

Called to account:

A survey of insurers' 2007 IFRS annual reports*

November 2008



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Insurers surveyed

Aegon
www.aegon.com

Allianz
www.allianz.com

AMP
www.amp.com

Aviva
www.aviva.com

AXA
www.axa.com

BNP Paribas
www.bnpparibas.com

Eureko
www.eureko.com

Fortis
www.fortis.com

Friends Provident
www.friendsprovident.co.uk

Assicurazioni Generali
www.generali.com

Hannover Re
www.hannover-re.com

HBOS
www.hbosplc.com

ING
www.ing.com

Legal & General
www.legalandgeneral.com

Liberty
www.liberty.co.za

Lloyds TSB
www.lloydstsb.com

Mapfre
www.mapfre.com

Munich Re
www.munichre.com

Old Mutual
www.oldmutual.com

Prudential
www.prudential.com

QBE Insurance
www.qbe.com

Royal & Sun Alliance Insurance
www.rsagroup.com

Standard Life
www.standardlife.com

Swiss Life
www.swisslife.com

Zurich Financial Services
www.zurich.com

Foreword

Welcome to 'Called to account: A survey of insurers' 2007 IFRS annual reports'.

Drawing on analysis of a cross section of 2007 annual reports, this study examines how insurers are applying the latest developments in International Financial Reporting Standards (IFRS) and what further work may be required to meet growing analyst, investor and regulatory demands for

greater transparency. The report also looks at the question of fair value measurement and related hierarchy disclosure in the context of recent market events and the planned amendments to IFRS 7: Improving Disclosures about Financial Instruments.

The clear message that emerges from this survey is the need for a strategic approach to financial reporting capable of conveying what is actually

going on in the business in an open, coherent and intelligible way. At a time of considerable market instability and uncertainty, the latest developments in insurance disclosure provide a valuable opportunity to strengthen stakeholder confidence and compete more effectively for investment. They could also help companies to prepare for the planned overhaul of reporting under Solvency II and a finalised IFRS standard for insurance contracts.



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Introduction

Market events and financial reporting developments are intensifying the spotlight on the way insurers value their assets and manage their risks. Does the quality, clarity and reliability of their disclosure stand up to heightened market scrutiny?

The turmoil in the financial markets has intensified the already growing analyst, investor, regulator and rating agency attention on risk management within the financial services sector, including insurance.

The heightened focus on risk has coincided with an expansion of risk and capital disclosure within insurers' IFRS annual reports, which is one of the key areas examined within this study. This includes IAS 1, IFRS 7 and revised IFRS 4 (see 'About this survey' on page 6 for more details of new disclosure requirements). The overriding aim of these changes is to enable users of accounts to look at risk through the 'eyes of management'. This includes disclosure of managements' risk objectives, policies and procedures and access to the data they use to run their business.

A key question is how far the resulting reports have gone towards enabling users to realise their ambition to 'get under the skin' of the enterprise. Against the backdrop of mounting market scepticism and uncertainty, is the standard of risk disclosure

seen in the 2007 year-end accounts transparent and informative enough to win the confidence of analysts and investors?

We believe that more telling risk disclosure could provide well-run companies with a valuable opportunity to convey the strength and potential of their business. In contrast, poor presentation or lack of information may lead stakeholders to conclude that a company is not in sufficient control of its exposures, even if its understanding and management of its risks are actually sound. Any perceived weakness could undermine equity values and increase the cost of capital.

Recent market uncertainty has also raised questions about the relevance and reliability of current fair value measurement and related disclosure standards. Some politicians, media commentators and other stakeholders have aired particular concerns about the validity of mark-to-model valuation and the underlying management assumptions, especially in relation to complex structured products. Further concerns have centred on whether fair value is applicable for products in markets that have come to a standstill. Some observers have gone further by asking whether such valuation approaches might even have fanned the instability.

In our view, fair value is the most relevant method of measuring financial instruments. Movements in fair value reflect the inherent fluctuations in market and market-derived prices rather than contributing to volatility or instability in themselves. However, we believe that firms should carefully explain the basis of their valuations. They should also regularly review the validity of the underlying assumptions and their sensitivities to key risks.

Tougher demands ahead

The developments that came into force in the 2007 accounts are paving the way for potentially more extensive and probing risk disclosure under Solvency II (see box). While many of the elements of Solvency II are to some extent covered in the existing IFRS disclosures, the directive presents the further challenge of requiring companies to demonstrate that risk considerations are fully embedded into decision-making ('use test'). It will also open up the effectiveness of governance, risk and capital management to the discipline of more rigorous market scrutiny.

The growing harmonisation between regulatory and financial reporting, which is likely to result from the move to Solvency II and a finalised IFRS standard for insurance contracts (IFRS Phase II), would enable insurers to convey 'a single version of the truth' that actually reflects the way they run

Solvency II risk and capital disclosure

Under Solvency II, insurers in the EU will be required to provide annual, publicly available reports on their solvency and financial condition. The disclosure should include:

- The nature and performance of the business.
- Governance systems.
- Risk profile and risk management approach.
- Valuation bases for assets and liabilities including technical provisions.
- Capital management including minimum capital requirement (MCR), solvency capital requirement (SCR) and quality/structure of solvency reserves.
- Any breaches in MCR or SCR.

their businesses. These developments also offer an important opportunity to strengthen market confidence by demonstrating that management is in control ('no surprises').

However, experience of the comparable Basel II suggests that insurers may need to go beyond basic compliance to build stakeholder trust. In respect of disclosure, this might include greater transparency around the basis for evaluating business options and the approach used to determine and manage all potential exposures. It might also include explaining the interaction

between different risks and how individual underwriting decisions are aligned with the overall risk appetite.

Following recommendations from the Financial Stability Forum, the International Accounting Standards Board (IASB) recently published proposed amendments to IFRS 7, which are designed to 'improve the information available to investors and others about fair value measurements of financial instruments and liquidity risk'.¹ This includes disclosing what proportion of their portfolio is subject to the different classification categories set out in the 'hierarchy' of valuation: Quoted market prices (level one), market-derived prices (level two) and mark-to-model valuations with significant unobservable market inputs (level three).

The planned changes are expected to enhance market-wide comparison and meet analyst demands for better explanation of the underlying valuation techniques and risk sensitivities. Companies with a higher than average portfolio of level three assets are likely to face especially probing questions about the impact of greater valuation uncertainty within these holdings on their risk appetite, risk profile and risk management strategy. Integration into broader risk management disclosure would help to justify the rationale for these investment strategies and ensure that they are perceived as being part of an effective overall framework of control.

Rising to the challenge

Drawing on detailed analysis of a cross-section of 2007 IFRS annual reports, this study looks at how insurers are addressing both the competitive and compliance demands of today's evolving disclosure requirements.

As we outline in more detail in the coming pages, a number of companies have taken the opportunity to convey risk and how it is managed in a more cohesive and informative way. However, most have provided broadly similar disclosures to previous annual reports. There may be important reasons why companies limited their risk disclosure in 2007, including commercial sensitivity. Nonetheless, more information and explanation are likely to be needed in 2008 to meet the more exacting analyst expectations that have followed recent market events. Implementing Solvency II is also likely to be a far greater challenge if companies have not used the IFRS changes as an opportunity to strengthen risk management disclosure and prepare the ground for the reporting requirements of the directive.

The proposed amendments to IFRS 7 are under consultation until 15 December 2008. While they will not be finalised in time for the December 2008 year-end, insurers may find that the pressure from analysts in the wake of the current market turmoil may encourage them to voluntarily disclose this information.

¹ IASB media release announcing 'Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)', 15.10.08 (www.iasb.org).

About this survey

A team of analysts from PricewaterhouseCoopers² reviewed the 2007 financial statements of 25 insurers from around the world, which prepare their annual reports under IFRS (see page 2 for list of companies surveyed).

The survey follows on from our review, published in 2006, of the first set of IFRS financial statements, which analysed how companies had addressed the implementation challenges and used the discretion available under the new reporting principles. To aid comparison, we have reviewed largely the same group of companies in 2008 as in 2006. We have also reviewed the analyst packs of the companies surveyed to see whether these included information and analysis not contained within the financial statements.

A key focus of this study has been the impact of three key changes to IFRS, which have been incorporated by most companies into their 2007 year-end accounts:³

- **IFRS 7 – Financial Instruments Disclosures** – a new standard replacing the disclosure requirements of IAS 32 and IAS 30.
- **Revisions to IFRS 4 – Insurance Contracts** – mainly in the area of sensitivity analysis and IFRS 7 analysis of the risks pertaining to insurance-related assets and liabilities.
- **Revisions to IAS 1 – Presentation of Financial Statements** – new requirements relating to capital management. This includes objectives, policies and procedures for managing capital as well as mandatory disclosure of external capital requirements.

The report also looks at the question of fair value and related hierarchy disclosure in the context of recent market events and the planned amendments to IFRS 7: Improving Disclosures about Financial Instruments.

This study does not seek to provide a comprehensive assessment of compliance with these new requirements; rather, it reflects on the overall impact of these changes on corporate reporting.

² 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

³ For more information about the changes and their implications please see the PricewaterhouseCoopers report 'Seeing risk from the inside: The impact of IFRS 7 and revised IFRS 4 on insurers financial reporting' (www.pwc.com/insurance).

Executive summary

In light of the uncertain market conditions and upcoming developments in the regulatory and accounting regimes for insurance companies, we believe risk management and related disclosures are likely to attract ever-greater scrutiny. Our survey suggests that some, perhaps more forward-looking, insurers have decided that there are competitive opportunities in the developments in reporting. A narrow focus on compliance may leave others with much more to do in the future.

Few new insights

Insurers in the survey appear to have satisfactorily complied with the new requirements. However, despite being expected to present risk through the 'eyes of management', few companies have sought in this first year to provide many new insights into how their exposures are managed or convey how risk forms part of the rationale for their strategic decisions. Any step forward in the relevance and usefulness of disclosure was therefore modest.

Balancing rules and principles

The need to provide an onerously long list of mandatory disclosures would appear to have left many insurers with little appetite to offer the broader discretionary information that would convey how they actually manage their risks. Some would argue that the IASB should seek to reduce the level of mandatory disclosure

to encourage companies to devote more of their reports to providing meaningful information that is relevant to their particular circumstances.

The leaders: Transparency sustains market confidence

The best examples of disclosure were those that:

- Linked their overall risk management framework with capital management objectives, processes and procedures.
- Gave prominence in the front half of the annual report to risk and capital management disclosures.
- Provided clearly labelled and well-structured mandatory disclosures in the notes to the financial statements.

Where these attributes were evident, it became much easier to assess the company's approach to risk management and the risk-reward rationale of key decisions. This elevated the disclosures from basic compliance to a more coherent insight into the strategy and strength of the business.

The followers: Much more to do

Companies that have stuck to basic compliance within their annual reports may have missed an opportunity to enhance market confidence. Some of the qualitative disclosures still appear to be quite generic. While some provided additional detail in relation to

sub-prime related issues in their analyst packs, their presentations provided little further insight into broader aspects of risk management. Moreover, disclosure within the financial statements would arguably have had more credibility and impact than inclusion in the analyst packs, as it would have been subject to higher standards of verification and control.

Insurers that have opted for minimum compliance could also face a greater challenge in meeting the rising bar for risk disclosure under Solvency II. In particular, they may find it harder to convince investors, supervisors and other key stakeholders that risk is genuinely embedded into the governance and strategy of the business.

The IASB's proposed amendments to IFRS 7 seek to enhance transparency about fair value measurement, including the proportion of assets falling into the different valuation classification categories of quoted market prices, market-derived prices and mark-to-model valuations with significant unobservable market inputs. Careful explanation and justification will be required. It is also important that these changes be embedded into a cohesive strategy for risk disclosure, as we anticipate that analysts will be keen to know the sensitivity of assumptions to key risks and impact of any valuation uncertainty on the overall risk profile.

Section 1

What risks do insurers face?



Are insurers presenting their risks in an accessible, intelligible and credible way?

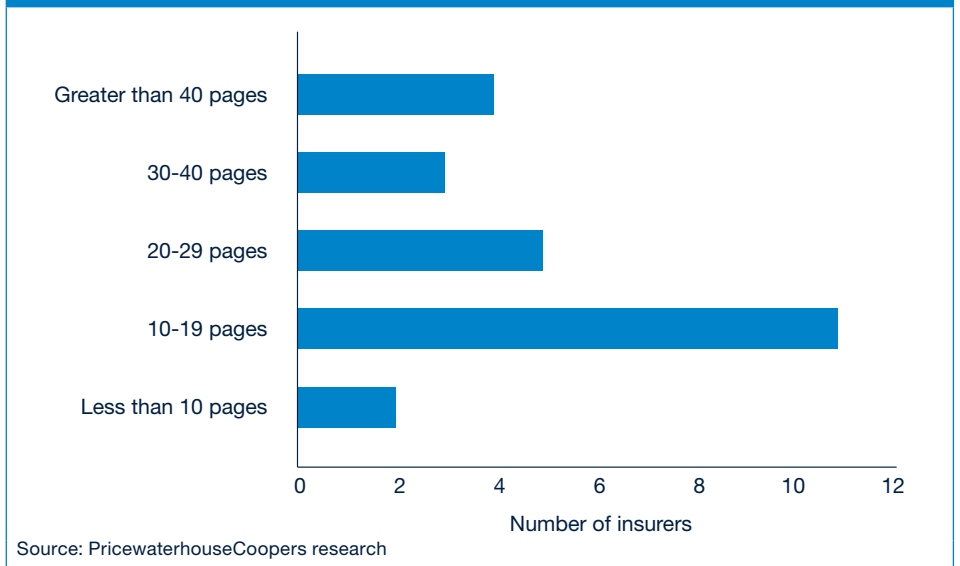
IFRS 4 and IFRS 7 have led to significant changes in the scope and nature of risk reporting. As Figure 1 highlights, the survey revealed considerable disparity in the extent and prominence of risk management disclosures.

Life insurance risk and capital management disclosures tended to be longer than non-life. However, this generally reflected such factors as the greater diversity of products and the existence of options and guarantees, rather than any material differences in the overall approach or in the level of meaningful detail. The same could be said of the bancassurers. The risk management disclosures for their banking operations were generally longer than for insurance, reflecting the more complex nature of their banking-related financial instruments and market losses. However, there was no fundamental difference in the underlying approach and depth of analysis between insurance and banking.⁴

Companies that provided cohesive and well-signposted information were able to convey a coherent and compelling overview. In contrast, a far less clear picture emerges where key disclosures were 'lost in the detail' and information was fragmented between the front part of the annual report and notes to the financial statements.

In our view, the best examples gave proportionately more focus to risk management in the front half of the annual reports and linked this analysis with details about

Figure 1: Number of pages on risk management



their capital management. Although IFRS 7 allows these disclosures to be separate from the financial statements, it requires cross-referencing. The information in the notes tended to focus on meeting the mandatory requirements of the standards.

IFRS 4 disclosures (insurance contract risk)

The main change to IFRS 4 was the requirement to provide the type of information about credit risk, liquidity risk and market risk for insurance assets and liabilities that is now needed in relation to financial instruments under IFRS 7. The other key development was to allow an insurer to use an alternative method to disclose sensitivity analysis, such as European Embedded Value (EEV).

We assess IFRS 7 disclosures overleaf alongside our consideration of the broader requirements for financial instruments. Sensitivity analysis, including the use of EEV, is examined in Section 3.

Other changes to IFRS 4 covered the disclosure of terms and conditions of insurance products, that could have a material effect on cash flows. Although these were no longer required under the revised standard, many of the life insurers continued to include this information.

Aside from these changes, there appears to have been limited development in insurance contract risk disclosure. For example, an area we examined in our 2006 survey was the approach to the presentation

⁴ For more details about the approach of banks, please see PricewaterhouseCoopers' companion study, 'Accounting for change: Transparency in the midst of turmoil: A survey of banks' 2007 annual reports' (www.pwc.com/banking).

of claims development tables by non-life insurers. This was largely unchanged in the 2007 reports, with the majority using an accident-year basis, presented gross and net of reinsurance.

IFRS 7 disclosures (financial instrument risk)

IFRS 7 introduced a number of new mandatory disclosures that are applicable to financial instruments. These primarily focus on the key areas of credit risk, market risk and liquidity risk:

Credit risk

Most insurers provided quantitative analysis of credit risk, using predominantly external rating agency benchmarks. Figure 2 provides an example.

Figure 2: Credit risk disclosures through ratings assessment: Legal & General example

As at 31 December 2007	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Unrated £m	Total £m
Government securities		3,520	22	41	–	–	–	3,583
Other fixed rate securities		6,459	3,312	7,051	2,438	88	1,280	20,628
Variable rate securities		860	151	236	–	–	695	1,942
Total debt securities	18(i)	10,839	3,485	7,328	2,438	88	1,975	26,153
Accrued interest	18(i)	150	76	159	61	3	35	484
Loans and receivables	18(ii)	–	70	2	–	–	72	144
Derivative assets	19	–	116	18	–	–	–	134
Cash and cash equivalents ¹	25	184	441	1,799	–	–	481	2,905
Financial assets		11,173	4,188	9,306	2,499	91	2,563	29,820
Reinsurers' share of contract liabilities	20	6	1,018	102	–	62	221	1,409
Other assets	24	1	63	30	12	–	640	746
		11,180	5,269	9,438	2,511	153	3,424	31,975

As at 31 December 2006	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Unrated £m	Total £m
Government securities		4,831	66	79	–	–	95	5,071
Other fixed rate securities		5,294	2,580	6,696	2,166	133	1,493	18,362
Variable rate securities		962	151	242	–	–	49	1,404
Total debt securities	18(i)	11,087	2,797	7,017	2,166	133	1,637	24,837
Accrued interest	18(i)	140	58	134	52	1	28	413
Loans and receivables	18(ii)	17	66	87	–	–	73	243
Derivative assets	19	14	24	2	–	–	–	40
Cash and cash equivalents ¹	25	195	217	1,461	–	–	210	2,083
Financial assets		11,453	3,162	8,701	2,218	134	1,948	27,616
Reinsurers' share of contract liabilities	20	7	930	105	–	34	261	1,337
Other assets	24	–	120	11	12	–	940	1,083
		11,460	4,212	8,817	2,230	168	3,149	30,036

1. Unrated cash and cash equivalents include £460m (2006: £210m) holdings in commercial paper which are short term instruments which carry a short term rating of A1+/A1 from Standard & Poor's.

At the year end, the Group held £105m (2006: £200m) of collateral in respect of non-linked derivative assets.

Source: Legal & General

It is clear that many insurers also carry out their own internal qualitative evaluations of credit risk. However, while eight of the companies surveyed described their internal analysis, none gave details of its output or conclusions. This was perhaps a missed opportunity to convey risk through the ‘eyes of management’.

In light of market conditions in 2008 and the problems faced by many well-rated financial institutions, there may be further impetus for companies to disclose a broader range of credit risk metrics. This may include internal measures rather than a limited focus on external ratings benchmarks.

Although the requirements in relation to impairments were addressed, there was some variation in how much information companies provided about how assets were assessed. Under IFRS 39 para 59, ‘a financial asset or a group of financial assets is impaired...if there is objective evidence of impairment as a result of one or more events that

Figure 3: Credit impairment disclosure: Allianz example

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. Typically this is due to deterioration in the creditworthiness of the issuer. A decline in fair value below amortized cost due to changes in risk free interest rates does not represent objective evidence of a loss event.

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group’s policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 20% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than nine months. This policy is applied by all subsidiaries at the individual security level.

Source: Allianz

If an available-for-sale equity security is impaired based upon the Allianz Group’s qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Allianz Group’s impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

In a subsequent period, if the fair value of an available-for-sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor’s credit rating, the impairment is reversed through impairments of investments (net). Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

occurred after the initial recognition... and that loss event has an impact on the estimated future cash flows... that can be reliably estimated’.

In relation to their equity investments, some set out quantitative guidelines similar to those used under US GAAP, such as falling 20% below carrying

value for a period of greater than six months. However, the best examples offered a more balanced assessment of the qualitative and quantitative factors, as highlighted in Figure 3. Credit risk is an area that is likely to come under increasing scrutiny in the wake of the uncertain market conditions.

IFRS 7 also introduced disclosure requirements in relation to ‘past due but not impaired’ assets (see Figure 4). This covers all financial assets including insurance assets, such as policyholder and reinsurance receivables. However, not all insurers included insurance assets in their disclosures (see Figure 4). There are a number of potential reasons for this. Certain policies will only be issued on receipt of the premium; others will become ‘paid-up’. The absence of insurance assets in these disclosures may also reflect companies’ stringent

cash collection procedures. In certain instances, the insurance receivables past due but not impaired were not material. Where data on insurance assets was included, some chose to include this in the same table alongside other financial assets, while others disclosed insurance assets separately.

Market risk

In line with IFRS 7 guidance, market risk was generally broken down into price risk, currency risk and interest rate risk.

Price risk disclosure followed a generally consistent approach that included a qualitative description by asset class of the relevant price exposure. This was then supplemented with sensitivity analysis, for example how changes in property/equity prices might affect profit and equity values (see Section 3).

The format for interest rate disclosure was also quite uniform, with most describing their strategy and the risk per asset class. Sensitivity analysis is examined in Section 3.

Currency risk disclosure tended to be more tailored to the individual firm. Most considered the exposure to be minimal, given their respective matching and hedging strategies and consequently only 11 companies provided any sensitivity analysis in this respect (see Figure 5). Only three companies provided currency balance sheets to demonstrate net exposure to foreign currencies (see Figure 6 overleaf).

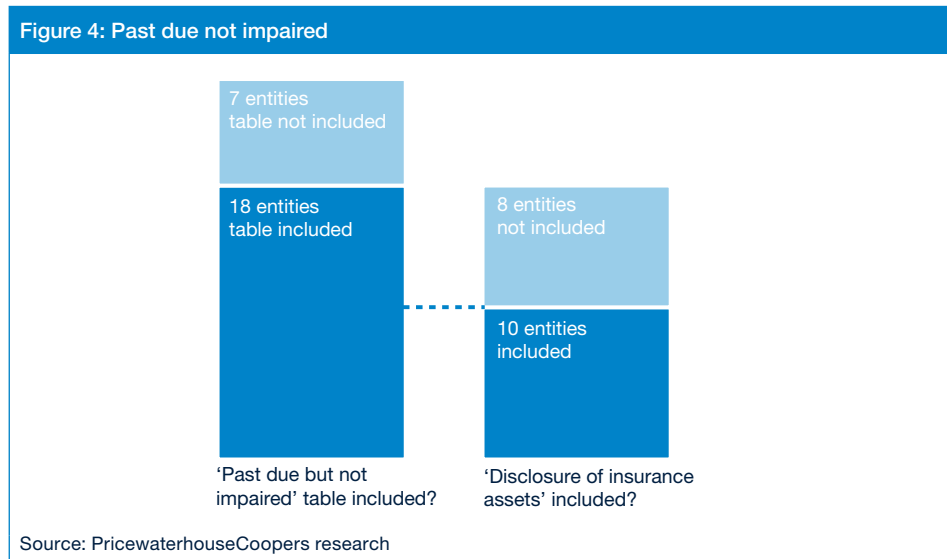


Figure 5: Sensitivity to change in exchange rate movements: Zurich example

The table below shows the approximate effect of an instantaneous depreciation of the US dollar compared with the euro, Swiss franc and British pound sterling, respectively, by 10% on net income before tax, net assets, reserves for insurance contracts and liabilities for investment contracts upon translation of the net assets into the presentation currency of the Group. The impact on net assets is primarily driven by currency translation adjustments. An appreciation of the US dollar would have the opposite impact. The sensitivities do not include dependencies among the currencies, but rather show isolated exchange rate movements. The effect is indicative of how the Group's financial statements would be impacted by exchange rate movements. The scenarios do not indicate a probability of such shifts and do not represent the Group's view of expected future currency exchange rate movements.

Sensitivities to exchange rate movements

in USD millions, for the years ended December 31		2007			2006		
		General Insurance ¹	Global Life ¹	Rest of the businesses ¹	General Insurance ¹	Global Life ¹	Rest of the businesses ¹
Euro							
Impact on net income before tax		93	50	10	90	42	(3)
Impact on net assets		301	420	(119)	265	341	(116)
Impact on reserves for insurance contracts and liabilities for investment contracts		1,190	7,562	57	1,048	6,741	61
Swiss franc							
Impact on net income before tax		51	21	3	70	23	(46)
Impact on net assets		(201)	110	(170)	(215)	152	(105)
Impact on reserves for insurance contracts and liabilities for investment contracts		890	1,692	61	763	1,846	76
British pound sterling							
Impact on net income before tax		47	26	5	91	57	(5)
Impact on net assets		147	395	61	157	434	(12)
Impact on reserves for insurance contracts and liabilities for investment contracts		1,170	8,671	64	1,081	9,009	86

¹ Negative values indicate a decrease of the balance. Positive values indicate an increase of the balance.

Source: Zurich

Figure 6: Currency balance sheet: Swiss Life example

In CHF million	CHF	EUR	USD	GBP	Other	For the account and risk of the Swiss Life Group's customers	Total	
Carrying amounts as at 31 December 2007								
Monetary assets								
Cash and cash equivalents	1 854	723	148	1	11	1 818	4 555	
Insurance receivables and other receivables	1 215	2 845	83	5	4	-	4 152	
Derivatives	29	227	132	8	7	60	463	
Debt instruments at fair value through profit or loss	268	1 458	88	-	-	2 825	4 639	
Debt instruments available for sale	16 139	32 913	4 705	165	849	-	54 771	
Loans	8 533	12 119	0	-	-	-	20 652	
Financial assets held to maturity	2	3 622	-	-	-	-	3 624	
Debt instruments pledged as collateral	-	-	-	-	-	-	-	
Reinsurance assets	31	944	-	-	-	-	975	
Total monetary assets	28 071	54 851	5 156	179	871	4 703	93 831	
Monetary liabilities								
Insurance payables and other payables	-2 405	-939	-1	-5	0	-	-3 350	
Derivatives	-19	-129	-51	-	-14	0	-213	
Debt instruments at fair value through profit or loss	-	-	-	-	-	-11 042	-11 042	
Investment contracts	-1 048	-8 250	-40	-2	-	-3 567	-12 907	
Deposits	-1 256	-1 347	-18	-1	-	-	-2 622	
Borrowings	-438	-3 183	-	-	-	-	-3 621	
Insurance liabilities	-62 402	-30 971	-91	-97	0	-931	-94 492	
Policyholder participation liabilities	-813	-2 575	0	0	-	-	-3 388	
Total monetary liabilities	-68 381	-47 394	-201	-105	-14	-15 540	-131 635	
Balance sheet currency gap	-40 310	7 457	4 955	74	857	-10 837	-37 804	
Carrying amounts as at 31 December 2006								
Total monetary assets		37 553	90 812	3 302	1 645	568	2 977	136 857
Total monetary liabilities		-71 609	-83 483	-1 580	-374	-474	-15 496	-173 016
Balance sheet currency gap		-34 056	7 329	1 722	1 271	94	-12 519	-36 159

Source: Swiss Life

Hedging strategies were common with many using cash flow and fair value hedges. In addition, 14 companies used hedges of net investments in foreign subsidiaries (see Figure 7).

Liquidity risk

All companies set out their strategy for managing liquidity risk and provided the maturity tables as required under the standard. Nine companies continued to provide asset maturity tables and in five cases these were provided alongside the corresponding liability maturities to demonstrate asset-liability matching and the net exposure to liquidity risk.

Financial liabilities other than those relating to insurance contracts were usually provided in a separate note to

the financial statements. The extract set out in Figure 8 overleaf was an exception by providing all of the maturity analysis in one table, with a single column for those assets or liabilities with no maturity or non-monetary assets or liabilities.

IFRS 4 offers the option of providing liquidity information for liabilities based on either contractual or estimated durations. Sixteen companies used the estimated timing of cash outflows rather than contractual maturities, reflecting how the entities manage this risk. The most common time-bands used were less than one year, one to five years, six to ten years and 11 years and beyond.

For investment contract liabilities, such as unit-linked products, IFRS 7 requires that maturity analysis is

provided on a contractual undiscounted basis. The approach in this area was mixed. A number used an expected rather than a contractual basis. In this respect, unit-linked liabilities were typically allocated to the earliest duration period on the basis that such liabilities were effectively payable on demand. In at least one case they were specifically excluded from the table, however, with an explanation that the liabilities were repayable on demand, at which point the linked assets would be liquidated and the valuation risk associated with that liquidation would fall on the policyholder.

Sensitivity analysis in relation to unit-linked assets and liabilities are examined in Section 3.

Figure 7: Disclosure of hedging strategies: Old Mutual example

Net investment hedges

The Group uses a combination of currency swaps, forward foreign exchange contracts and debt raised in the currency of the exposure to mitigate the translation effect of holding overseas companies. The following table summarises the Group's open positions with respect to financial instruments utilised for net investment hedging purposes.

At 31 December 2007	Open positions at year-end £m		
	USD	ZAR	SEK
Forward contracts	38	182	52
Currency swaps ¹	262	–	318
Debt ²	106	–	161
	406	182	531

At 31 December 2006	Open positions at year-end £m		
	USD	ZAR	SEK
Forward contracts	–	40	202
Currency swaps ¹	195	–	305
Debt ²	118	–	169
	313	40	676

1 Excludes \$35 million of currency swaps that do not qualify for hedge accounting.

2 Excludes \$750 million and €500 million of financial instruments accounted as minority interests or as equity.

Source: Old Mutual

Figure 8: Maturity analysis: ING example

Assets and liabilities by contractual maturity							
2007	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	12,406						12,406
Amounts due from banks	25,939	5,736	8,705	6,591	1,904		48,875
Financial assets at fair value through profit and loss							
– trading assets ⁽¹⁾						193,213	193,213
– investments for risk of policyholders ⁽²⁾						114,827	114,827
– non-trading derivatives	403	115	758	2,651	3,708	2	7,637
– designated as at fair value through profit and loss	1,504	610	1,894	1,999	5,043	403	11,453
Investments							
– available-for-sale	4,184	7,016	13,267	71,107	135,992	44,331	275,897
– held-to-maturity	232	287	1,093	8,504	6,637		16,753
Loans and advances to customers	131,610	17,234	26,654	93,545	280,738	3,183	552,964
Reinsurance contracts	21	36	308	307	2,725	2,477	5,874
Intangible assets	2	4	111	391	1,120	4,112	5,740
Deferred acquisition costs						10,692	10,692
Other assets	14,399	2,771	15,838	4,195	2,845	51	40,099
Remaining assets (where maturities are not applicable) ⁽³⁾						16,080	16,080
Total assets	190,700	33,809	68,628	189,290	440,712	389,371	1,312,510
LIABILITIES							
Preference shares						21	21
Subordinated loans						7,325	7,325
Debt securities in issue	22,277	13,899	6,210	14,787	9,822		66,995
Other borrowed funds	434	4,847	916	7,059	13,802		27,058
Insurance and investment contracts	1,855	3,907	10,712	33,854	97,244	118,140	265,712
Amounts due to banks	117,179	28,758	12,935	6,862	1,238		166,972
Customer deposits and other funds on deposit	463,995	23,988	26,864	8,369	2,000		525,216
Financial liabilities at fair value through profit and loss							
– trading liabilities ⁽¹⁾						148,988	148,988
– non-trading derivatives	255	317	521	2,937	2,921		6,951
– designated as at fair value through profit and loss	873	771	2,395	5,912	3,931		13,882
Other liabilities	14,292	4,920	12,067	6,420	2,844	3,316	43,859
Total liabilities	621,160	81,407	72,620	86,200	133,802	277,790	1,272,979

⁽¹⁾ Trading assets and trading liabilities have been presented in the above table as maturity not applicable, because they are held for short term profit taking.

The majority of items are debt instruments and equity instruments, where the contractual maturity is generally more than 5 years.

⁽²⁾ Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.

⁽³⁾ Included in remaining assets where maturities are not applicable are:

- property and equipment
- real estate investments
- investments in associates.

Note: Due to their nature remaining assets consists mainly of assets expected to be recovered after more than 12 months.

Source: ING

Market conditions

At the 2007 year-end, the scale of reported sub-prime write-downs among insurers was generally limited in comparison to banks.

Some commentators have observed that the long-term nature of insurers' investments and their ability to pass on much of the impact of market risk to policyholders had been the main reasons why the reported losses had been limited. However, there was no indication that these factors were significant from the accounts we surveyed. Only ten companies disclosed any write-downs in their financial statements and in each case these related principally to sub-prime/Alt-A exposures. These companies generally disclosed such matters in more detail in their analyst presentations (Figure 9 sets out one of a number of examples, which is taken from a 31 December 2007 results presentation).

These disclosures are not a specific requirement of the current standard. Companies may have also taken a cautious view about providing such data in their audited financial statements, given the relatively early stage of what have been evolving losses. They could then wait until they were due to give market presentations to provide more up-to-date information and address related analyst queries. It would also appear that some of the companies had adopted a relatively conservative investment strategy and that this had enabled them to avoid the severe write-downs suffered by a number of banks. In the time that has elapsed

Figure 9: Analyst presentation: Swiss Life example

Category	Fair value	Ratings					Comments
		AAA	AA	A	BBB	Below BBB or unrated	
CDO / CLO (see next page for details)	521	75%	6%	8%	3%	8%	CDO, CLO, ABS, MBS: note volume with US subprime and Alt-A components totals CHF 83 m
ABS	411	66%	0%	20%	11%	3%	60% in ABS credit cards
MBS	505	93%	7%	0%	0%	0%	84% of collateral is domestic Dutch mortgages. 8% in CMBS
Capital notes in market value SIV's	0	0%	0%	0%	0%	100%	Positions completely impaired
Capital notes in Specialist Finance Companies	0	0%	0%	100%	0%	0%	Positions completely impaired
Total	1 437	79%	5%	9%	4%	3%	Swiss Life bought protection through CDS for about CHF 120 m notional
Monoliners	60	59%	41%	0%	0%	0%	

Source: Swiss Life

since the publication of the 2007 financial statements, the broader effect of declining asset values and liquidity in the credit markets has had a further impact and for some of those with banking operations, this has been significant.

The intensification of the market focus on the quality of assets during 2008 will give rise to some revisions to disclosure requirements. In October 2008, the IASB put forward a number of proposed amendments to IFRS 7 dealing with two principal areas, liquidity risk and fair value disclosure.⁵ The changes reflect the impact of the broader declines in asset values, liquidity and consumer

confidence sparked by the financial market turmoil (see Section 4 for an outline of the IASB's proposals and their likely implications).

Reflecting the prevailing circumstances at the 2007 year-end, the analysis of market conditions in financial statements tended to focus most closely on how the deteriorating economic climate might affect the business of those surveyed and how they planned to address these challenges. Groups with banking operations tended to focus more closely on the impact of sub-prime market events, as we describe in a separate study of IFRS reporting by banks.⁶

⁵ 'Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)', 15.10.08 (www.iasb.org).

⁶ 'Accounting for change: Transparency in the midst of turmoil: A survey of banks' 2007 annual reports' August 2008 (www.pwc.com/banking).

Fair value estimation

Recent market events have heightened the focus on the relevance and reliability of fair value estimation techniques.

Many of the more complex derivative products affected by the sub-prime crisis are not traded in active markets and therefore subject to management best estimate and/or mark-to-model evaluation. In some cases, the models are calibrated using unobservable market data. The requirements of FAS 157 under US GAAP require a company to show a three-level hierarchy analysing assets and liabilities on a fair value basis. While IFRS 7 has no equivalent requirement, IAS 39 'Recognition and Measurement' does provide guidance for the purposes of measurement, distinguishing between assets quoted in an active market, and those not, and observable and unobservable inputs.

Within our survey population, few companies appear to have been holding a significant proportion of assets where the valuation relied on unobservable inputs as at 31 December 2007. Only seven companies provided any additional analysis in this regard. Figure 10 provides an example of a valuation hierarchy, similar to that required by FAS 157. It also includes a qualitative description of the basis for fair value measurements. All companies also included an accounting policy (see Figure 11 for an example).

Figure 10: Valuation hierarchy analysis: AXA example

FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE EXCLUDING DERIVATIVES

Amounts presented exclude the impact of all derivatives (set out in notes 19.3 and 19.5) and investment funds consolidated by equity method. Investment funds consolidated by equity method represented assets of €1,160 million at December 31, 2007 (€1,294 million at December 31, 2006 and €1,081 million at December 31, 2005). The breakdown by valuation method of financial assets recognized at fair value is as follows:

(in Euro million)

	December 31, 2007			December 31, 2006			December 31, 2005		
	Fair value determined directly by reference to an active market (1)	Fair value estimated using valuation techniques (2)	TOTAL	Fair value determined directly by reference to an active market (1)	Fair value estimated using valuation techniques (2)	TOTAL	Fair value determined directly by reference to an active market (1)	Fair value estimated using valuation techniques (2)	TOTAL
Fixed maturities	207,030	39,123	246,153	208,638	38,659	247,297	170,873	24,250	195,123
Equities	32,075	3,723	35,799	34,961	3,544	38,505	26,770	1,658	28,428
Non controlled investment funds	2,182	1,406	3,588	3,662	1,157	4,819	3,065	267	3,333
Loans	5	963	968	792	53	845	-	23	23
Financial assets available for sale	241,292	45,215	286,508	248,053	43,413	291,467	200,709	26,198	226,907
Investment properties	2,667	1,469	4,137	4,800	1,172	5,972	3,871	1,108	4,979
Fixed maturities	44,288	11,639	55,927	45,248	4,458	49,706	39,527	4,655	44,182
Equities	14,435	5,158	19,593	18,461	3,737	22,198	16,308	2,545	18,852
Non controlled investment funds	436	798	1,234	315	866	1,182	288	621	909
Other assets held by controlled investment funds designated as at fair value through profit and loss	2,152	2,366	4,518	1,738	1,407	3,145	647	1,264	1,910
Loans	-	40	40	82	3,111	3,194	125	-	125
Financial assets at fair value through profit and loss	63,978	21,471	85,448	70,645	14,751	85,397	60,766	10,193	70,957
Fixed maturities	723	442	1,165	582	662	1,244	727	962	1,689
Equities	452	-	452	474	-	474	407	2	409
Non controlled investment funds	118	25	143	109	4	113	217	-	217
Loans	77	-	77	227	-	227	248	-	248
Assets held for trading	1,369	467	1,836	1,392	666	2,057	1,600	963	2,563
TOTAL FINANCIAL ASSETS ACCOUNTED FOR AT FAIR VALUE	306,639	67,153	373,792	320,090	58,830	378,920	263,075	37,354	300,427

NB: This table excludes assets backing contracts where the financial risk is borne by policyholders.

Methods applied to determine the fair value of held assets measured at fair value in the financial statements are described in the introduction to Note 9. The group applies the IAS39 fair value hierarchy.

Fair values determined directly by reference to an active market (1) relate to prices which are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis, i.e. the market is still active.

Fair values estimated using valuation techniques (2) include:

- values provided at the request of the Group by pricing services and which are not readily publicly available or
- values provided by external parties which are readily available but relate to assets for which the market is not always active, and

- assets measured on the basis of internal models including assumptions supported by observable data or mark to model valuations.

The amount of assets measured at fair value using in whole or in part a valuation technique based on assumptions that are not supported by prices from current market transactions and not based on available observable market data is less than 1.5% of financial invested assets held by the Group excluding assets backing contracts where the financial risk is borne by policyholders. When running this analysis, external valuations are considered as observable data determined by market participants.

Source: AXA

Figure 11: Description of accounting policy : AXA example

Financial instruments

The Group applies the IAS39 fair value hierarchy as described below. Fair values of financial assets traded on active markets are determined using quoted market prices when available. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of financial instruments that are not traded in an active market are estimated:

- using external and independent pricing services such as brokers or arranging banks for example in the case of CDOs, or
- determined using valuation techniques.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for financial assets. They involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity securities are based on cross checks using different methodologies such as discounted cash flows techniques, price earning ratios multiples, adjusted net asset values, taking into account recent transactions on similar assets if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models...) based on quoted market prices for similar instruments or underlyings (index, credit spread...) whenever such directly observable data are available, and valuations are adjusted for liquidity and credit risk.

Source: AXA

Providing the hierarchy analysis required under FAS 157 has placed considerable demands on US firms and has been closely scrutinised by analysts. However, foreign private issuers (FPIs) are not obliged to comply. A few, but not all, of the FPIs in our survey, did voluntarily provide a similar analysis.

In October 2008, the IASB set out its own proposed revisions to IFRS 7 in the area of fair value related

disclosure. This includes introducing a fair value hierarchy similar to, but not precisely the same as, the FAS 157 hierarchy under US GAAP, requiring firms to set out the proportion of assets within the three valuation categories.⁷

As we outline in more detail in Section 4, these planned proposals could enhance the consistency and comparability of fair value related disclosures. The proposed changes

are due to come into force for annual reporting periods, beginning on or after 1 July 2009 (December 2010 year-ends), with earlier adoption permitted. Some firms may choose to provide this information voluntarily amid the growing market scrutiny.

⁷ 'Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)', 15.10.08 (www.iasb.org).

Section 2

Capital management



How well are insurers explaining their capital management priorities and the related impact of risk?

Capital management

As part of the survey, we considered the response to the new requirements included in IAS 1 – Presentation of Financial Statements, in relation to capital management (see box below).

As part of an increasingly risk-based approach to capital management, IAS 1 has strong correlations with the requirements of IFRS 7. This includes setting out details of the objectives, policies and processes for managing capital. As with risk management disclosures, the number of pages devoted to capital management varied markedly (see Figure 12).

Local requirements

UK companies often provided the most detailed information. In part, this appeared to be driven by the UK standard FRS 27, which requires life insurers to present quantitative and narrative disclosures of the regulatory capital requirements, including a

capital statement of resources relating to the entity’s life assurance business. For companies that complied in our survey, this gave rise to considerably more detail in the notes to the financial statements. Although this did not necessarily mean the overall disclosures were more cohesive, it did provide an additional level of detail.

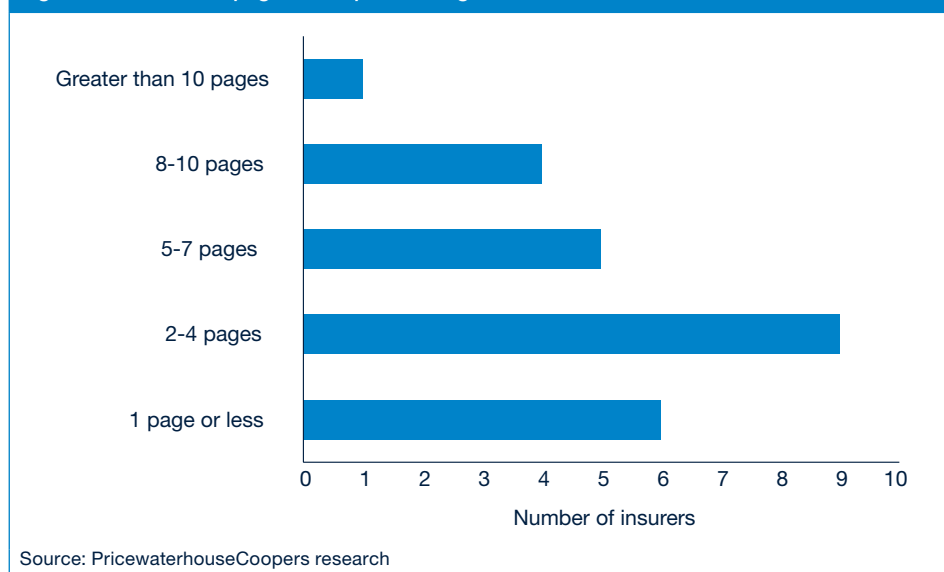
Capital management objectives

The best examples provided a very clear statement of objectives (see Figure 13 overleaf). In other cases, it was hard to discern the specific goals as they tended to cover more generic and brief descriptions. Similarly, the actions taken to manage capital were clearly set out in the best examples. This disclosure provides the reader with a direct link between the objectives, processes and procedures, and the results of capital management during the period (see Figure 14 overleaf).

Alignment of risk and capital

It is interesting to note that many of the more coherent and informative annual reports maintained close links between their risk and capital management disclosures. An example of this alignment is included in Figure 15 overleaf. Among UK-based companies, this was often built around the Individual Capital Adequacy (ICA) framework (see Figure 16 overleaf). In turn, many of those that aligned risk and capital also discussed how this related to their broader risk management framework and how it is used in the management of the business. Most of the examples in this section are taken from one particular set of accounts to illustrate how a cohesive set of objectives, actions and alignment between risk and capital can be presented.

Figure 12: Number of pages on capital management



Key requirements of IAS 1 – in respect of capital management

- Disclose information that enables users to evaluate the entity’s objectives, policies, processes and procedures for managing capital.
- Qualitative disclosures should include a description of what constitutes ‘capital’, the nature of external capital requirements, how they are managed and how the company is seeking to meet its capital objectives.
- It also requires quantitative disclosure in relation to the elements included in its management of capital.
- Where relevant, an entity must also report non-compliance with externally imposed capital limits.

Figure 13: Statement of objectives: Aviva example

Capital

Capital management objectives

Aviva's capital management philosophy is focused on capital efficiency and effective risk management to support a progressive dividend policy and earnings per share growth. Rigorous capital allocation is one of the Group's primary strategic priorities and is ultimately governed by the Group Executive Committee.

The Group's overall capital risk appetite is set and managed with reference to the requirements of a range of different stakeholders including shareholders, policyholders, regulators and rating agencies. In managing capital we seek to:

- maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of our stakeholders;
- optimise our overall debt to equity structure to enhance our returns to shareholders, subject to our capital risk appetite and balancing the requirements of the range of stakeholders;
- retain financial flexibility by maintaining strong liquidity, including significant unutilised committed credit lines and access to a range of capital markets;
- allocate capital rigorously across the Group, to drive value adding growth in accordance with risk appetite;
- increase the dividend on a basis judged prudent, while retaining capital to support future business growth, using dividend cover on an IFRS operating earnings after tax basis in the 1.5 to 2.0 times range as a guide.

Source: Aviva

Figure 14: Capital management actions: Aviva example

Capital management actions

During the year, we have undertaken a number of proactive actions in relation to capital management:

- In the UK, Norwich Union generated operational capital of £0.3bn through financial reinsurance, improving the returns for shareholders through the use of leveraged capital. Norwich Union also recently completed a capital transaction transferring to Swiss Re an economic interest in part of the UK Life policy book to be administered by them under the outsourcing agreement made earlier in 2007, which comes into effect as this business migrates to Swiss Re over 2008 and 2009.
- In the US, our Life business completed a transaction to offset the onerous capital requirements imposed by regulation AXXX. The transaction relates to equity indexed life contracts including a no lapse guarantee. At the end of 2007, approximately £0.1bn of liability was ceded to a captive reinsurance company. The amount ceded is expected to grow significantly in future years.
- Consistent with a focus on EPS growth, we have also announced the withdrawal of the current scrip dividend scheme and the introduction of a Dividend Reinvestment Plan, which avoids new share issuance, from the 2008 interim dividend onwards.
- We also continue to actively manage our exposure to investment risk and in the second half of 2007 we reduced our exposure to equity market volatility by selling £2.6bn and £0.8bn of equities in our general insurance shareholder funds and the staff pension schemes respectively. These actions are consistent with our ongoing focus on efficient capital management and enhancing returns to shareholders.

Source: Aviva

Figure 15: Illustration of linkage between risk and capital: Aviva example

The Group's approach to risk and capital management

As part of our overall corporate governance framework described on pages 82 to 87 we operate a risk management structure, under the leadership of a Group Chief Risk Officer whose primary objective is to align the strategic decisions of the group with shareholder risk appetite. Group Risk has a mission also to manage risks by protecting the group from events that can hinder the achievement of our objectives, our financial performance, or cause us to fail to exploit opportunities. Risk management incorporates an integrated group-wide approach to identify, assess, measure, manage, and monitor the risks to which our businesses are exposed. Group Risk is also responsible for regulatory risk and relationship with our regulators worldwide, for managing the corporate governance and for business continuity programmes.

We have established a number of policies that deal with the management of both financial and non-financial risks. These policies define our risk appetite and set out risk management and control and business conduct standards for the group's worldwide operations. They enable a broadly consistent approach to the management of risk by business units. For each policy, a member of senior management is responsible for overseeing compliance with that policy throughout the group.

Risk management is coordinated by a central Group team, led by the Group Chief Risk Officer. Within our regional structure, each regional support office is in the process of appointing regional risk officers who will work under the leadership and coordination of Group Risk to ensure that the risk profile within the regions is under the limits established and agreed by the Group centre. The regional risk officers work with the business unit risk officers to ensure that the risk management framework is embedded and working appropriately in our businesses, and work with the Group senior management to communicate and coordinate risk management decisions that are taken at a group level.

Additionally, we operate a number of oversight committees to monitor aggregate risk data, take risk management decisions, and to ensure the implementation of the risk policies. Our risk management committee structure is set out below.

Group Risk also reports to the Chairman of the Risk & Regulatory Committee assuring independence of the function. Our governance structure and policies are regularly reviewed to reflect the changing commercial and regulatory environment, and our own organisational structure.

In 2007 we have reviewed our group policy set. The policies have been refreshed, and set out in consistent language both the inherent risks Aviva faces and the minimum standards of control required to mitigate them. The policies clearly set out the roles and responsibilities of businesses, regions, policy owners, and group oversight committees, reflecting the change in organisational structure that has taken place in Aviva. These policies became effective on 1 January 2008, and will become fully embedded during 2008.

Source: Aviva

Figure 16: Linkage between risk and the ICA framework: Aviva example

Risk and capital management

We believe that the measurement of economic capital provides a clear and consistent way to monitor and compare the risks in our businesses.

As previously explained, we have developed a capital management framework using Individual Capital Assessment (ICA) principles for identifying the risks that business units, and the group as a whole are exposed to, quantifying their impact on economic capital.

ICA analysis is now incorporated into our key decision making processes. Our ICA models inform us about the relative impact on economic capital from the risks we face, enabling us to formulate mitigating strategies.

We also use financial condition reports which cover the medium-term financial outlook of the business, including forecasts of the overall financial position and key performance indicators under a variety of economic and operating scenarios, allowing for new business sales, to inform our capital and risk management decisions.

We monitor specific risks on a regular basis through our risk monitoring framework. Our businesses are required to disclose all material risks along with information on the likelihood and severity of these risks and the mitigating actions taken or planned. This process enables us to assess the overall risk exposure of the group, to develop a group-wide risk map identifying concentrations of risk and to define the risks that we are prepared to accept. This risk map is continually monitored and is refreshed quarterly.

Source: Aviva

Figure 17: Disclosure: Aviva example

Different measures of capital

In recognition of the requirements of different stakeholders, the Group measures its capital on a number of different bases, all of which are taken into account when managing and allocating capital across the Group. These include measures which comply with the regulatory regimes within which the Group operates and those which the directors consider appropriate for the management of the business. The primary measures which the Group uses are:

(i) Accounting bases

The Group reports its results on both an IFRS and a European Embedded Value basis. The directors consider that the European Embedded Value principles provide a more meaningful measure of the long term underlying value of the capital employed in the Group's life and related businesses. This basis allows for the impact of uncertainty in the future investment returns more explicitly and is consistent with the way the life business is priced and managed. Accordingly, in addition to IFRS, we analyse and measure the net asset value and total capital

employed for the Group on this basis. This is the basis on which Group Return on Equity is measured and against which the corresponding Group target is expressed.

(ii) Regulatory bases

Individual regulated subsidiaries measure and report solvency based on applicable local regulations, including in the UK the regulations established by the Financial Services Authority (FSA). These measures are also consolidated under the European Insurance Groups Directive (IGD) to calculate regulatory capital adequacy at an aggregate Group level. The Group has fully complied with these regulatory requirements during the year.

(iii) Rating agency bases

The Group's ratings are an important indicator of financial strength and maintenance of these ratings is one of the key drivers of capital risk appetite. Certain rating agencies have proprietary capital models which they use to assess available capital resources against capital requirements, as a component of their overall criteria for assigning ratings.

In addition, rating agency measures and targets in respect of gearing and fixed charge cover are also important in evaluating the level of borrowings utilised by the Group. While not mandatory external requirements, in practice rating agency capital measures tend to act as one of the primary drivers of capital requirements, reflecting the capital strength required in relation to our target ratings.

(iv) Economic bases

The Group also measures its capital using an economic capital model that takes into account a more realistic set of financial and non-financial assumptions. This model has been developed considerably over the past few years and is increasingly relevant in the internal management and external assessment of the Group's capital resources. The economic capital model is used to assess the Group's capital strength in accordance with the Individual Capital Assessment (ICA) requirements established by the FSA. Further developments are planned to meet the emerging requirements of the Solvency II framework and other external agencies.

Source: Aviva

Measures of capital

Under IAS 1, companies need to describe what they measure as capital and provide summary quantitative data in relation to this. As would perhaps be expected, regulatory capital was the main basis of assessment. However, some companies also incorporated other frameworks, including accounting, ratings agency and economic capital bases (see Figure 17). Nonetheless, they did not always provide quantitative data in relation to these additional bases or discussed their relevance in managing the business. Overall, the depth and detail of supporting analysis varied. Some merely provided the basic analysis. Others provided further analysis focused on individual entities and business segments, as well as looking at capital by type.

Figure 18 sets out the different measures disclosed by companies as relevant in managing their business. Not all bases were accompanied by quantitative analysis.

Figure 18: Scorecard of capital measures

	Regulatory	VaR	Economic Capital	Accounting Base (EEV/IFRS)	Rating Agencies
Aegon	✓		✓	✓	✓
Allianz	✓	✓	✓	✓	✓
AMP	✓		✓	✓	✓
Aviva	✓		✓	✓	✓
Axa	✓		✓	✓	✓
BNP Paribas	✓			✓	
Eureko	✓		✓	✓	✓
Fortis	✓		✓	✓	
Friends Provident	✓		✓	✓	✓
Generali	✓		✓	✓	✓
Hannover Re	✓		✓	✓	✓
HBOS	✓			✓	
ING Group	✓		✓	✓	✓
Legal & General Group	✓		✓	✓	
Liberty	✓			✓	
Lloyds TSB Group	✓			✓	
Mapfre	✓			✓	
Munich Re	✓		✓	✓	✓
Old Mutual	✓		✓	✓	✓
Prudential	✓	✓	✓	✓	
QBE Insurance Group	✓			✓	
RSA	✓		✓	✓	✓
Standard Life	✓			✓	
Swiss Life	✓	✓	✓	✓	✓
ZFS	✓		✓	✓	

Source: PricewaterhouseCoopers research

Solvency II

Under Solvency II, EU insurers will be required to provide annual, publicly available reports on their solvency and financial condition.

The disclosure requirements are designed to provide the same foundation of 'market discipline' as Pillar 3 of Basel II. This is likely to include information about risk exposures, concentrations, sensitivities and mitigations. Companies should also provide details about their approaches to capital management and the nature and performance of their governance systems.

Increased disclosure will open insurers up to more probing enquiry from stakeholders. Addressing this will require timely education and explanation for those analysts and investors that may be unfamiliar with Solvency II valuation bases/assumptions and how they differ from other reported numbers such as those on an IFRS-basis. Although both Solvency II and IFRS Phase II are likely to require the evaluation of technical provisions on an economic basis, there are likely to be differences in the overall scope and treatment of certain liabilities. In particular, IFRS deals with the contract and Solvency II with the entity, so policies that may not be designated as insurance under IFRS, such as investment contracts, would still fall under Solvency II.

Although Solvency II is due to come into force in 2012, it may be several more years before public disclosure becomes mandatory. However, comparable requirements are already incorporated into rating agency financial strength evaluations.

Most of the companies in our survey already make reference to Solvency II. However, few provided a detailed exposition of the implications of the

directive and how it intends to realise the potential business benefits (see Figure 19). The underlying message is that Solvency II is likely to set a competitive standard for risk and capital management and how it is presented to stakeholders. It is notable that the company featured in Figure 19 is based outside the EU, underlining that Solvency II is likely to provide a global benchmark.

Figure 19: Looking ahead to Solvency II: Liberty example

Liberty's position on Solvency II

Notwithstanding the possible convergence of Solvency II and IFRS 4 phase II, Liberty expects Solvency II to become a global benchmark for insurance regulation. The Financial Services Board has not issued a formal statement concerning the local adoption of Solvency II. However, they are monitoring Solvency II developments. The group consequently expects Solvency II to have a significant influence on the regulation of South African insurers in future.

Also recognised are the significant business benefits which can flow from the adoption of the proposed economic risk and capital measurement and management approach. In order to ensure that Liberty is adequately prepared for Solvency II and to drive business benefit, the group has initiated a programme that will transform risk and capital management over the next two to three years. This programme covers a number of areas of activity, including:

- Clear articulation and quantification of risk appetite
The risk appetite statement defines the level of risk to which the Board is willing to be exposed. The risk appetite will be clearly articulated in terms of specific risk metrics. This will assist in controlling the types and amount of risk that can be taken by the business.
- Improvement and extension of internal risk-based capital models
Liberty is committed to following the route of an advanced internal risk-based capital model required under Solvency II. This will enhance understanding of the interactions between the different risks, how management decisions impact on these risks and how the risk can be managed within quantified risk appetite limits.
- Transformation of risk measurement and profitability metrics
Current quantitative risk measurement capabilities will be expanded and risk-adjusted profitability metrics introduced. These changes will directly affect risk-reward decision making processes by transforming from traditional earnings and embedded value measures to economic risk-adjusted measures.
- Embedding the above metrics into pricing and asset-liability management decisions
The above metrics will be integrated into business decisions relating to allocation of capital to business opportunities, balance sheet management, product pricing, and risk management. Consistency and a common understanding of business risks are generated by using risk-adjusted metrics to maximise shareholder value flowing from such business decision.

Source: Liberty

Section 3

Sensitivity analysis



How have insurers applied changes to the required sensitivity analysis, including the opportunity to use an alternative basis of disclosure?

In our previous survey, we found wide differences in the content and detail of sensitivity analysis. While companies generally provided a qualitative assessment, the quantitative analysis was more varied.

The current survey has shown some improvements in the quantitative sensitivity analysis, though largely from those companies that started from a low base in 2005. Insurers offering best-practice disclosure

in 2005 have mostly rolled this forward. As such, there is now a good degree of consistency in the types of sensitivity analysis provided.

Life and composite insurers have included sensitivity analysis in both the IFRS financial statements and the EEV supplemental information. Five companies took the option afforded in the revised IFRS 4 to use EEV information to perform sensitivity analysis in the body of the IFRS financial statements. The remaining

insurers confined this analysis to the supplementary information section.

Only six companies had their EEV information audited, though a further five had some form of review opinion.

The life business tended to be flexed, using consistent assumptions (mortality/morbidity/maintenance expense etc.) across companies, which allows for greater comparability (see Figure 20).

Figure 20: Assumptions flexed

	Insurance Sensitivities						Financial Risk Sensitivities		
	Life sensitivities				Non-life sensitivities		Interest rates	Exchange rates	Equity rates
	Mortality	Morbidity	Lapse rate	Maintenance expenses	Expenses	Non-life ratios			
Aegon	✓	✓	✓	–	•	•	✓	✓	✓
Allianz	–	–	–	–	–	–	✓	–	✓
AMP	✓	✓	✓	✓	†	†	✓	✓	✓
Aviva	✓	✓	✓	✓	✓	✓	✓	✓	✓
Axa	✓	–	✓	✓	•	•	✓	–	✓
BNP Paribas	–	–	–	–	–	–	✓	✓	–
Eureko	✓	–	–	✓	✓	✓	✓	✓	✓
Fortis	✓	–	✓	✓	✓	✓	✓	✓	✓
Friends Provident	✓	✓	✓	✓	•	•	✓	✓	✓
Generali	✓	✓	✓	✓	–	–	✓	–	✓
Hannover Re	✓	–	✓	✓	✓	–	✓	✓	✓
HBOS	✓	✓	✓	✓	–	–	✓	✓	✓
ING Group	✓	✓	–	–	–	✓	✓	✓	✓
Legal & General Group	✓	–	✓	✓	✓	✓	✓	✓	✓
Liberty	✓	✓	✓	✓	•	•	✓	✓	✓
Lloyds TSB Group	✓	✓	✓	✓	–	–	✓	–	✓
Mapfre	*	*	*	*	–	✓	✓	–	✓
Munich Re	✓	✓	✓	–	–	✓	✓	✓	✓
Old Mutual	✓	✓	✓	✓	•	•	✓	✓	✓
Prudential	✓	✓	✓	✓	•	•	✓	✓	✓
QBE Insurance Group	•	•	•	•	–	✓	✓	✓	✓
RSA	•	•	•	•	–	–	✓	✓	✓
Standard Life	✓	✓	✓	✓	•	•	✓	–	✓
Swiss Life	✓	✓	–	–	•	•	✓	✓	✓
ZFS	✓	✓	✓	✓	–	✓	✓	✓	✓

• Not applicable

– none included

† Non-life discontinued business

* Mapfre have included EEV sensitivity analysis flexing investment return and discount rate assumptions.

Source: PricewaterhouseCoopers research

The non-life insurers tended to provide analysis based on combined ratios, and some indication of aggregate exposures based on ICA-type analyses. However, they do not use alternative bases and their disclosures have seen few significant developments since 2005.

Sensitivity analysis for options and guarantees for life insurers is a prominent area of attention for

analysts and is likely to be a key focus of Solvency II capital evaluations. All life companies devoted considerable space to such analysis. The best examples provided a clear link between individual options or guarantees and the particular variables that could affect the commercial value. They also looked at the extent to which these sensitivities would need to be flexed to trigger options currently 'out of the money' (see Figure 21).

Unit-linked business

Life insurers writing unit-linked products tended not to include any sensitivity analysis in relation to the respective assets and liabilities. It could be argued that this reflects the fact that the principal economic risks are normally borne by the policyholder rather than the shareholders.

Figure 21: Example of flexing sensitivities on options/guarantees: Old Mutual example

Guarantees and options – long-term business

South Africa

Product category	Description of options and guarantees	Required shock to bring out-of-the-money policies in-the-money
Individual business		
Death, disability, point and/or maturity guarantees	A closed block of unit-linked type and smoothed bonus business with an underlying minimum growth rate guarantee (4.28 per cent per annum for life and endowment business and 4.78 per cent per annum for retirement annuity business), and smoothed bonus business with vested bonuses, applicable when calculating death, disability and maturity claims.	An insignificant proportion of policies is currently in-the-money (current actual cumulative investment return lower than that guaranteed). On average a 54 per cent fall in asset value is required before current out-of-the-money policies become in-the-money.
	A small block of smoothed bonus savings business in Group Schemes that has death guarantees of premiums (net of fees) plus 4.25 per cent per annum investment return.	None of these policies are currently in-the-money. On average a 53 per cent fall in asset value is required before current out-of-the-money policies become in-the-money.
Guaranteed annuity options	Retirement annuities sold prior to June 1997 contain guaranteed annuity options, whereby the policyholder has an option to exchange the full retirement proceeds for a minimum level of annuity income at maturity.	A small proportion of policies is currently in-the-money (the current policy value lower than the threshold annuity consideration at which the guaranteed annuity option becomes in-the-money). On average a 250 basis points reduction in yield is required to bring current out-of-the-money policies to become in-the-money.
Group business		
Vested bonuses in respect of pre-retirement with-profits business	There is a significant pre-retirement savings smoothed bonus portfolio. Vested bonuses affect the calculation of benefit payments when a member exits from the scheme as the face value is paid out. If, however, a scheme terminates, the lower of face and market value is paid out and the vested bonuses are not guaranteed.	This business is currently out-of-the-money as the aggregate market value exceeds the vested reserve. On average a 34 per cent fall in assets is required to cause this block of business to become in-the-money.

United States

Product category	Description of options and guarantees	Required shock to bring out-of-the-money policies in-the-money
Death, disability, surrender point and/or maturity guarantees	Crediting rates declared for the fixed deferred annuity block of business vest fully. They are subject to a minimum crediting rate which is specified in the contract. Minimum surrender values are determined by this rate.	28 per cent of policies are currently in-the-money and being credited the minimum rate. A 300 basis points drop in interest rates would bring 90 per cent of policies in-the-money.

Source: Old Mutual

Section 4

How are assets valued?

Assessing the impact of proposed amendments to IFRS 7



This section summarises the proposed amendments to IFRS 7 and the potential implications for insurers.

In October 2008, the IASB issued an Exposure Draft (ED) setting out proposed amendments to IFRS.⁸ The IASB states that this is in response to a demand from users for enhanced disclosures in relation to fair value measurements, particularly in light of the current market conditions.⁹

The ED proposes that the changes come into force for annual reporting periods, beginning on or after 1 July 2009 (December 2010 year-ends). The period for comment is brief, requiring responses by 15 December 2008.

This section outlines how the proposed changes are likely to affect insurers and how they need to respond. We have not sought to assess the validity or appropriateness of the proposed amendments, rather to highlight some of the potential technical and practical challenges that may arise.

The proposed amendments

The proposed amendments mainly focus on disclosures in relation to fair value measurements. These disclosures are based on a three-level hierarchy for the inputs to the valuation techniques. This is similar to the hierarchy included within FAS 157. Full details of the hierarchy are included in the ED.

The key requirements are to disclose:

- The level of the fair value hierarchy into which fair value measurements are categorised in their entirety. This requirement would apply to both fair values included in the statement

of financial position and other fair values that are disclosed, but not included, in this statement.

- The fair value measurements resulting from the use of significant unobservable inputs to valuation techniques. For these measurements, the disclosures include reconciliation from the beginning balances to the ending balances.
- The movements between different levels of the fair value hierarchy, and the reasons for those movements.

In addition, the IASB has responded to feedback in relation to the nature and extent of liquidity disclosures with the proposals that would:

- Clarify that liquidity risk disclosures are required only for financial liabilities that will result in the outflow of cash or another financial asset.
- Require entities to provide quantitative disclosures based on how they manage liquidity risk for derivative financial liabilities.
- Require entities to disclose the remaining expected maturities of non-derivative financial liabilities if they manage liquidity risk on the basis of expected maturities.
- Strengthen the relationship between qualitative and quantitative disclosures about liquidity risk.

Fair value

The proposed disclosures in this area are similar to some of the disclosures already provided by certain companies within the survey. Specifically, para 27B (a) would require companies to provide tables for each class of

financial instrument, setting out the level in the hierarchy into which the fair value measurements are categorised in their entirety.

Do you have the ability to collate the hierarchy analysis in an efficient and controlled fashion?

Based on feedback from SEC registrants that applied similar requirements under FAS 157 for the first time in 2007, collating the information in the suggested format was time-consuming. Companies are unlikely to have collated this type of information in this form for management reporting purposes in the past. It will therefore be critical to put in place an appropriate framework of processes and controls. It is also likely that this type of information will be the subject of ongoing market focus during the course of the year and companies will therefore be best served if they are able to collate and update this information on an ongoing basis.

In our experience, US registrants spent significant time developing a base level inventory of fair value items for which disclosure would be required and ensuring they understood the valuation techniques and inputs that would inform the asset classification.

Para 27B (e) requires disclosure of any movements between the levels of the fair value hierarchy, including the reasons for these movements. Companies will need to establish an appropriate process of governance and associated guidance to ensure all reclassifications are subject to proper challenge and that data in relation to changes are captured.

⁸ 'Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)', 15.10.08 (www.iasb.org).

⁹ IASB media release announcing 'Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)', 15.10.08 (www.iasb.org).

Are you confident in your ability to appropriately classify your assets?

The proposed hierarchy relies on an assessment of certain key characteristics relating to valuation input that will determine the level of the hierarchy in which a specific asset/liability will be disclosed. These include variables such as;

- **What inputs are used** – and which are not used that may be relevant to the valuation?
- **Quoted prices in active markets** – How have you defined an active market?
- **Source of inputs** – How and where are inputs observable?
- **Term of observability** – For how long is the input observable?

Although these principles and challenges already exist in IAS 39, ensuring they are consistently applied and the information required for disclosure purposes is accurately collated will need to be part of 'business as usual' processes. This process will be particularly time-consuming and

difficult when valuations are coming from pricing service providers and/or broker quotes, as some have proprietary models and pricing is not transparent.

Another challenge in making this assessment will be judging what are the 'significant' unobservable inputs.

Issuing guidance to the business and reporting units to ensure these principles are consistently applied is critical to ensure an accurate compilation of data and disclosure.

Do you have material exposure to assets valued using unobservable inputs?

Our review of financial statements in the earlier sections of this report suggest that as at 31 December 2007, the majority of companies had relatively minor exposures to unobservable valuation techniques and assumptions. Since then, in particular during the second half of 2008, the trading conditions in many markets have deteriorated. As a result, more companies may now need to rely

on either unobservable inputs or will be in possession of instruments no longer actively traded.

Where inputs are unobservable (i.e. level three of the proposed hierarchy), the ED proposes a number of additional disclosures. These include a reconciliation of opening and closing balances (see Figure 22).

In addition, para 27B (c), requires details of unrealised gains recognised in the profit and loss account, along with a statement of other comprehensive income for which the respective assets and liabilities are still held at the end of the reporting period.

Collating the data for this roll-forward analysis is potentially time-consuming. Companies will need to consider whether systems have the ability to capture this information at an asset class level.

Do you have the data and models to produce appropriate sensitivity analysis for level three instruments?

A final and important disclosure for level three instruments is the requirement to provide sensitivity

Figure 22: Reconciliation of opening and closing balances for level three financial instruments

	Fair value measurement at reporting date		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	CU million	CU million	CU million
Beginning balance	14	11	25
Total gains or losses			
in profit or loss	11	(3)	8
in other comprehensive income	4		4
Purchases, issues and settlements (net)	(7)	2	(5)
Transfers into and/or out of Level 3	(2)	–	(2)
Ending balance	20	10	30

Source: Exposure draft – improving disclosures about financial instruments.

analysis where changing one or more of the unobservable inputs would change the fair value significantly. The entity would need to state this fact and disclose the impact on each class of financial instrument.

While this is already a requirement under IFRS 7, our review indicates only two companies (bancassurers) made such disclosures. It is possible that as a consequence of market conditions during 2008, more assets would be subject to such sensitivities and disclosure will be more common in the future. Many companies may not have an embedded model and approach to apply these sensitivities. It is also possible that for certain instruments, companies will need to request information from third parties which are providing valuation services. It will again be crucial to have in place appropriate controls to ensure data is collected on a consistent basis.

The challenges highlighted above will not be unique to the insurance industry. Much of the impact of these amendments will depend on individual companies' exposure to level three assets, an area in which external stakeholders are likely to be especially interested. In particular, these disclosures cast light on the company's risk appetite. Where it is not already apparent, these disclosures are also likely to illuminate the strategic rationale behind these investments.

More broadly, these disclosures above are likely to give rise to a significant initial effort to collate data and establish technical guidance. This is needed to ensure the hierarchy is properly applied and disclosures are completely and

accurately collated. In future periods, the key challenge is likely to be how to embed these processes and, as part of this, identify appropriate systems developments and other control activities to ensure this exercise becomes part of 'business as usual'.

Liquidity risk

For insurers, the requirements in relation to quantitative liquidity risk disclosures are driven in the main by the revised IFRS 4. IFRS 4 now allows insurers to present a liquidity analysis for insurance liabilities on either a contractual or expected duration basis. In this regard, the majority of companies in our survey used an expected basis, reflecting the way they manage the business. As a result, the proposed amendments for non-derivative financial liabilities in IFRS 7 (para 39 (b)) are not relevant to insurance contract liabilities. In any event, insurers were already afforded the opportunity to present this analysis on the basis of expected maturities, as the proposed amendment in IFRS 7 would allow.

However, the amendment in para 39 (b) is relevant in the context of investment contracts, for example unit-linked investment contracts. This is an area of disclosure where practice is mixed (see page 15). In fact, a number of companies already disclosed a maturity analysis based on expected durations for these liabilities, not on the contractual basis required by the standard. This interpretation will now be explicitly allowed under the proposed amendment, though only in addition to the disclosure of a maturity analysis on a contractual basis. As such, insurers will still be faced with the challenge of what meaningful maturity analysis can be provided on a contractual basis.

Do your financial statements give a clear statement in relation to liquidity risk and how this is managed?

The amendments also explicitly require a description of how liquidity risk is managed. This is an opportunity for insurers to better describe the real liquidity risks in their business. It may be the case that qualitative discussion of asset/liability matching strategies should become a greater focus as many insurers continue to use this to manage liquidity risk. Indeed, our survey showed that a number of companies continue to provide asset maturity analyses in support of this strategy.

A number of insurers whose share prices continue to be significantly affected by the current market conditions have been at pains to reassure investors about their exposure to 'liquidity' issues. The proposed amendments look to cover this more prominently within future annual reports.

What next?

One of the key questions for respondents in the ED relates to the implementation timetable. The existing proposals would defer mandatory application of these requirements until December 2010 year-ends. Nonetheless, it is increasingly likely that users of accounts will call for at least some of the proposed extra information ahead of this and insurers need to be prepared to provide this if required.

These proposals are likely to increase the level of mandatory disclosure. This is perhaps no surprise, given current market conditions. However, the pursuit of simplification may need to wait a little yet.

Conclusion: More and better required

Stakeholders want to look inside the business to ensure that it is being run in an appropriately informed and controlled way.

Some of the companies in our survey presented their risks, how they are managed and how they affect their business and its strategy in a structured and hence clear and coherent way. Most, however, confined their disclosure to basic compliance. There may be good reasons for this. However, in a sector in which disclosure is often seen by analysts, investors and even some insurers as opaque, the more guarded reporters may find themselves at an increasing disadvantage when competing for investment. This challenge can only be heightened by the uncertainty and dislocation arising from the recent market turmoil.

The mandatory disclosures introduced under IFRS 7 have helped to create a foundation of consistency and comparability within certain core areas of risk reporting. However, the sheer effort needed to meet these rules may have discouraged some insurers from providing a more detailed and insightful examination and explanation of their risk management as part of a principles-based approach to disclosure. Scaling back the mandatory disclosures may help to encourage companies to devote more of their reports to providing meaningful information that is relevant to their particular circumstances.

The changes highlighted in this study are just the beginning of a far-reaching overhaul of financial and regulatory reporting. Although the detailed requirements are far from finalised, this could offer early movers

the opportunity to set a competitive standard for best-practice in risk and capital management disclosure. Their approach could also help to drive the debate about the scope and nature of the requirements to be adopted by regulators and accounting standard-setters.

In the interim, there are likely to be important modifications to IFRS 7. Although the proposals have not yet been finalised, they are likely to raise the bar for disclosure. In particular, the level of assets valued using unobservable inputs, the explanation of the valuation techniques, underlying assumptions and the associated risks are likely to come under greater scrutiny. Bringing these disclosures within IFRS 7 offers an opportunity to build them into a coherent overall view of financial instrument risk and the sensitivities that underlie this.

Attributes for success

In our view, the key attributes of effective risk and capital management disclosure are as follows:

- **Prominence** – Setting out the company’s core risk management and capital management principles and priorities, along with the most critical sensitivities to these risks, in one location in the accounts.
- **A road map** – Providing a clear and accessible structure and set of headings to explain how and where the extensive mandatory disclosures have been addressed.
- **Linkage** – Risk and capital management are intrinsically linked within Solvency II, the UK ICA regime and rating agency expectations. It is therefore important to draw out how the risk assessment process and control environment drive capital requirements, objectives and actions.

The benefits are reports capable of providing an accessible, intelligible and credible explanation of how risk and capital are managed and how they influence the overall strategy and performance of the business. Certain companies were able to demonstrate some of these attributes. However, in the first year of IFRS 7, many companies confined their disclosure to basic compliance and it was only the leaders that conveyed more cohesive sets of principles and clearly articulated disclosures.

Our survey found that no particular sector led the field. It is difficult to discern a clear distinction between the quality of disclosure for life or general business, especially as many of the companies surveyed are composites. Likewise, the approach to insurance disclosures taken by the bancassurers does not fundamentally differ from their banking business. Any variations largely reflect the

differing risks and the consequences of these. The SEC registrants did go one step further than the majority of other companies in their analysis of fair value techniques.

Looking ahead, the preparation of the 2008 annual reports is likely to be challenging as insurers seek to respond to even more intense stakeholder scrutiny. Devoting time and thought into how to offer clear explanation and accessible presentation will pay dividends. Having already addressed the core changes ushered in for the 2007 accounts, many companies should be well-placed to build on this foundation by conveying information that provides real insights into their business and how it is actually managed.

Contacts

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