

## **SUPRANATIONAL RELATIONS COMMITTEE REPORT FOR THE PERIOD NOVEMBER 2005 – APRIL 2006**

The following is a summary report of the activities of the Supranational Relations Committee since its last meeting in Rio de Janeiro in November 2005. The minutes of that meeting have been posted in the usual manner on the IAA website.

Hereafter we report achievements and progress made in the relations with our target supranational organisations, leaving aside the tasks that relationship managers must routinely do to keep updated about them and to maintain contact with them.

### **Relations database**

Following our discussion in Rio, the summary database was updated and completed to reflect the latest status of information.

### **European Commission**

Jukka Rantala had a meeting with EU Internal Market DG Insurance Unit on December 7 2005 (in fact in the capacity of the vice-chair of the Groupe Consultatif). The topics discussed included pension issues (IORP directive, portability directive, prudent person principle, mortality survey, gender differentiation), risk management practices, role of actuarial function and Solvency II. Groupe Consultatif has but a lot of effort to contribute to Solvency II project and that work is integrated to the IAA via the SSC of the IRC.

### **ILO**

Chris Daykin has drafted a paper to address ILO's expectations regarding the education of social security actuaries and circulated it for comments. This work is in progress within a specific task force.

### **IAIS**

The IAA SSC, the joint Risk Margin Working Group (established jointly by the IAC, IRC and SSC), and on the other side the IAIS Actuarial and Solvency Subcommittee and the IAIS Insurance Contracts Subcommittee have a very close and active cooperation. Although the Regulations Committee is the primary liaison, the Accounting Committee has been the primary liaison with the IAIS's Insurance Contracts Subcommittee, which is developing a position encouraging convergence between general purpose and regulatory accounting for liabilities of insurance contracts. Dave Sandberg, Paul McCrossan, Francis Ruygt and Sam Gutterman represented the IAA at the IAIS Insurance Contracts Subcommittee meeting in Paris, 15-17 March, 2006. Paul McCrossan and Francis Ruygt attended the IAIS Insurance Contracts Subcommittee meeting in Madrid, 19-21 April. Discussions were focused on the subject of risk margins and the meetings were provided with an update of the work of the Risk Margin Working Group. That work has been requested by the IAA and it has been a useful contribution to the paper "IAIS Second set of comments regarding issues arising as a result of the IASB's Insurance Contracts Project - Phase II" developed by the IAIS Insurance Contracts Subcommittee and which has been submitted to the IASB.

Stuart Wason attended a meeting of the IAIS Actuarial and Solvency Subcommittee in Scheveningen, November 29 - December 1, 2005 and Dave Sandberg attended the Basel meeting, February 20-21, 2006. Rolf Stölting 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".

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.

IAA contact persons to the IAIS Enhanced Disclosure 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.

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.

### **IAASB**

As a member of the Consultative Advisory Group (CAG) of the IAASB, Sam Gutterman attended its meetings last November 30-December 1, 2005 and May 11-12, 2006. They have been closely following the following two projects, for both of which Sam is on the oversight group of the CAG:

- (1) use of an expert in the audit - Jim Milholland attended a meeting of the IAASB task force in New York City in December, and Sam and Jim have participated in several conference calls;
- (2) auditing of estimates - this is being thoroughly revised, including a revision of the current auditing fair values - recommendations of the task force on this effort are not expected for six months.

### **IASB**

As a representative of the IASB's Insurance Working Group, Sam Gutterman (along with Tony Coleman) attended a meeting in London in January. They have also been providing advice when called upon by the IASB staff.

### **Joint Forum**

As mentioned in the former activity report, it is not possible for the IAA to get an observer status in the Joint Forum, as such a status doesn't exist. However if the Joint Forum sees a possibility for the IAA to make a useful contribution to papers, they will as for this help.

In the last six months a new Working Party was set up within Joint Forum to address the theme "Risk Concentration". Helga Portmann is a member of this group that held a meeting in London (3 - 4 May 2006). This committee will address following issues:

- Reviewing the frameworks used by firms to identify and assess key exposures and risk concentrations at the conglomerate or group-wide level.
- Assessing specific techniques used by firms to identify risk concentrations such as stress tests, scenario analyses (e.g. the impact of a devaluation of the Chinese currency), and other approaches including traditional risk metrics (e.g. name risk, VaR-based measures), risk factor-based analyses (e.g. the price of oil, the euro/US dollar), sensitivity analyses, subjective estimates, etc.
- Identifying the types of risk concentrations covered, including market, credit, operations, insurance and liquidity risks, and the potential interactions among them.

Helga Portmann will clarify whether and how the IAA can be involved in this working party.

Philippe Maeder, Chairperson