

# Europe



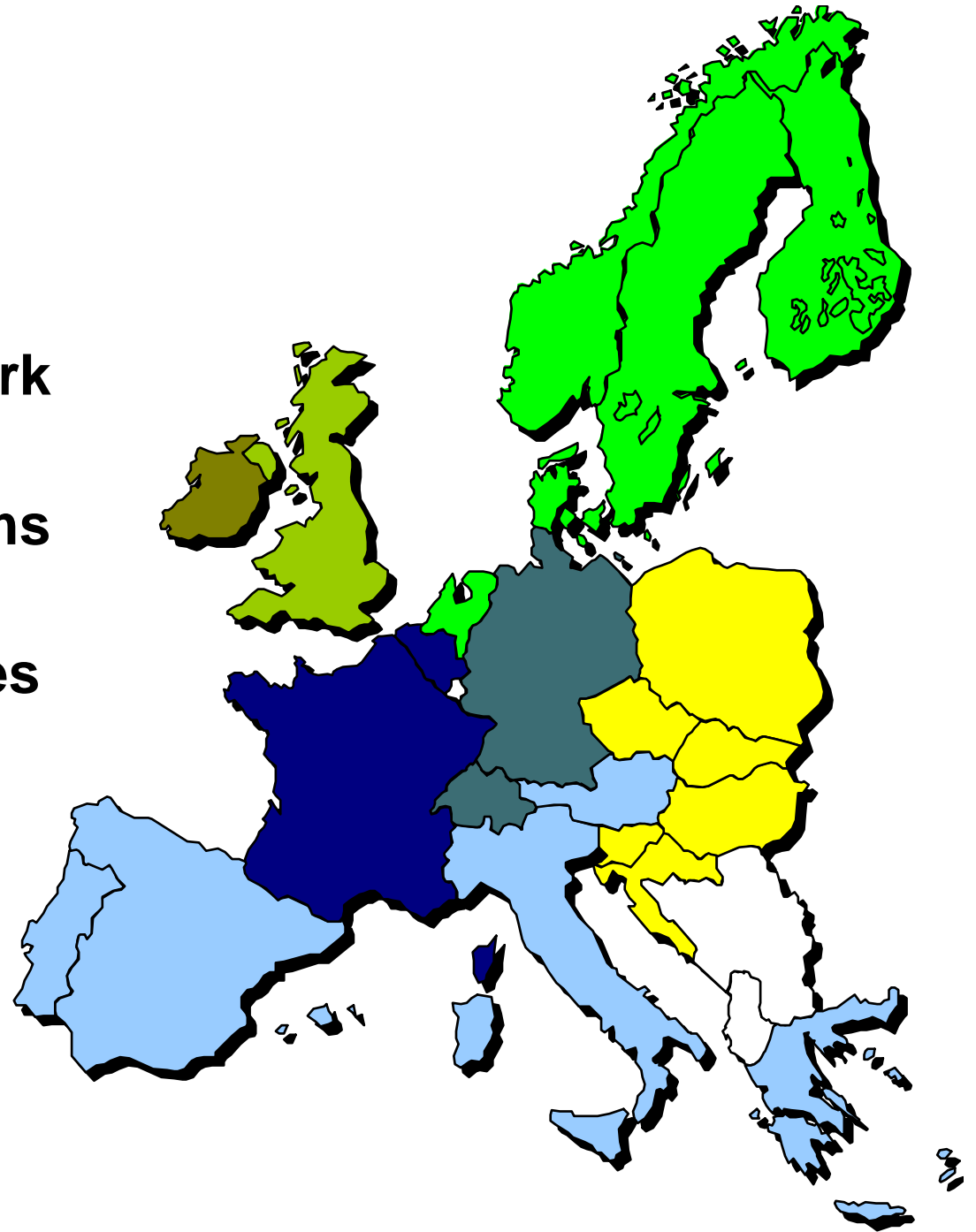
**Europe**

**Regulatory Framework**

**Accounting Paradigms**

**Reserving Techniques**

**Reserving strength**

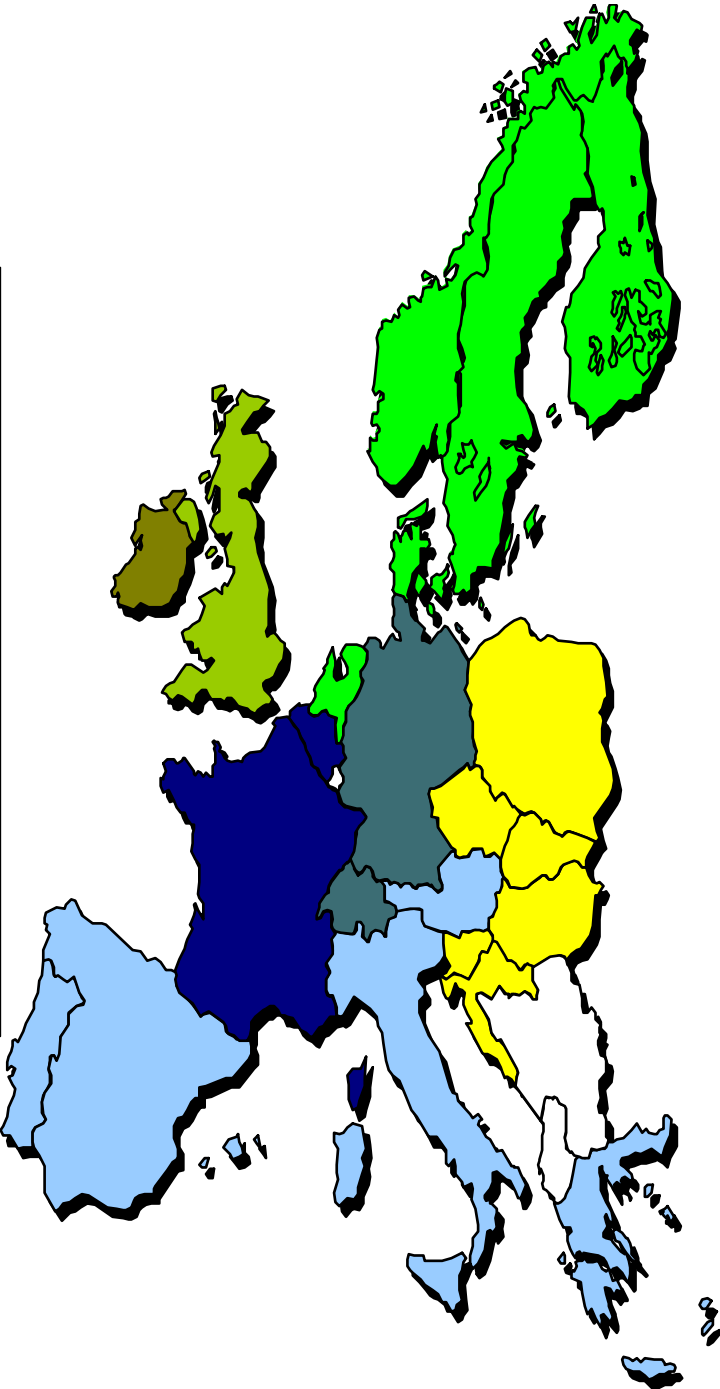
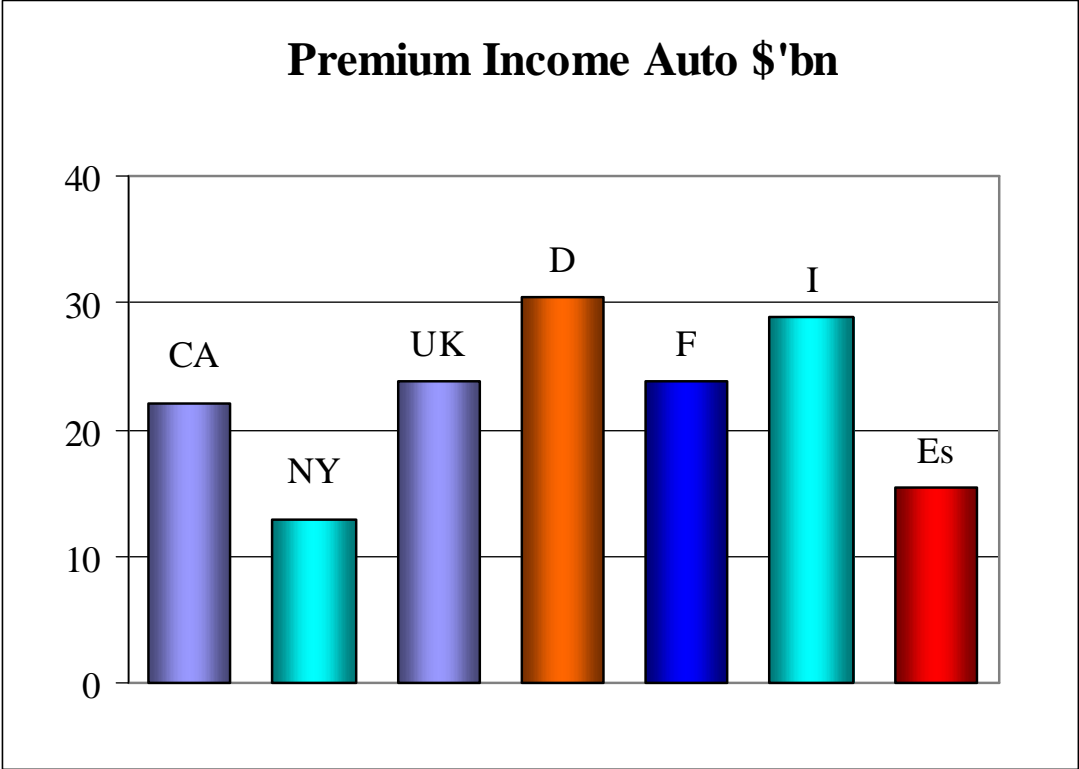


# Caveats

*My views – potted version*

*Generalities*    *over - simplified*

*Take advice*



**EEA** <[www.europa.eu.int/comm/internal\\_market/insurance/index\\_en.htm](http://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](http://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)**



Solvency II  
2010?

- **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**

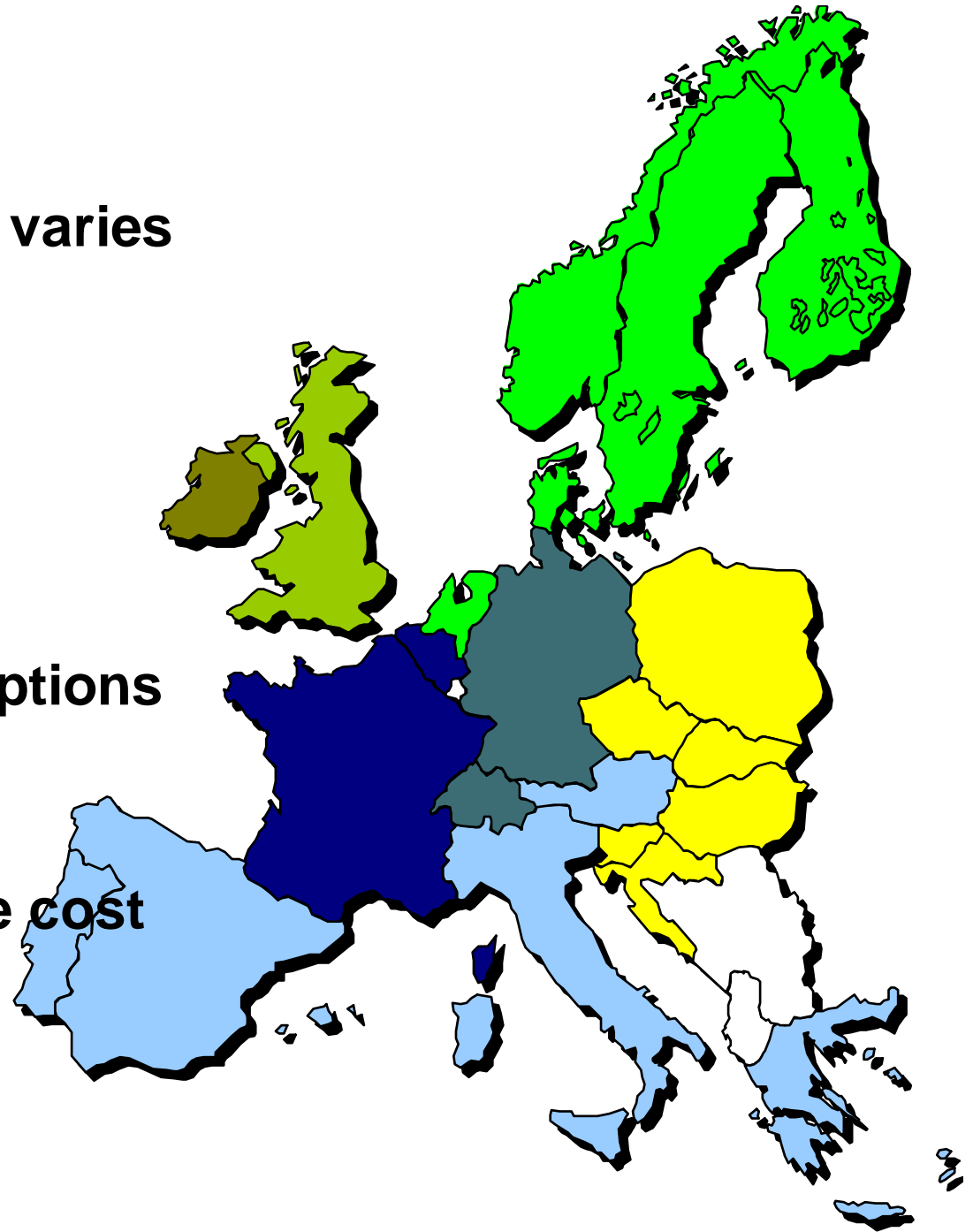
- Different countries
- Different classes
- Different companies

- **Case estimates**

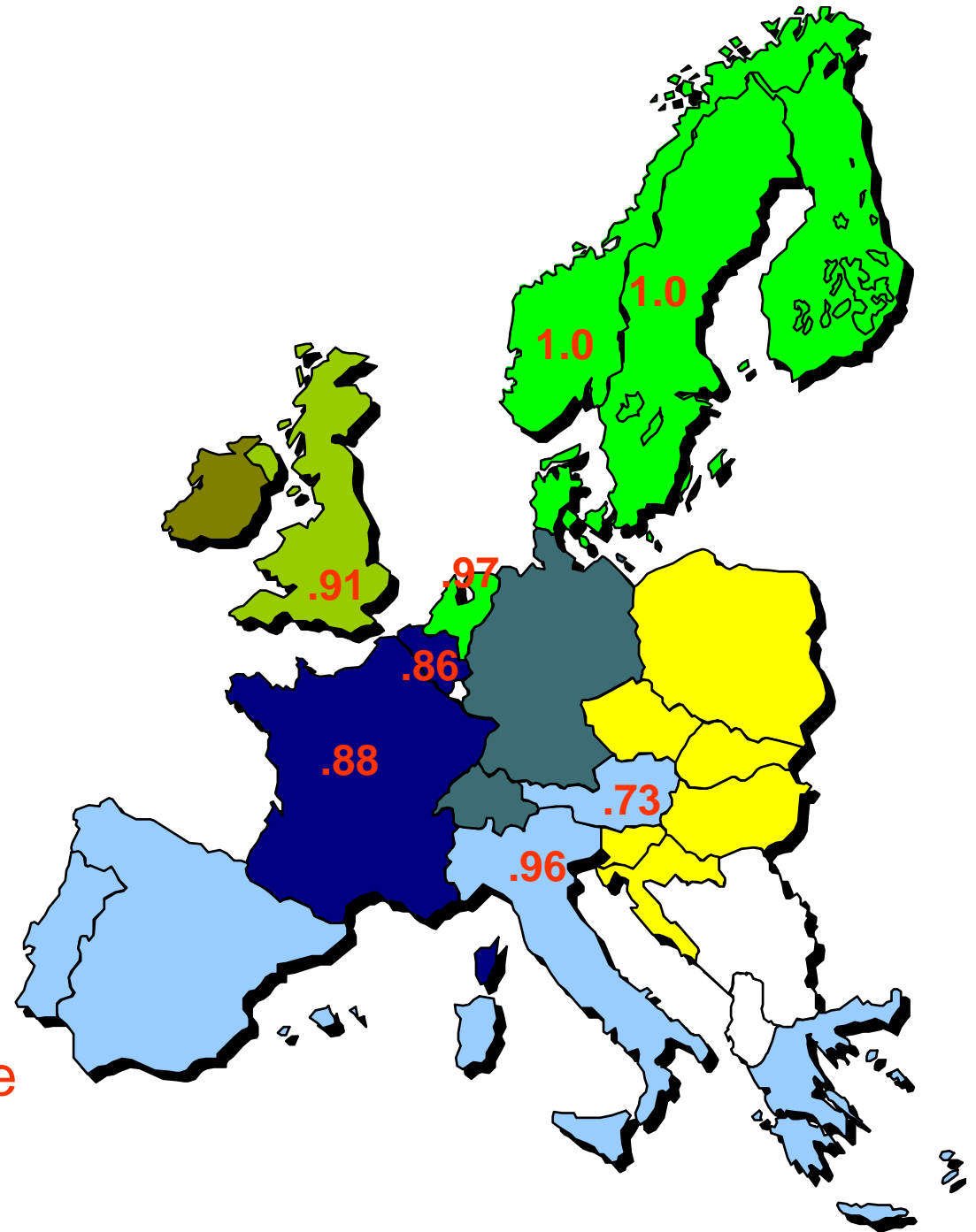
- **Conservative assumptions**

- **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...

