



Valuation Regulations Working Party

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Working Party



- Working Party Members:
 - Adrian Cooper
 - Michael Culligan
 - Mike Frazer
 - Steve Gardner
 - Peter Gough
 - Angela McNally
 - Eoin Murphy

Terms of Reference



- To review the appropriateness of the **Solvency 1 liability and asset valuation regulations** applying to companies licensed to write life assurance business in Ireland. Arising from this review, to **recommend changes to actuarial guidance, regulatory guidance and the framework regulations** for consideration by the Society of Actuaries and ultimately, the Irish regulatory authorities.

Survey



- Looking for input from Appointed Actuaries on a suite of proposed changes to the existing Solvency 1 regime
 - Provide indication of quantitative impact of proposed changes
 - Provide feedback on whether the proposed changes are appropriate
- Completed surveys to be returned by end of May

Changes considered in the Survey



- Proposed changes mirror those introduced to the UK prudential regime in 2006
 - Allow prudent lapse rate assumption
 - Permit recognition of commission clawback
 - Permit portfolio-level 'cash reserve' calculations
 - Permit contracts without guaranteed SVs to be valued as assets

Quantification



- Aim is to provide an indication of the impact of proposed changes on reserves and capital of Irish life offices relative to...
 - Current Solvency 1 regime; and
 - Proposed Solvency 2 regime
- Methodology involves calculating the impact of the proposed changes in a prescribed order to:
 - Limit the number of calculations required to complete the survey; and
 - Facilitate aggregation of results to provide indication of market-wide impact of different combinations of changes
- Corresponding Solvency 1 & 2 reserves also requested
 - Where would the proposed changes lie on the solvency spectrum?
 - Solvency 1.x ?

Beyond the Survey



- Other topics being considered by the WP:
 - Reserving and capital requirements for Variable Annuities
 - Allowing for reinsurer credit risk
 - Allowing for pension scheme deficits
 - Admissibility rules for derivatives
 - Review of outcomes from previous VRWP report (2000)
- Survey provides an opportunity to suggest further changes to the Solvency 1 regime
 - Survey includes lots of blank pages for feedback!