

COMMITTEE ON INSURANCE REGULATION ACTIVITY REPORT JUNE 2005 – OCTOBER 2005

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

The 12th Annual Conference of the IAIS was held in Vienna, October 16-21, 2005, with IAA President Alf Guldberg, as well as Stuart Wason, and Francis Ruygt in attendance. We were granted the opportunity to have a seat on the discussion panel, with Stuart Wason as our speaker on the topic of “Creating a global solvency regime for insurance companies - Modelling challenges and the role of actuaries.”

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 Vienna meeting of this subcommittee was cancelled.

IAIS Solvency and Actuarial Issues Subcommittee

Dave Sandberg and Terri Vaughan attended a meeting of the subcommittee in Charlottesville, United States, August 30 – September 1, 2005 in their capacity as observers to the IAIS Solvency Subcommittee. Terri Vaughan also attended the May 30-31, 2005 Tokyo meeting which included discussion of the “Terms of Reference for the IAA: Approaches to determination of liability values and quantitative benchmarks for technical provisions.”

Solvency Subcommittee

From June to November 2005 the Solvency sub-Committee,

- Took the IAA lead in drafting a response to the draft paper entitled "IAIS Supervisory Standard on Suitable Forms of Capital" (see details below).
- On behalf of the Solvency Subcommittee, Terri Vaughan and Dave Sandberg participated in the August meeting of the IAIS Solvency Sub-Committee in Virginia.
- In a joint effort with the Insurance Regulation and Accounting Committees, the Solvency Subcommittee has formed a joint Risk Margins Working Group to address a mandate on this topic from the IAIS. Henk van Broekhoven and Paul McCrossan were named co-chairs. A first meeting of the Risk Margins WG occurred in London in late September.
- In preparation for its November meeting, the Solvency Subcommittee has begun drafting an IAPG on “Internal Models for Insurance Regulatory Capital Requirements”.

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 paper on finite reinsurance. A main topic for discussion in Rio de Janeiro will be the discussion of the most recent version of this paper and consider any comments as necessary.

Submissions

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 has now developed a roadmap for elaboration of a common structure and common standards for the assessment of insurer solvency. The IAA President has approved the use of the fast track procedure for this submission, which is due on November 21, 2005.

IAIS Draft Guidance Paper on Finite Reinsurance

The IAIS Reinsurance and Other Forms of Risk Transfer Subcommittee issued this draft guidance paper on July 13, 2005 with a five-week time frame for comments. The Reinsurance Subcommittee drafted a response to this submission, which was issued on August 22 using the fast track procedure. There were no objections received to the use of the procedure.

IAIS Draft Supervisory Standard on Suitable Forms of Capital

The second draft version of the paper, which was revised by the IAIS Solvency and Actuarial Issues Subcommittee, was issued on July 15, 2005 with a comment deadline of August 15. As a result of the comments received last spring on the first draft paper (dated March 12, 2004), the IAIS Subcommittee extensively revised the paper and restructured it in the form of a supervisory standard with improved consistency. The IAA Solvency Subcommittee prepared a response to this submission and it was issued on August 19, 2005 using the fast track procedure. No objections were received to the use of the procedure.

Committee Matters

The committee concluded the review of its terms of reference and two-year work plan, with the revised terms of reference slated for Council consideration at its meeting on November 19, 2005.

Jukka Rantala, Chairperson