

# Session II: Insurance Data Sources and Data Needs

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## A Regulatory Perspective

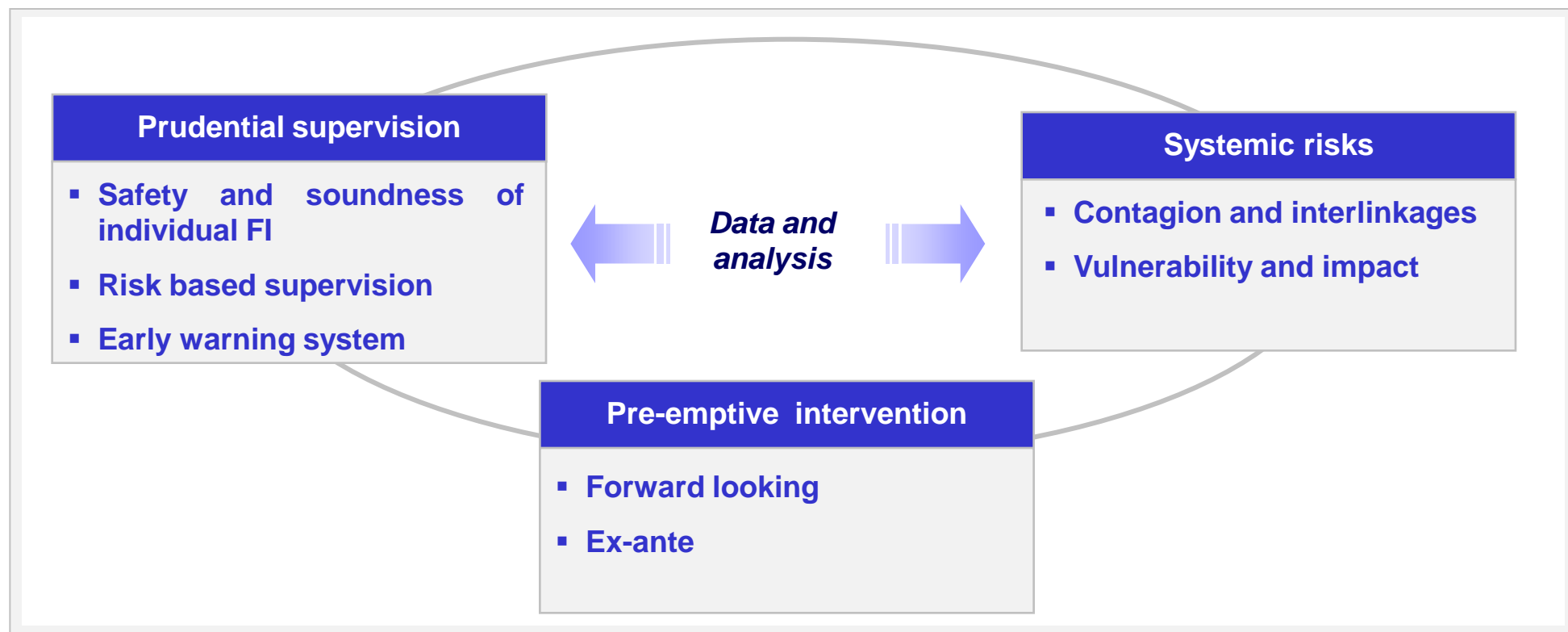
**OECD-Asia Regional Seminar**

**23-24 September 2010**



# Data as key input for assessment of FI's financial condition and to support overall financial stability assessment

## Financial stability



# Insurance industry as primary provider of insurance statistics

Traditionally rely mainly on statutory submission...

Monthly/quarterly/annual statistical submission\*  
by insurers

E.g. balance sheets, income statement...

PROPERTY BALANCE SHEET

	Life Fund	General Fund	Participating Fund	Total	Life Fund	General Fund	Participating Fund	Total
<b>ASSETS</b>								
1. Cash and cash equivalents								
2. Debt securities								
3. Equity securities								
4. Real estate								
5. Other assets								
<b>LIABILITIES</b>								
6. Policyholders' liabilities								
7. Other liabilities								
<b>Net Assets</b>								

....solvency/capital reporting

Submission Type: **Quarter 2**  
Reporting Date: **30-06-14**

COMPUTATION OF CAPITAL ADEQUACY RATIO

	All Funds	All Funds Except Participating Fund
(i) Tier-1 Capital	241,144,822	241,144,822
(ii) Tier-2 Capital	1,218,526	1,218,526
(iii) Deductions		
(iv) Total Capital Available (TCA) [(i)+(ii)-(iii)]	<b>242,363,348</b>	<b>242,363,348</b>
(v) Total Capital Charges for general insurance funds	62,758,735	62,758,735
(vi) Total Capital Charges for life insurance funds		
(vii) Aggregate capital charges for all assets of the shareholders' fund	778,276	778,276
(viii) Total Capital Required (TCR) [(v)+(vi)+(vii)]	<b>63,537,011</b>	<b>63,537,011</b>
Fund CAR [(iv)/(viii)]	<b>381.5%</b>	<b>381.5%</b>
CAR	<b>381.5%</b>	

Expanded scope

Statutory statistical submission...

	Life Fund	General Fund	Participating Fund	Total	Life Fund	General Fund	Participating Fund	Total
<b>ASSETS</b>								
1. Cash and cash equivalents								
2. Debt securities								
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4. Real estate								
5. Other assets								
<b>LIABILITIES</b>								
6. Policyholders' liabilities								
7. Other liabilities								
<b>Net Assets</b>								
<b>Total</b>								

(viii) Total Capital Required (TCR) [(v)+(vi)+(vii)] **63,537,011**  
 Fund CAR [(iv)/(viii)] **381.5%**  
 CAR **381.5%**

Insurers

+

Adhoc surveys

Business plan

Financial condition report

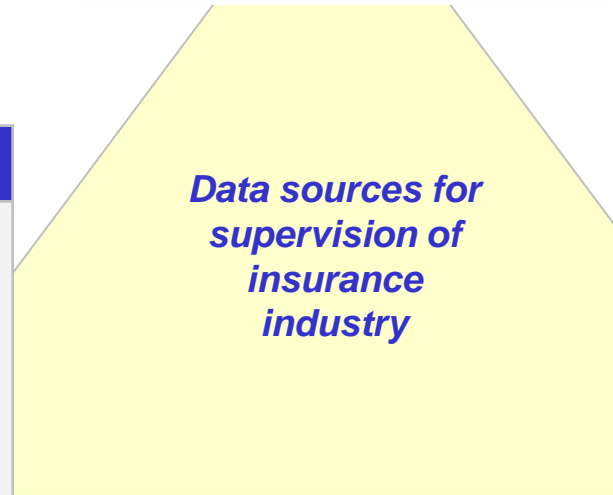
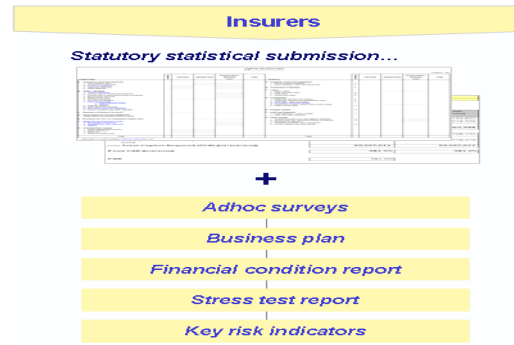
Stress test report

Key risk indicators

\*via statistical submission system



# Complemented by data from internal and external market intelligence



# Statistics also serve policy departments in the formulation of policy

- **Indicators relevant to policymaking in improving market and cost efficiency:**
  - **Turn-around time**
    - **Policy issuance**
    - **Claims settlement**
    - **Complaints handling**
  - **Expense ratio**
  - **Commission ratio**
- **Indicators relevant to consumer protection and market conduct**
  - **Complaints statistics**
  - **Conservation ratio**
  - **Surrender rate**



# Common issues on data sources....

## Common Issues

- **Timeliness of information - time lag in the availability and submission of data**
- **Accuracy and reliability of submission**
- **Ability to impose sanctions on data providers**

## Malaysia's Experience

- Reduce reporting timeline to improve timeliness of information
  - Reduce monthly/quarterly submission timeline from 5 weeks to 21 days after reporting period (since 1999)
- Improve reliability of submission:
  - Statistical submission required to be consistent with financial accounts
  - Certification by CEO & Director (annual)
  - Certification by external auditors (annual submission)
  - Actuarial valuation – certification by Appointed/Signing Actuary, with source data certified by CEO
- Penalty / supervisory action for non-compliance with timeline and inaccurate submission



## Other challenges.....

### Forward looking indicators

- Difficulty in identifying forward looking indicators

### MIS capability

- Insurers may lack the MIS capability to provide timely and granular data

### Group / Conso Supervision

- Difficulty in obtaining detailed data for unregulated holding / related companies
- Increasing regionalisation of business, but challenges remained in accessing data on oversea business / subsidiary

### Reliance on rating agencies

- Heavy reliance on rating agencies
  - Foreign reinsurers' financial strength and credit ratings
  - Corporate bonds