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FINMA
Einsteinstrasse 2
8003 Bern

Zurich, 26th August 2010

Subject: Comments on the proposed Circular 2010/xx on “Technical Provisions in Reinsurance” (hereafter “Circular Technical Provisions in Reinsurance” of “Circular”)

Sirs,

SCOR Switzerland AG and SCOR Global Life Rückversicherung Schweiz AG would like to thank FINMA for having the opportunity to comment on the proposed captioned circular. In our opinion, the following elements of the Circular Technical Provisions in Reinsurance may need some clarification or need to be complemented:

1. Non-life specific issues

1.1. Unearned Premium reserves

Based on this circular, it would seem that Unearned Premium reserves would not be applicable in non-life reinsurance in many cases. According to paragraph 18 (“The technical provisions necessary at the reference date rely on an evaluation of in-going and out-going payments ...”), there would be many cases where Unearned Premium reserves would not be applicable as they are often estimated on the basis of the remaining coverage period for non-life business and not on the basis of future in-going (e.g. premium) payments.

1.2. Chapter III – Determination of technical provisions

Paragraph 9 - This paragraph could be modified as follows (shown in italic hereunder):

“The determination of technical provisions must be done on the basis of data and information up to date and reconciled with accounting figures. However, for proportional reinsurance, the existing time lag on the provision of data by the cedent has also to be considered when defining the basis of data and information.”

For the rationale of this proposed change, please refer to the paragraph “Life specific issues” below.

1.3. A – Sufficient technical provisions

Paragraph 23 – “In terms of non-life reinsurance, the out-going payments must not be discounted, except for pension related reserves”.

This paragraph in relation to paragraph 22 would seem to indicate that, for non-life reinsurance, out-going payments would not be discounted while in-going payments would be discounted. A clarification of the application of discounting would therefore seem to be necessary. Generally, for discounting issues, it could make sense, at this point, to refer to the Exposure Draft of the IASB (ED/2010/8 issued in July 2010 on Insurance Contracts accounting) where discounting and accounting issues are explained in details.

Paragraph 26 – “The models, methods and calculation hypotheses of the technical provisions must be motivated and documented. They must be indicated in a transparent and verifiable manner, with all necessary details, in the business plan (art [...])”.

This paragraph could be further enhanced to provide guidance as regards the level of “necessary details” required from FINMA.

1.4. Chapter V – Transition measures

Paragraph 36 – “The data and documents of the business plan related to technical provisions should be communicated for the first time to FINMA on 31.12.2011”. This paragraph should be further enhanced to provide clarity on the required “data and documents”. At this point, it would seem to be limited to the “Formular D” (art. 4 al. 2 VAG). SCOR would also appreciate clarifications on the level of details required. Without such guidance, the room for interpretation related to the “data and documents” will remain very wide.

2. Life specific issues

2.1. Introductory remarks

SCOR Global Life Rückversicherung Schweiz AG (SGLS), a 100% subsidiary of SCOR Global Life SE (SGL), is currently doing reinsurance business in different countries. The reinsurance treaties signed with clients based in the above mentioned countries are following the local legislations and the agreed technical documentation (reinsurance wording). According to SGL’s standard reinsurance treaty wording, SGL gets at least once a year informed by the cedent about the latest development within the reinsured portfolio (e. g. number of insured persons, sums insured, premiums, claims to pay, reserves, etc.). On average the clients provide that comprehensive portfolio and claim information in connection with the annual reinsurance accounts. Depending on the agreed delays, this information is normally available to SGL at the end of the first quarter of the following year.

Since SGLS is also applying a fast close mechanism for quarterly closings the reserves in life reinsurance as of December 31st are per definition only estimations (best estimate) of the concrete amounts that get provided belated by the respective client. At latest with the booking of the client’s (annual or

quarterly) account the estimated amount gets replaced and corrected by the concrete amount. The concrete amount itself is calculated based on the underlying calculation and the client's portfolio information.

As it is usual in life reinsurance, the calculations of reserves as of end of year are based on the latest portfolio and claim information provided by the client as well as reinsurer's assumptions about the further portfolio development (claims, lapses, new business figures) during the current year. In order to do so, SGLS uses all available information provided by the client until the date of calculation. To make sure that all balance sheet positions, in particular the reserves, are in line with other reporting requirements (Swiss Solvency Test and Embedded Value), the calculations are based on the same assumptions.

In general one can say that the reserves on SGLS balance sheet are based on the calculations from its cedents. Furthermore almost all reserves get also deposited with the client (funds withheld). Within the quarterly (resp. annual) closing processes SGL Switzerland calculates the best estimate reserves (unearned premium reserves, actuarial reserves and claim reserves) based on the available client information and previous accounts. The calculations are only based on concrete figures provided by the clients. Client's estimations, such as mentioned in the draft Finma circular, are not considered for reserving purposes.

For (quarterly or annual) closing purposes SGLS calculates a best estimate for all P&L resp. Balance Sheet positions, this also includes claims payments. Since these claims payments represent only a best estimate of claims payments, the estimated claims are also part of SGLS's claims reserves.

2.2. Chapter III – Determination of technical provisions

Due to the timely delay of accounting in life reinsurance, life reinsurers will not, normally, be able to fulfil the data requirements, as proposed in the draft Circular Technical Provisions in Reinsurance. To fulfil those requirements the reinsurer would have to have its reinsured's account information, which however is not available at the time of the reinsurer's annual closing process at year end.


Paragraph 9 - This paragraph should be modified to reflect the following:

Therefore, the reinsurer should be allowed to calculate the respective balance sheet positions even by using the latest portfolio information in connection with appropriate assumptions about the further development, which can be derived from prior years' data and information.

SCOR agrees that this document be made public by FINMA and will be happy to answer any questions related to the above comments.



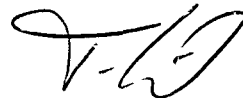
Benjamin Gentsch
CEO
SCOR Switzerland AG



Gabriele Hollmann
CEO
SCOR Global Life Rückversicherung
Schweiz AG



Eric Dal Moro
Chief Reserving Actuary
SCOR Switzerland AG



Thorsten Keil
Appointed Actuary
SCOR Global Life Rückversicherung
Schweiz AG