



## Seminar “Discount Rates in Financial Reporting: A Practical Guide”

27/28 October 2014 | Zurich, Switzerland



Organised by the EAA - European Actuarial Academy GmbH in cooperation with the Schweizerische Aktuarvereinigung.

### 1. Introduction

Discount rates can have a material impact on the financial statements of insurance companies and pension plan sponsors. It is, therefore, not surprising that a diversity of viewpoints and practices with respect to discount rates has developed across regions and practice areas. Adding to that diversity, capital market conditions, which can have an impact on the selected discount rate(s), can vary significantly from one country to another. They can also change quickly and vary dramatically over time.

This seminar is based on the book “Discount Rates in Financial Reporting: A Practical Guide” (copyright © 2013 International Actuarial Association) which intends to provide actuaries practicing in the insurance or pension fields with a comprehensive resource related to the understanding, development, and use of discount rates in the context of financial reporting.

The seminar will cover topics beyond those addressed in the textbook. Advanced methods will be presented, together with applications. Participants may expect to discuss practical applications and European case studies not directly discussed in the textbook.

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## 2. Participants

The seminar is suited for actuaries, actuarial students and other professionals involved and interested in actuarial modeling in life insurance and pensions.

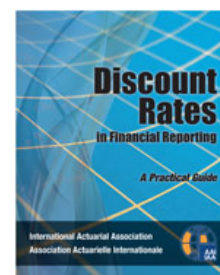
## 3. Purpose and Nature

This seminar is based on the book “Discount Rates in Financial Reporting: A Practical Guide” (copyright © 2013 International Actuarial Association), but will also cover topics beyond those addressed in the textbook. Advanced methods will be presented, together with applications. Participants may expect to discuss practical applications and European case studies not directly discussed in the textbook.

The first day of the seminar will provide an introduction to discount rates, background on discounting, and the purposes of discounting. The day will continue with a more in-depth look at discount rates and yield curves including: the choice of a risk-free rate, yield curve interpolation and extrapolation, and discount rate decomposition.

The second day will focus on practical applications of discount rates and interest rate models. The morning of the second day will focus on the technical aspects of economic scenario generators and will explore their use in pricing/valuation through the use of case study format. Participants will also work on a case study exploring the use of economic scenarios in yield curve extrapolation, and the implications of various models. The day will continue with several case studies involving replicating portfolios, IFRS accounting for changes in discount rates, and a pension (IAS 19) example.

All participants will receive a copy of the book “Discount Rates in Financial Reporting: A Practical Guide” which is produced by the International Actuarial Association (IAA) in collaboration with Milliman. A guide for practitioners interested in understanding this important topic, this book presents the mathematical and statistical framework necessary to develop and analyze discount rates in the context of financial reporting. Sufficient mathematical detail is presented but no advanced background in mathematics or statistics is required. All participants will receive before the seminar an e-book-copie of the book.



## 4. Lecturers

### Andrew H. Dalton

Is a Principal and Actuary in Milliman’s Philadelphia office and a primary author contributing to Life sections of the book “Discount Rates in Financial Reporting: A Practical Guide”. Andrew’s professional experience includes work on actuarial appraisals for mergers and acquisitions, asset and liability analysis, cash flow testing, and economic capital for life and health insurance companies. Andrew is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. He holds a Masters Degree in Business Administration, concentrating in Finance and Statistics, from the Leonard N. Stern School of Business of New York University.

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### Jeremy Kent

Jeremy is a Principal and Consulting Actuary with the Milan office of Milliman. His experience includes advice on economic capital, including Solvency II, actuarial modeling, asset-liability management, financial reporting, product development, and mergers and acquisitions. Jeremy is a Fellow of the Institute of Actuaries in the UK. Jeremy holds a MA in Mathematics from Cambridge University.

### Philip Simpson

Philip is a Principal and Consulting Actuary in the London office of Milliman and a primary author contributing to Life sections of the book "Discount Rates in Financial Reporting: A Practical Guide". Phil's consulting assignments include mergers and acquisitions, company restructurings, new company launches, product design and pricing, and financial reporting. Philip is a Fellow of the Institute of Actuaries in the UK, an Associate of the Society of Actuaries, and a Fellow of the Society of Actuaries in Ireland. He holds a BSc in Mathematics and Theoretical Physics from St. Andrews University, Scotland and an MBA from the Edinburgh Business School, specializing in financial risk management.

## **5. Language**

The language of the seminar will be English.

## **6. Preliminary Programme**

### Monday, 27 October 2014

08.45 – 09.00	Registration
09.00 – 09.15	Welcome and opening (EAA)
09.15 – 10.00	Introduction to discounting and discount rates Purpose and objectives when discounting
10.00 – 10.30	Risk-free rates
10.30 – 10.45	Coffee Break
10.45 – 12.30	Decomposition of discount rates Illiquidity premium Implementation under Solvency II Practical case study: how discounting has been used in EEV/MCEV
12.30 – 13.30	Lunch
13.30 – 15.00	Extrapolation of yield curve Credit and liquidity risk Inflation
15.00 – 15.15	Coffee Break
15.15 – 16:45	Currency and sovereign risk Implications for Solvency II and EEV/MCEV
16:45 – 17:00	Conclusion of first day, question and answer
approx. 18.30	Dinner

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Tuesday, 28 October 2014

- 09.00 – 10.30 Economic Scenario Generators  
Case Study: Estimation and Extrapolation of Yield Curve
- 10.30 – 10.45 Coffee Break
- 10.45 – 12.30 Case Study: Option Pricing
- 12.30 – 13.30 Lunch
- 13.30 – 15.15 Case Study: Replicating Portfolios  
Case Study: IFRS: Accounting for Changes in Discount Rates
- 15.15 – 15.30 Coffee Break
- 15.30 – 16.55 Case Study: IAS 19
- 16.55 – 17.00 Concluding remarks, closing of seminar (EAA)

Attendees are encouraged to bring a laptop computer with Microsoft Excel Solver installed.

## 7. Fees & Registration

Please register for the seminar as soon as possible because of the expected demand. If there are more persons interested in this seminar than places available we will give priority to the registrations received first. Please send your registration as soon as possible by using our online registration form at [www.actuarial-academy.com](http://www.actuarial-academy.com).

Your registration is binding. Cancellation is only possible up to 4 weeks before the first day of seminar. If you cancel at a later date, the full seminar fee is due. You may appoint someone to take your place, but must notify us in advance. EAA has the right to cancel the event if the minimum number of participants is not reached.

Please always give your invoice number when you effect payment. All bank charges are to be borne by the participant. The Schweizerische Aktuarvereinigung will send you an invoice, please allow a few days for handling.

**Your early-bird registration fee is € 790.00 plus 8 % VAT until 1 September 2014. After this date the fee will be €970.00 plus 8 % VAT.**

## 8. Venue & Accommodation

The seminar will take place at the hotel

Holiday Inn Zurich Messe, Wallisellenstrasse 48, 8050 Zürich, Switzerland

Phone: +41 41 443 16 11

Fax: +41 44 316 11 01

[www.holidayinn.com/zurichmesse](http://www.holidayinn.com/zurichmesse)

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European Actuarial Academy  
developing actuaries



We have arranged special prices for accommodation: A single room costs CHF 260 per night incl. breakfast and VAT. This price is valid for bookings out of our allotment "EAA Seminar" until 28 September 2014. Please book your accommodation directly with the hotel. Kindly book early, as our allotment includes a limited number of rooms, and note the hotel's cancellation policy.

## 9. CPD

For this seminar, the following CPD points are available under the CPD scheme of the relevant national actuarial association:

Austria: 13 points  
Belgium: 13 points  
Bulgaria: 12 points  
Czechia: 2-3 points (individual accreditation)  
Estonia: 13 hours  
Germany: 13 hours  
Italy: approx. 4 credits (GdLA individual accreditation)  
Netherlands: approx. 13 PE-Points (individual accreditation)  
Russia: 40 points  
Slovakia: 8 points  
Slovenia: 50 points  
Switzerland: 15 points

No responsibility is taken for the accuracy of this information.

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