

Regulatory Update



FINANCIAL REGULATOR
Rialtóir Airgeadais

General Insurance Forum
27th November

Regulatory Update

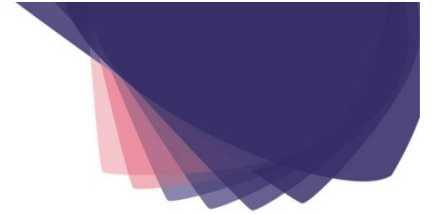


- Reports backing SAOs

- Solvency II
 - Standard Formula
 - Internal Model

- Stress Tests

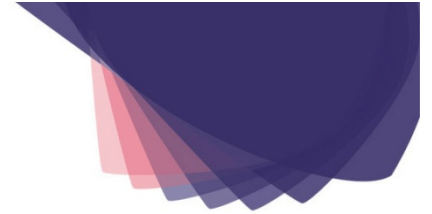
Reports backing SAOs



- Reviewed a sample this year
 - These have lead to queries / request for additional information – expect them
 - Will be addressed to the 'Company'

- Feedback on Reports backing SAOs
 - ASP GI 2 – covering non-life SAOs
 - ASP GI 3 – covering non-life reins SAOs
 - ➔ ASP – GI 1 – actuarial reports

Reports backing SAOs



- “It is not necessary to disclose every assumption made, but there should be sufficient data and other information to understand key assumptions made and the process by which the member has identified them” – ASP - GI 1 6.7
 - ⇒ And
- “Whilst it is not necessary to document every assumption underlying the opinion sufficient information must be provided to facilitate an understanding of the key assumptions made and of significant issues that have affected the Signing Actuary’s judgement” – ASP – GI 2 6.12

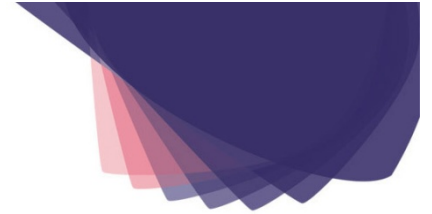
Reports backing SAOs



- Highlight some examples of where we would expect discussion to be included:
 - Choice of method (blend of methods) – to include, where appropriate, discussion on likely reason why significant difference in results using different methods
 - Appropriate allowance for future claims inflation
 - Choice / derivation of Initial Expected Loss Ratios where BF methods (or similar methods) used
 - Homogeneity of data and the impact on estimation – e.g. motor claims split by injury and damage, or stratification by size of claim

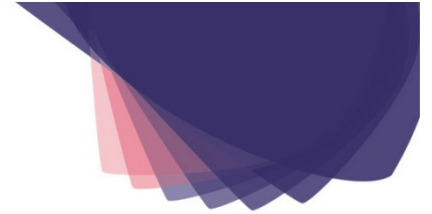
- Quantification of uncertainty normally required – Signing Actuaries need to justify exclusion where this is not done

Reports backing SAOs



- Appreciate that reports are also used as 'working' documents for groups that include non-technical people – not trying to discourage this – happy balance
- Provide information in the report on the analysis carried out – just signing the SAO is not sufficient

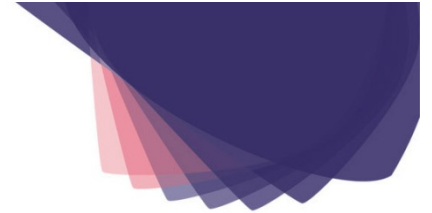
Solvency II – Standard Formula



- Non-Life Calibrations – CP 71
 - Premium and Reserve risk factors increased
 - 'Total QIS 4 Company' = increase of approx. 35% in P&R sub-module
 - CAT 'Factor Method' (Method 1) factors have increased
 - Applied gross and apply reinsurance programme

- CAT Task Force set up by CEIOPS Financial Requirements Expert Group
 - Regulators, Industry, CAT modellers
 - Produce harmonised European CAT scenarios (where possible) – Method 2
 - Output early 2010
 - Method 3 no longer considered Standard Formula

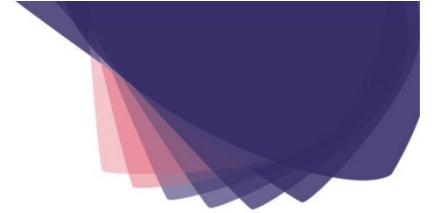
Solvency II – Standard Formula



- Undertaking Specific Parameters – CP 75
 - Premium & Reserve
 - Supervisory Approval
 - Standardised methods – alternatives approaches proposed

- QIS 5
 - Summer 2010
 - Will be expecting (but not requiring) 100% participation!!

Solvency II – Internal Models



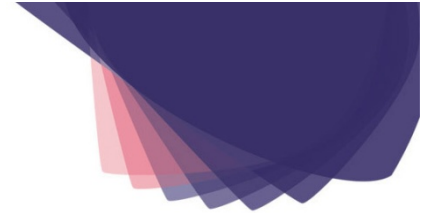
- Previous FR communication to Industry
 - Indication of approach – Internal Model, Standard Formula

- Further communication due shortly
 - Decision to FR on approach by end March 2010

- Guidance on Pre-application due out from CEIOPS internal models group – aim to give a “view on preparedness”

- Partial Internal Models (CP65) – justification required
 - Integration with the Standard Formula covered in detail

Stress Tests



- CEIOPs have prescribed three sets of stress tests for the largest European Insurance Groups
 - ▣ (1) Adverse, (2) Recessionary and (3) Inflationary
- Aim is to provide a view of the resilience of the largest and important insurance groups
- FR proposes to request our largest companies to perform these stress tests for information purposes
- This will apply to Life, Non-Life and Reinsurance companies
- Stresses include market and credit risk
- A communication to the relevant companies will be issued shortly