wason attended a meeting of the subcommittee in Scheveningen, The Netherlands, November 29 – December 1, 2005 and Dave Sandberg attended the Basel meeting, February 20-21, 2006. Rolf Stölting and Francis Ruygt also attended the May 3-4, 2006 meeting in Rio de Janeiro which included discussion of the “IAIS common structure for the assessment of insurer solvency” (Structure paper).

Solvency Subcommittee

From November 2005 to April 2006 the Solvency Subcommittee:

- Took the IAA lead in drafting a response to the draft “IAIS Roadmap for a Common Structure and Common Standards for the Assessment of Insurer Solvency” (see details below).
- On behalf of the Solvency Subcommittee, Stuart Wason, Dave Sandberg and Rolf Stölting have participated in the meetings of the IAIS Solvency Sub-Committee in Scheveningen, Basel and Rio de Janeiro, respectively.
- Drafting has begun on the IAA - IAIS paper entitled “Internal Models Best Practices for Insurance Regulatory Capital Requirements”. The outline will be discussed at the May meeting. The best practices paper will form the foundation for a proposed International Actuarial Standard of Practice on Internal Models.
- Discussion topics at the full-day meeting in Paris will include, among others, progress of the ad hoc Risk Margin Working Group, internal models, and global developments in solvency assessment.

Reinsurance Subcommittee

The Reinsurance Subcommittee continues to focus on collaboration with the IAIS on standards for disclosure for the Global Reinsurance Market Statistics as well as their forthcoming Finite Reinsurance Guidance Paper.

Ad hoc Risk Margin Working Group

The Insurance Regulation Committee, Solvency Subcommittee and Accounting Committee have formed a joint ad hoc Risk Margins Working Group to address a mandate on this topic from the IAIS. Under the chairmanship of Henk van Broekhoven and Paul McCrossan, a second meeting was held in Paris, March 13-14, 2006.

ICA 2006

The Insurance Regulation Committee has sponsored several sessions for the Paris Congress in conjunction with the Solvency Subcommittee and the Insurance Accounting Committee. Topics include: How can Supervisors and Stakeholders Rely on Internal Models (Monday); Best Practices of Solvency Assessment (also Monday); and Determination of Risk Margin in Technical Provisions (Tuesday).

Submissions

IAIS Second set of comments regarding issues arising as a result of the IASB's Insurance Contracts Project - Phase II

The ad hoc Risk Margin Working Group has been tasked with preparing a response to this draft second comment paper (the first IAIS Liabilities Paper was published a year ago). The comment paper provides further input to the IASB in respect of Phase II of its Insurance Contracts Project, which deals with insurance liabilities. The comment deadline is May 19, 2006. Permission has been granted to use the fast track procedure.

IAIS Roadmap for a 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 prepared a response to this submission and it was issued on November 23, 2005 using the fast track procedure.

The role of the actuary

As a result of discussions in Rio de Janeiro, the committee conducted an informal survey on the current role of the actuary in various countries, in order to document key elements of change under consideration in various jurisdictions throughout the world. Survey questions focused on the role of the actuary in signing off as well as the relationship between actuaries, auditors, and supervisors. The majority of respondents favoured at least investigating the need for an international model agreement of the respective roles of actuaries and auditors – in particular for those jurisdictions currently without such agreements. The possibility of forming a joint task force with the Professionalism and Insurance Accounting Committees to delve into this issue will be discussed in Paris.

Committee Matters

The Committee has developed a list of expectations and duties of committee members which will be formally endorsed in Paris.

Jukka Rantala, Chairperson

May 2006