

GICMA

26 November 2008

Insurance Division

Guernsey Financial Services Commission

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Mike Poulding – Insurance Division Actuary
Guernsey Financial Services Commission

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- IMF Stress Testing Exercise
- Own Solvency Capital Assessment (OSCA)

IMF Stress Testing Exercise - Purpose

- Requested by IMF for information prior to visit
- Required for commercial insurers and reinsurers
- Based on stresses applied to investments
- Additional requirements for life companies
- Inclusion of "active" MIG companies

IMF Stress Testing Exercise - Process

- 133 companies and cells included in the exercise
- Generally good standard of completion
- Need to maintain a standard format
- Adjustments made by GFSC

IMF Stress Testing Exercise - Scenarios

- Stresses carried out for:
 - changes in interest rates
 - changes in foreign exchange rates
 - depreciation of equity values
 - depreciation of property values
 - increase in mortality rates
 - improvement in annuitant longevity
 - Surrender/lapse of insurance policies
- Recent events have shown that the scenarios were not particularly extreme!

Stress Testing Exercise - Results

- Largest impact on solvency was from changes in foreign exchange rates
- A reduction in interest rates impacted the life companies
- Only a few companies invest in equities or property
- Improvement in longevity had an impact on two life companies
- Showed that the Guernsey companies are able to withstand shocks
- Applicability of tests to OSCA calculations
- Any questions?

OSCA



Own Solvency Capital Assessment

- Reasons for requiring an OSCA calculation
- Required from financial years ending on or after 30/9/08
- Approach that should be adopted by the company
- Discussions with the GFSC on approach adopted

OSCA (continued)

- Submission of OSCA – need for standard reporting spreadsheet?
- Press comment
- Future developments
- Any questions on the OSCA requirement?



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Caroline Bradley – Assistant Director
Guernsey Financial Services Commission

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- Structure of the Insurers' Team
- EU Reinsurance Directive
- Manager Meetings
- On-site inspections
- Annual Returns

Insurers' Team

Caroline Bradley – Assistant Director – 732391

David Richings – Senior Analyst – 732336

Chris Le Ray – Analyst – 732345

Valma Cameron – Analyst – 732340

Karen Brookes – Analyst – 732346

Dwayne Hooper – Analyst – 732327

Mike Poulding – Actuary – 732332

EU Reinsurance Directive

- Most common locations of fronting companies – UK, Germany, Ireland
- Most common fronting insurers – AIG, ACE, AXA, Allianz, RSA, Zurich
- Collateral – LOC, STA
- GFSC Relationships with FSA (UK) and BaFin (Germany)

Manager Meetings

- Issues with Global Crisis
- Parent Companies
- Parental Loans
- Investments

On-site Inspections

- 2008 – AML issues
- 2009 – Themed visits – issues from prior on-sites
- AML
- Corporate Governance

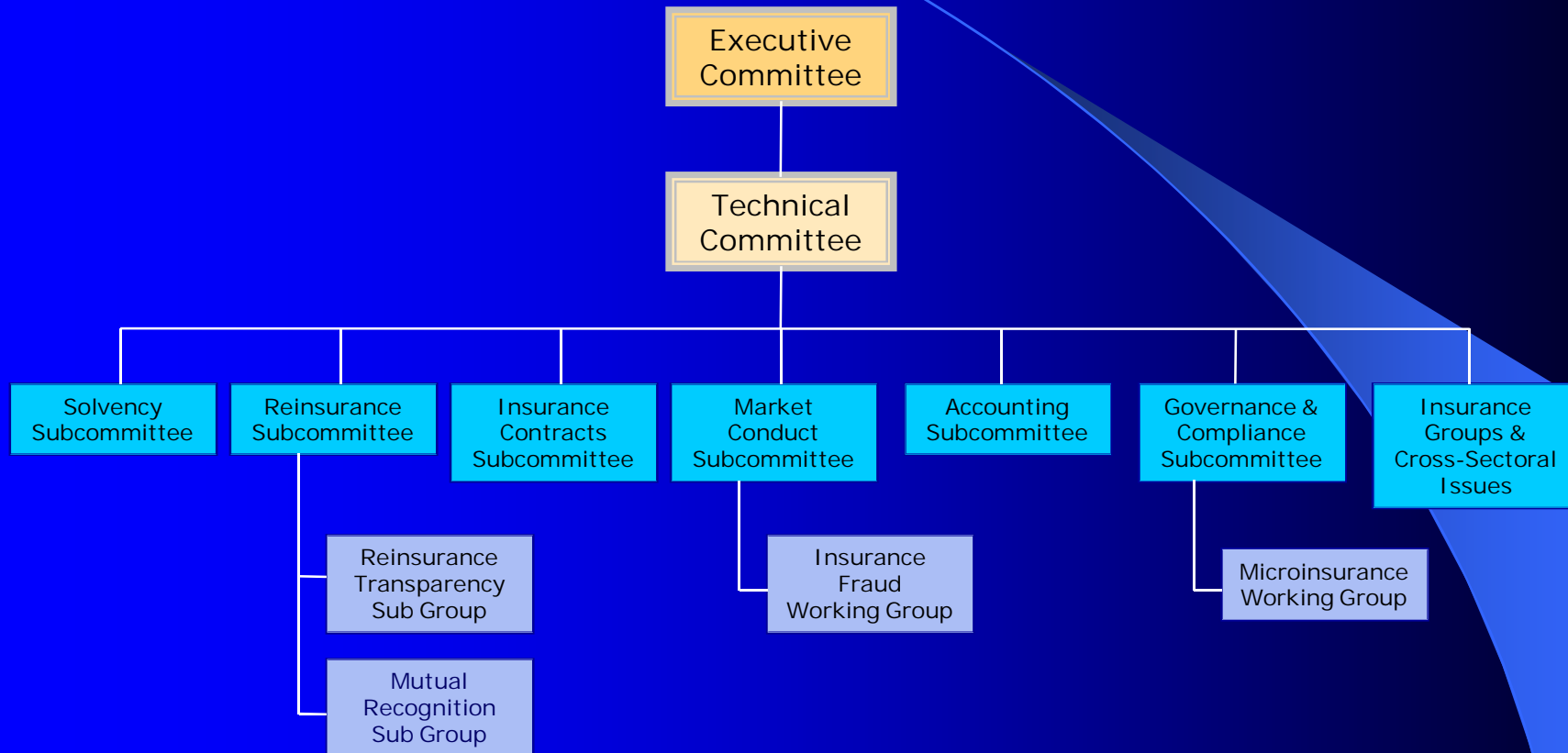
Annual Returns

- Checklist
- Guidance Note on the submission of Annual Returns
- Guidance Note on the Solvency Spreadsheet
- Late submissions/extension requests - audit delays

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Diane Colton – Director of Insurance
Guernsey Financial Services Commission

Structure of IAIS Committees



Development of Captive Guidance Paper

- Recognition of the need to increase knowledge of captive insurers within the IAIS and particularly amongst supervisors in non-captive jurisdictions.
- IAIS Captive Issues Paper developed by Guernsey was adopted by the IAIS AGM in October 2006.
- Captive Guidance Paper drafting group formed January 2007, reporting to the IAIS Reinsurance Subcommittee.

Membership of the Drafting Group

- Chaired by Diane Colton, Guernsey
- Onshore: France, Germany, Ireland, Luxembourg, United Kingdom, United States – South Carolina, Utah, Delaware
- Offshore: Bermuda, BVI, Cayman, Gibraltar, Guernsey, Isle of Man, Jersey, Singapore, United Arab Emirates

Structure of the Paper

- Paper structured to follow the 28 IAIS Insurance Core Principles.
- Treatment of captives where different approach to commercial insurers is required.

Highlights of the Paper

- Definition of captive insurance companies.
- Licensing / Board of Directors / owners etc
- On-site visits
- Confidentiality and disclosure
- Unrelated party business

Highlights of the Paper

- Direct writing compulsory classes of liability business with potential 3rd party claimants
- Fronting arrangements
- Role played by insurance managers
- Protected Cell Companies

Captive Guidance Paper

- Approved at IAIS AGM – October 2008

Solvency II

- European Commission meetings
- Mutual recognition status
- 2009 visit

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- IMF
- GICMA – IAIS
- Captive Guidance Paper
- Commissioner – Cees Schrauwers
- Dialogue group
- Recruitment