

IAA Life Colloquium, 7 – 9 September 2009

Dear Sir or Madam,

Thank you for the opportunity to submit a paper. My suggested talk will be on “Market Value Management” (as described below in more detail) for the IAA Life Colloquium in Munich.

Kind regards

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Title: Market Value Management

Indication of topic: Solvency, accounting and the evaluation of life insurance business.

Keywords: Market Consistent Embedded Value, Solvency II, Asset Liability Management, Economic Capital, IFRS

Abstract:

This presentation is intended to explain the Market Value Management approach which aims to rationalize the approaches to Market Consistent Embedded Value (MCEV), Economic Capital / Solvency II, and IFRS Phase II

A good analysis of the financial development of an insurance company is necessary to be able to manage and account for the business effectively. It is therefore important that management’s understanding of the company’s business, and the information management receive, reflect economic reality, including an assessment of the risks inherent in the company’s insurance business.

The question of how the economic reality of the activities of an insurer should be reflected is now being considered from various perspectives: that of the insurance sector itself, regulators/supervisory authorities, rating agencies, and analysts, and at both an international and national level. Over the next few years, market value management will develop rapidly and become increasingly anchored in pricing, management, regulation, and accounting. But often there are too many different measures being used, which are insufficiently integrated or analyzed, with the result that a confusing message is given about the value of new business, the profits arising on in force business, and the capital used. The situation is made more difficult by the increasing need to report the results faster and more frequently.

Fortunately a common feature of the different measures is that they are increasingly based upon this concept of market value management. The underlying principle of market value management is to increase transparency of the value of an insurer and its business, which are all based on the market value of assets, liabilities, and capital requirements, and to bring them together in one coherent framework.