

Europe



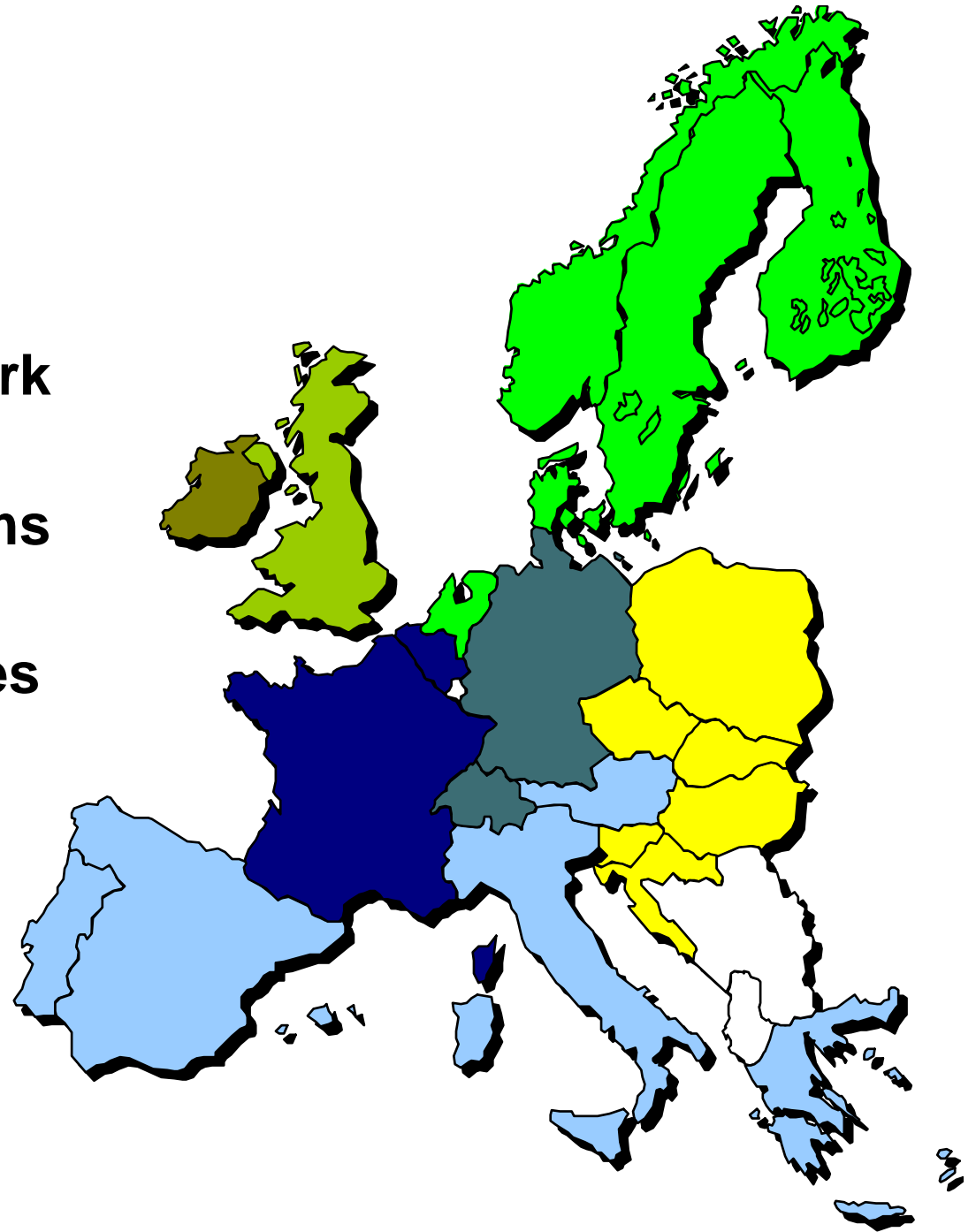
Europe

Regulatory Framework

Accounting Paradigms

Reserving Techniques

Reserving strength

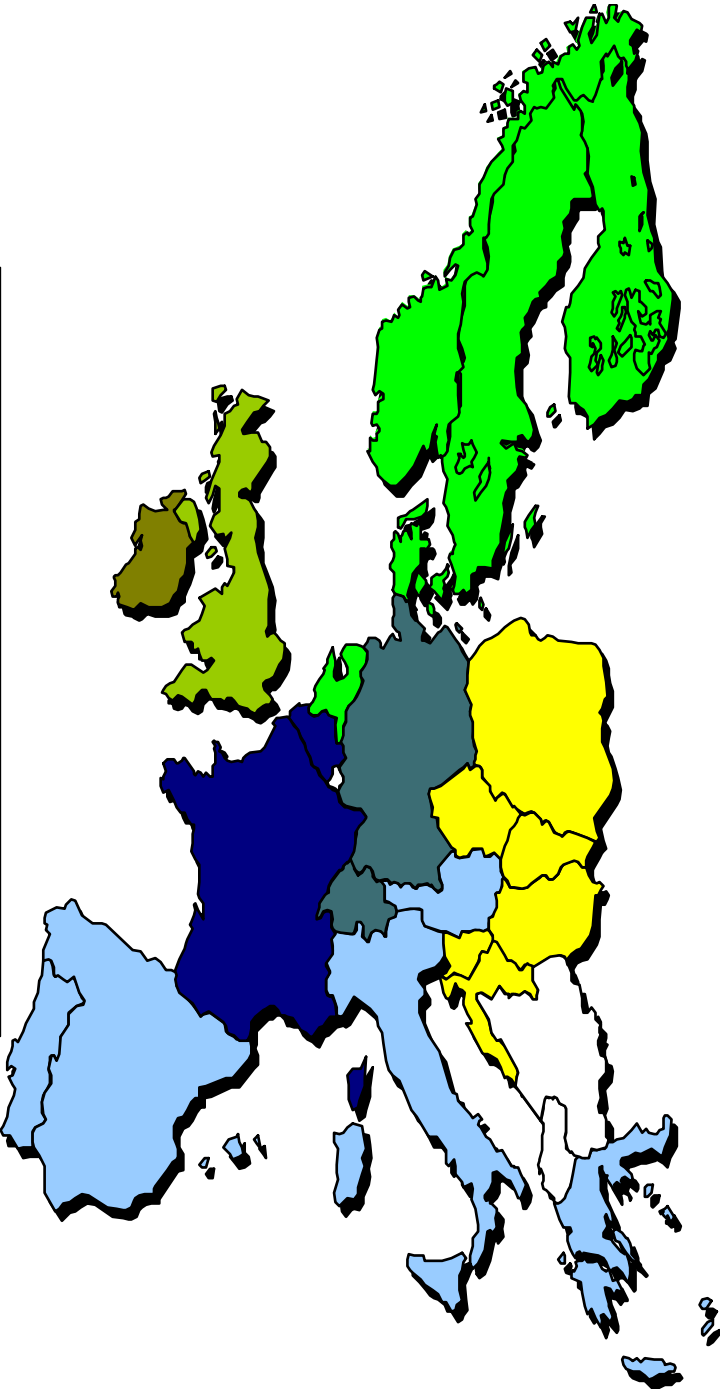
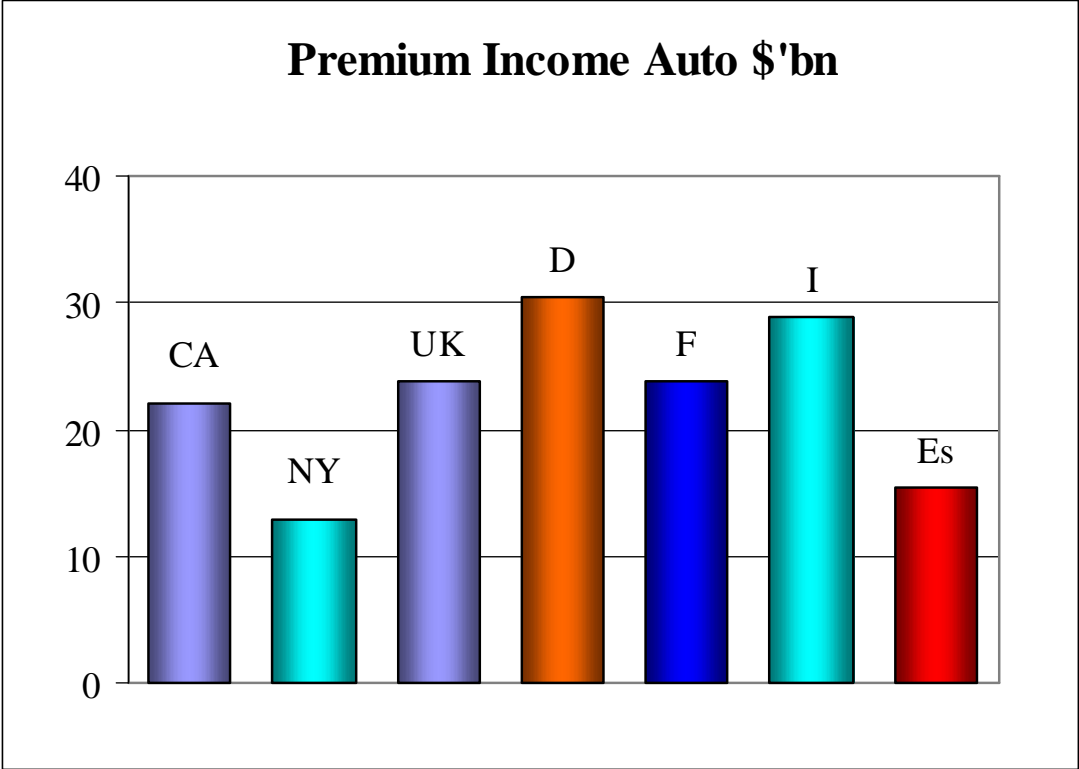


Caveats

My views – potted version

Generalities *over - simplified*

Take advice



EEA <www.europa.eu.int/comm/internal_market/insurance/index_en.htm>

- **Solvency I regime**

“[Reserves] must be such that an undertaking can meet any liabilities arising out of insurance contracts as far as can be reasonably foreseen.”

Case estimates plus incurred but not yet reported

Pan-European asset valuation & admissibility rules

EEA <www.europa.eu.int/comm/internal_market/insurance/index_en.htm>

- **Accounting: Listed companies IAS GAAP 2005**
 - Insurance accounts *set layout*
 - Gross and RI's share
 - Equalisation reserves
- **Reinsurance Directive (all states by 10/12/2008)**



- **Reserves - best estimate**
(normally undiscounted)
- **Investments - market values**
- **DAC recognised**

- **ICA (internal capital assessment) regime**
(generally stochastic)
- **ECR (more risk focused formula)**



- **Actuaries widely used**
(but generally not compulsory)
- **Chain Ladders, BF, Average cost, etc.**
(but not Cape Cod)
- **Large claims (aka losses)**
- **IBNR & IBNER generally considered together**
- **Claims handling costs provision often established by accountants rather than actuaries**
- **Well developed profession, training part university, part “on the job”**



- **Strength of reserves varies widely**

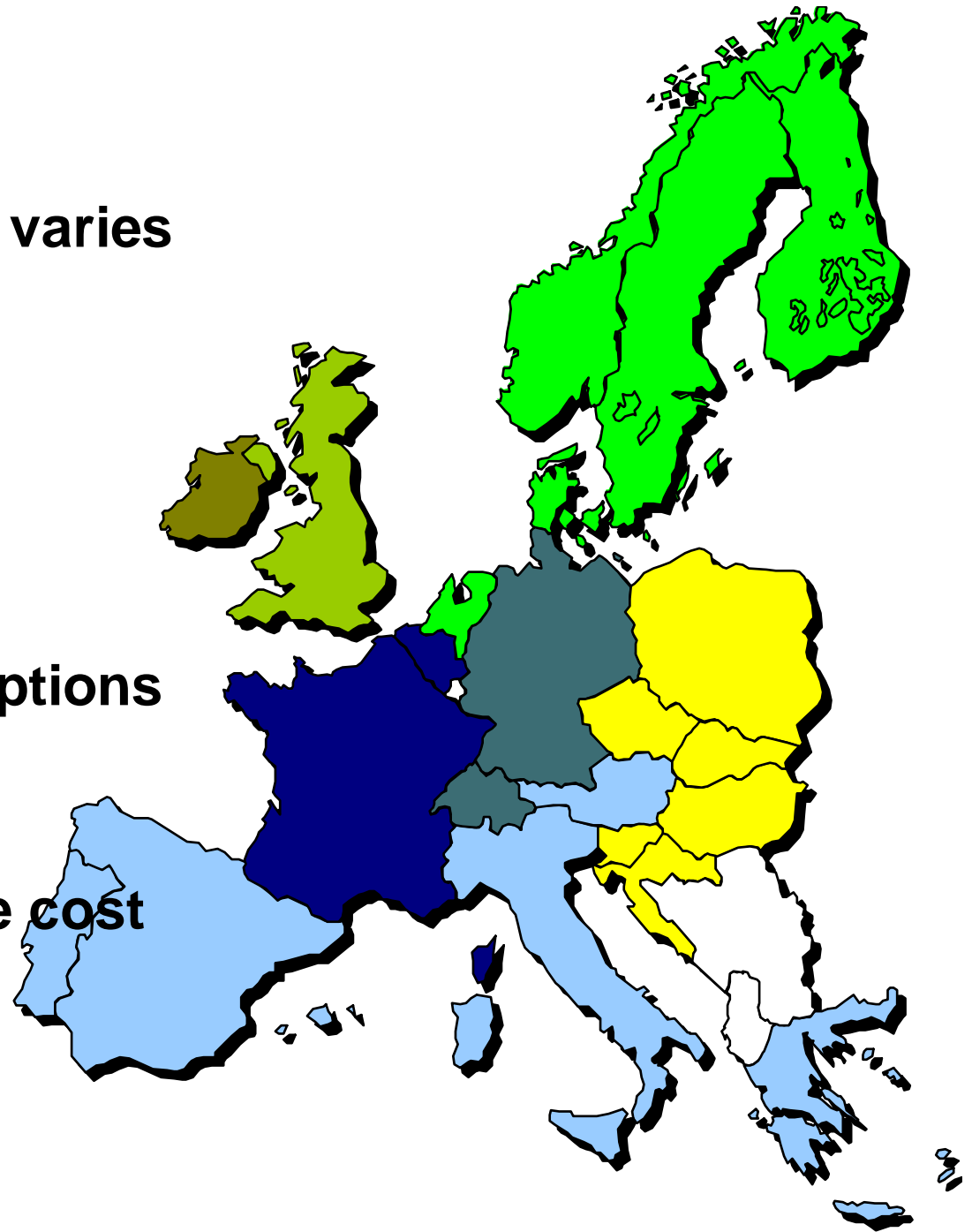
- Different countries
- Different classes
- Different companies

- **Case estimates**

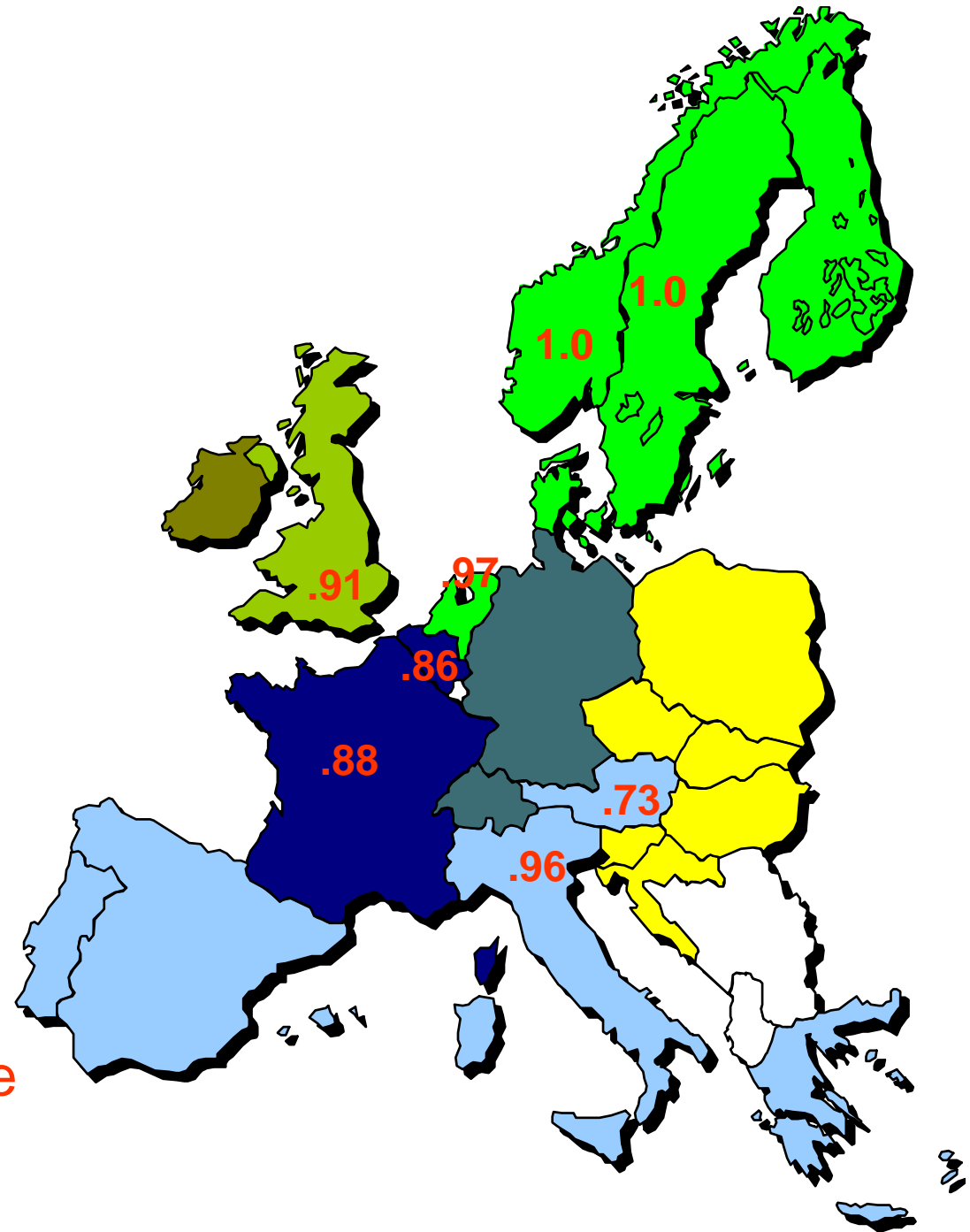
- **Conservative assumptions**

- **Formulaic IBNR**

expected x average cost

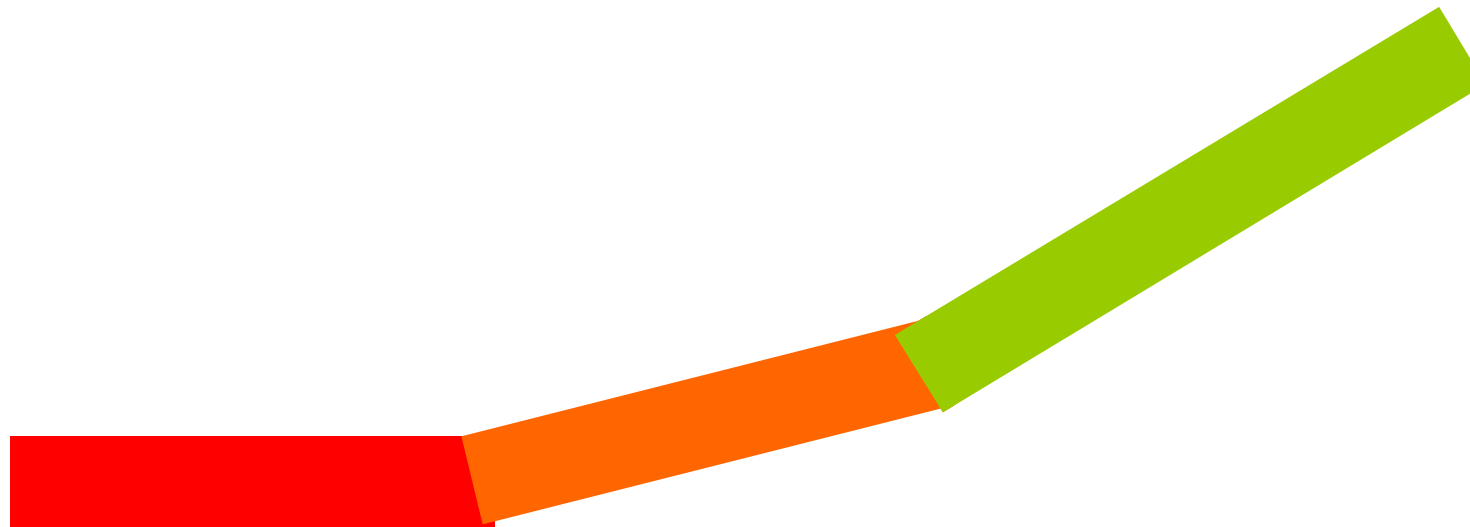


- **Scan, NL**
- **D, CH, Eire**
- **B, F, Es, It**
- **Further south / east**



Undiscounted best estimate
to held claims reserve
(source EU CEIOPS QIS1 report)

Central and Eastern Europe (CEE)



Pre 1990

Pay as you go

**Current Cash
flow matched**

Transition

**Reserves being
set up**

**Currency
appreciation**

EU membership

Wage inflation

Solvency II

Future : Solvency II

- Risk based supervision
- Uncertainty in reserves
Discounted best estimate plus margin
- Internal models stochastic
- Very active



Future : Solvency II

Need for more actuaries...

