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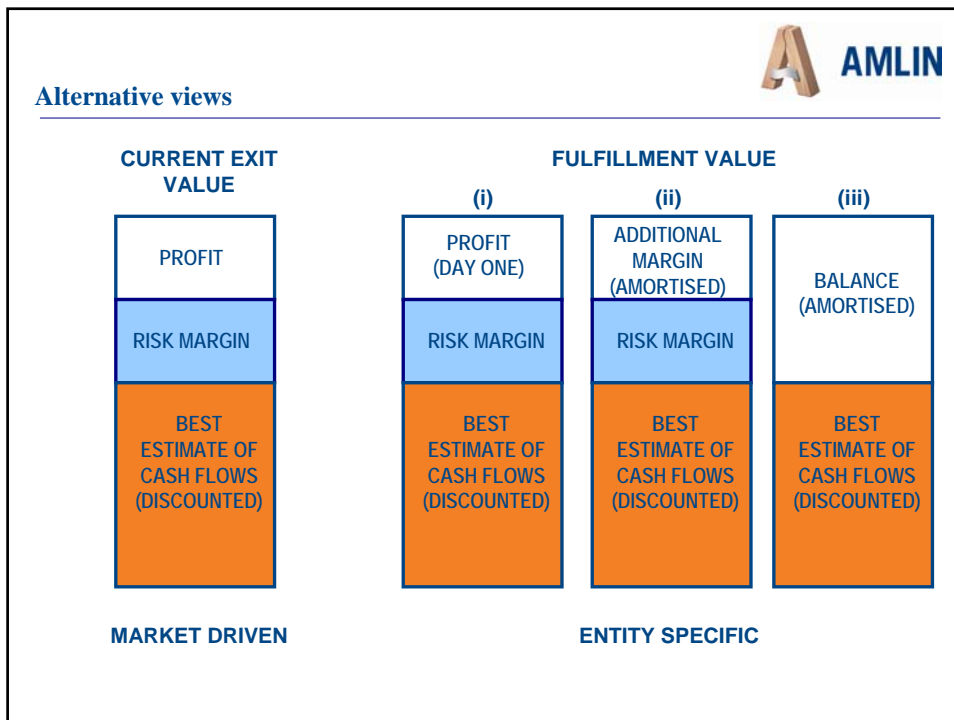
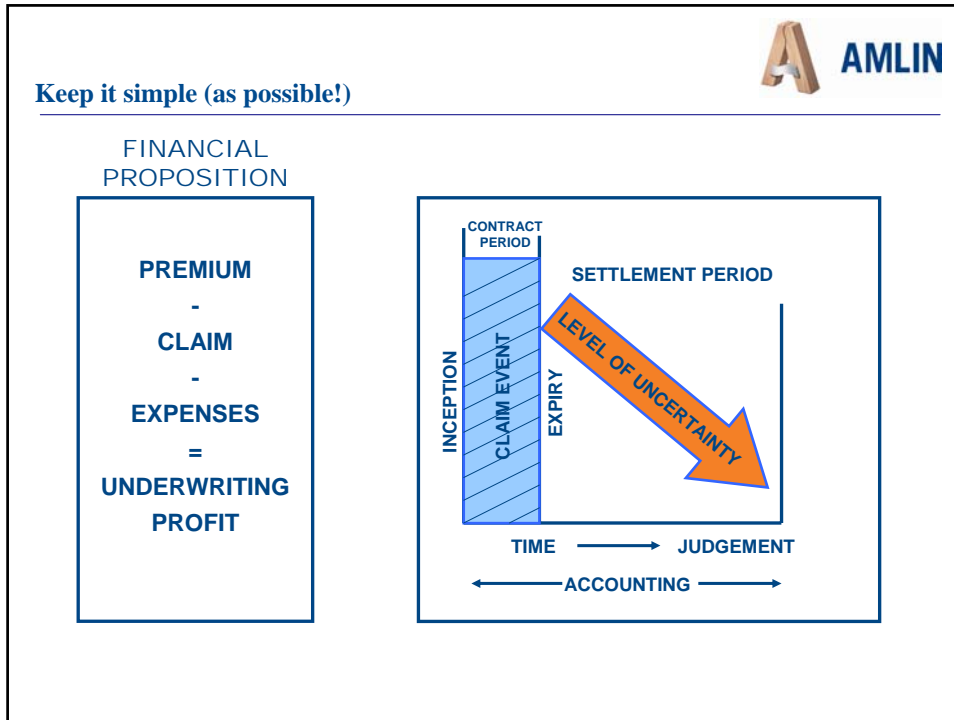
Non-Life Insurance Accounting

Richard Hextall

Insurance Contracts Phase II – A preparer’s perspective



- Non-life needs tuning, not wholesale change
- Need for greater consistency on framework surrounding key liability judgements
- Need for alignment of asset and liability accounting
- Need for improved disclosure



Calibrating a risk margin



- Compensation or cost of bearing risk
- Risk Margin = Risk Capital x Cost of Capital
- Highly judgemental
- Considerable variance at levels of portfolio - what value diversification?
- Correlation dynamics for a speciality business
- Guidance?

CONCLUSIONS



- Overall : an improved model ?
- Creates a highly complex world
- May not deliver consistency
- Forecasting is a challenge, but it always was
- Good and full disclosure will be essential.