# ICP Questionnaire – ICP 14 Valuation

This ICP questionnaire is based on ICP 14 version 2011.

## Introduction

For each question, choose the response that most closely corresponds to the situation in YOUR JURISDICTION and YOUR AUTHORITY. Some questions ask about the actual experience in YOUR JURISDICTION during the last three years. If records or reports exist that would help you to respond to such questions, please refer to them. If not, please respond based on your best estimate of what the actual experience has been.

If your response to one or more questions would differ significantly for different types of insurers, for example, life insurers versus non-life insurers, then please respond to each such question with respect the same type of insurer.

In this survey (as in the ICPs), the term “legislation” is used to include both primary legislation (which generally requires full legislative consent) and secondary and other forms of legislation, including rules and regulations which have the legal force of law but are usually the responsibility of the supervisor. The term “supervisory guidelines” means documents issued by the supervisor to communicate expectations to the industry, which do not have the legal force of law. In this survey, the term “requirements” means requirements that apply broadly to insurers or to a type of insurer, for example, non-life insurers.

It is recommended that you prepare all answers to this questionnaire in advance and obtain approval in your supervisory authority before entering the results in the ICP Self-Assessment Tool (SAT) via [www.icp-selfassessment.org](http://www.icp-selfassessment.org)

Please note that in contrast to other ICP assessment processes the ICP SAT only takes into account your answers to multiple choice questions without any qualitative review. Therefore the results are only high level and non-binding.

## Questionnaire

**14 The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.**

1. **Overarching questions**
2. How have the requirements for the **valuation of assets** for solvency purposes been established in YOUR JURISDICTION? (More than one response from among numbers 1 to 3 or from among numbers 4 to 6 may be entered, where applicable.)?

A. The requirements have been established by legislation.

B. The requirements have been established under actuarial or financial reporting standards.

C. The requirements have been established through supervisory guidelines.

D. There are no specific requirements, but insurers are required to obtain the approval of YOUR AUTHORITY for the basis of valuation.

* 1. There are no specific requirements, but YOUR AUTHORITY advises insurers when it has concerns about the basis of valuation.
	2. There are no specific requirements, but an insurer must use a basis of valuation that is acceptable to its external auditor.
1. How have the requirements for the **valuation of liabilities** for solvency purposes been established in YOUR JURISDICTION? (More than one response from among numbers 1 to 3 or from among numbers 4 to 7 may be entered, where applicable.)
	1. The requirements have been established by legislation.
	2. The requirements have been established under actuarial or financial reporting standards.
	3. The requirements have been established through supervisory guidelines.
	4. There are no specific requirements, but insurers are required to obtain the approval of YOUR AUTHORITY for the basis of valuation.
	5. There are no specific requirements, but YOUR AUTHORITY advises insurers when it has concerns about the basis of valuation.
	6. There are no specific requirements, but an insurer must use a basis of valuation acceptable to its external auditor.
	7. There are no specific requirements, but an insurer must use a basis of valuation acceptable to its actuary.

**14.1 The valuation addresses recognition, derecognition and measurement of assets and liabilities.**

1. To what extent do the requirements for valuations in YOUR JURISDICTION address recognition, derecognition and measurement of assets and liabilities?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Explicitly addressed by legislation and / or actuarial and / or financial reporting standards | 2. Broadly addressed by legislation and / or actuarial and / or financial reporting standards and further elaborated through supervisory guidelines | 3. Not addressed by legislation or actuarial and / or financial reporting standards, but addressed through supervisory guidelines | 4. There are no specific requirements, but insurers are advised when supervisory expectations are not being met | 5. There are no specific requirements or supervisory expectations |
| A. Recognition of assets |  |  |  |  |  |
| B. Derecognition of assets |  |  |  |  |  |
| C. Measurement of assets |  |  |  |  |  |
| D. Recognition of insurance liabilities |  |  |  |  |  |
| E. Derecognition of insurance liabilities |  |  |  |  |  |
| F. Measurement of insurance liabilities |  |  |  |  |  |
| G. Recognition of other (non-insurance) liabilities |  |  |  |  |  |
| H. Derecognition of other (non-insurance) liabilities |  |  |  |  |  |
| I. Measurement of other (non-insurance) liabilities |  |  |  |  |  |

**14.2 The valuation of assets and liabilities is undertaken on consistent bases.**

1. Solvency assessment based on consistent valuation of assets and liabilities is a prerequisite for obtaining a meaningful insight into the asset-liability positions of an insurer and an understanding of the financial position of an insurer relative to other insurers. Undertaking valuation on consistent bases means that differences in values of assets and liabilities can be explained in terms of the differences in the nature of the cash flows, including their timing, amount and inherent uncertainty, rather than differences in methodology or assumptions. To what extent are the valuations of assets and liabilities in YOUR JURISDICTION undertaken on consistent bases?
	1. Consistency exists with respect to all assets and liabilities, including assets in excess of the liabilities, and extends across insurers and time periods.
	2. Consistency exists with respect to most assets and liabilities, although there is inconsistency with respect to a few types of assets and liabilities. The same areas of consistency and inconsistency extend across insurers and time periods.
	3. Consistency exists with respect to some assets and liabilities, although there is inconsistency with respect to other types of assets and liabilities. The areas of consistency and inconsistency sometimes differ across insurers or time periods.
	4. Consistency exists with respect to some assets and liabilities, although there is inconsistency with respect to other types of assets and liabilities. The areas of consistency and inconsistency frequently differ across insurers or time periods.
	5. Consistency is generally lacking.

**14.3 The valuation of assets and liabilities is undertaken in a reliable, decision useful and transparent manner.**

1. The values placed on the assets and liabilities of an insurer for solvency purposes should be a reliable measure of their value at the date of solvency assessment. To what extent are the valuations of assets and liabilities for solvency purposes in YOUR JURISDICTION undertaken in a reliable manner?
	1. Valuations are very reliable. Strong controls exist to ensure that they are based on appropriate data, methods, and assumptions and that subjectivity is reduced as far as practicable.
	2. Valuations are usually reliable. Controls exist to promote the use of appropriate data, methods, and assumptions and to limit subjectivity.
	3. Valuations are sometimes reliable, but often they are not. Controls to promote the use of appropriate data, methods, and assumptions and to limit subjectivity are sometimes ineffective.
	4. Valuations are often unreliable. Controls to promote the use of appropriate data, methods, and assumptions and to limit subjectivity are often either nonexistent or ineffective.
2. The valuation of assets and liabilities of an insurer for solvency purposes should be undertaken in a manner that is useful in making judgments for solvency purposes. To what extent are the valuations of assets and liabilities for solvency purposes in YOUR JURISDICTION undertaken in a decision useful manner?
	1. Valuations are very decision useful. The results seldom contain anomalies and can be used as the basis for making judgments and taking enforcement actions.
	2. Valuations are largely decision useful. The results sometimes contain anomalies, but generally can be used as the basis for making judgments and taking enforcement actions.
	3. Valuations are somewhat decision useful. The results often contain anomalies, which sometimes makes it difficult to use them as the basis for making judgments. The results are subject to dispute as the basis for making judgments or enforcement actions.
	4. Valuations are not decision useful. The results generally cannot be used as the basis for making judgments or taking enforcement actions.
3. The valuation of assets and liabilities of an insurer for solvency purposes should be undertaken in a transparent manner, with appropriate public disclosure and additional confidential reporting to the supervisor. To what extent are the valuations of assets and liabilities for solvency purposes in YOUR JURISDICTION undertaken in a transparent manner?
	1. Valuations are very transparent. Insurers provide sufficient information to both the public and the supervisor about the approaches they have taken to the valuation of assets and liabilities.
	2. Valuations are largely transparent. Insurers provide information to both the public and the supervisor about the approaches they have taken to the valuation of assets and liabilities, but such information is sometimes insufficient. YOUR AUTHORITY is readily able to obtain the necessary information upon request.
	3. Valuations are somewhat transparent. Insurers provide some information to both the public and the supervisor about the approaches they have taken to the valuation of assets and liabilities, but such information is often insufficient. YOUR AUTHORITY sometimes experiences difficulty in obtaining the necessary information.
	4. Valuations are not transparent. Insurers provide little information to either the public or the supervisor about the approaches they have taken to the valuation of assets and liabilities. YOUR AUTHORITY often experiences difficulty in obtaining the necessary information.

**14.4 The valuation of assets and liabilities is an economic valuation.**

1. The valuation of assets and liabilities of an insurer for solvency purposes should be an economic valuation, such that the resulting assessment of an insurer’s financial position is not obscured by hidden or inherent conservatism or optimism in the valuation. (This does not preclude the use of a Margin over the Current Estimate in the calculation of technical provisions, in accordance with standards 14.7 and 14.9.) To what extent are the valuations of assets and liabilities in YOUR JURISDICTION economic valuations?
	1. Valuations of both assets and liabilities are economic valuations.
	2. Valuations of assets are economic valuations, but valuations of some liabilities reflect hidden or inherent conservatism or optimism.
	3. Valuations of liabilities are economic valuations, but valuations of some assets reflect hidden or inherent conservatism or optimism.
	4. Valuations of both assets and liabilities reflect hidden or inherent conservatism, but not optimism.
	5. Valuations of both assets and liabilities sometimes reflect hidden or inherent conservatism or optimism.

**14.5 An economic valuation of assets and liabilities reflects the risk-adjusted present values of their cash flows.**

1. The valuation of assets and liabilities of an insurer for solvency purposes should reflect the risk-adjusted present values of their cash flows. Values might be determined directly, using a discounted cash flow calculation, but other approaches are possible, such as the use of quoted market values or amortised cost used in conjunction with an adequacy or impairment test. (The guidance under standard 14.5 discusses possible approaches.) To what extent do the valuations of assets in YOUR JURISDICTION reflect the risk-adjusted present values of their cash flows?
	1. Valuations of all assets reflect the risk-adjusted present values of their cash flows.
	2. Valuations of most assets reflect the risk-adjusted present values of their cash flows. The effects of any exceptions on the assessment of an insurer’s financial position are insignificant.
	3. Valuations of many assets reflect the risk-adjusted present values of their cash flows. The effects of exceptions on the assessment of an insurer’s financial position can sometimes be significant, but in such cases the effects are disclosed.
	4. Valuations of some assets reflect the risk-adjusted present values of their cash flows. The effects of exceptions on the assessment of an insurer’s financial position can sometimes be significant and often are not disclosed.
	5. Valuations of assets generally do not reflect the risk-adjusted present values of their cash flows.
2. The valuation of assets and liabilities of an insurer for solvency purposes should reflect the risk-adjusted present values of their cash flows. Values might be determined directly, using a discounted cash flow calculation, but other approaches are possible, such as the use of quoted market values or amortised cost used in conjunction with an adequacy or impairment test. (The guidance under standard 14.5 discusses possible approaches.) To what extent do the valuations of liabilities in YOUR JURISDICTION reflect the risk-adjusted present values of their cash flows?
	1. Valuations of all liabilities reflect the risk-adjusted present values of their cash flows.
	2. Valuations of most liabilities reflect the risk-adjusted present values of their cash flows. The effects of any exceptions on the assessment of an insurer’s financial position are insignificant.
	3. Valuations of many liabilities reflect the risk-adjusted present values of their cash flows. The effects of exceptions on the assessment of an insurer’s financial position can sometimes be significant, but in such cases the effects are disclosed.
	4. Valuations of some liabilities reflect the risk-adjusted present values of their cash flows. The effects of exceptions on the assessment of an insurer’s financial position can sometimes be significant and often are not disclosed.
	5. Valuations of liabilities generally do not reflect the risk-adjusted present values of their cash flows.

**14.6 The value of technical provisions and other liabilities does not reflect the insurer’s own credit standing.**

1. To what extent do the values of technical provisions and other liabilities in YOUR JURISDICTION reflect the insurer’s own credit standing?
	1. The values of technical provisions and other liabilities are not allowed to reflect the insurer’s own credit standing.
	2. The values of some technical provisions and other liabilities are allowed to reflect the insurer’s own credit standing, but in practice they do not.
	3. The values of some technical provisions and other liabilities are allowed to reflect the insurer’s own credit standing, and sometimes they do.
	4. The values of technical provisions and other liabilities generally reflect the insurer’s own credit standing.

**14.7 The valuation of technical provisions exceeds the Current Estimate by a margin (Margin over the Current Estimate or MOCE).**

1. To what extent are the valuations of technical provisions in YOUR JURISDICTION required to exceed the Current Estimate by a margin (Margin over the Current Estimate or MOCE)? (The guidance under standard 14.7 discusses the meanings of Current Estimate and MOCE.)
	1. The valuations of technical provisions are based on Current Estimates and are required to exceed them by a margin.
	2. The valuations of technical provisions are not necessarily based on Current Estimates. However, they are required to exceed Current Estimates by a margin.
	3. The valuations of technical provisions are not required to exceed Current Estimates by a margin, but generally they do.
	4. The valuations of technical provisions are not required to exceed Current Estimates by a margin, and often they do not.
	5. The valuations of technical provisions do not exceed Current Estimates by a margin.

**14.8 The Current Estimate reflects the expected present value of all relevant future cash flows that arise in fulfilling insurance obligations, using unbiased, current assumptions.**

1. To what extent are the Current Estimates in YOUR JURISDICTION required to reflect the expected present value of all relevant future cash flows that arise in fulfilling insurance obligations, using unbiased, current assumptions?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Explicitly required in all cases | 2. Required in most cases | 3. Required in some cases | 4. Not required |
| A. **Relevant types** of future cash flows that arise in fulfilling insurance obligations are reflected |  |  |  |  |
| B. Types of future cash flows that are reflected are considered **over the full time horizon** required to fulfill insurance obligations |  |  |  |  |
| C. Expected future **cash flows** that are reflected **are estimated** using unbiased, current assumptions |  |  |  |  |
| D. **Present values** of future cash flows are calculated using unbiased, current discount rates |  |  |  |  |

**14.9 The MOCE reflects the inherent uncertainty related to all relevant future cash flows that arise in fulfilling insurance obligations over the full time horizon thereof.**

1. To what extent are the Margins over the Current Estimate (MOCEs) included in the technical provisions in YOUR JURISDICTION required to reflect the inherent uncertainty related to all relevant future cash flows that arise in fulfilling insurance obligations over the full time horizon thereof?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Explicitly required in all cases | 2. Required in most cases | 3. Required in some cases | 4. Not required |
| A. Inherent uncertainty related to all **relevant types** of future cash flows that arise in fulfilling insurance obligations is reflected in the MOCE |  |  |  |  |
| B. Inherent uncertainty related to the types of future cash flows that are reflected in the MOCE is considered **over the full time horizon** required to fulfill insurance obligations |  |  |  |  |
| C. Inherent uncertainty **unrelated** to the future cash flows that arise in fulfilling insurance obligations is **not reflected** in the MOCE |  |  |  |  |
| D. Steps are taken to promote **consistency**, so that insurance obligations with similar risk profiles have similar MOCEs |  |  |  |  |

**14.10 The valuation of technical provisions allows for the time value of money. The supervisor establishes criteria for the determination of appropriate rates to be used in the discounting of technical provisions.**

1. To what extent do the valuations of technical provisions in YOUR JURISDICTION allow for the time value of money?
	1. The valuations of all types of technical provisions for both life and non-life insurance obligations allow for the time value of money.
	2. The valuations of all types of technical provisions for both life and non-life insurance obligations allow for the time value of money, except for technical provisions for insurance obligations where the effect of the time value of money is insignificant.
	3. The valuations of all types of technical provisions for life insurance obligations allow for the time value of money, but those for non-life insurance obligations do not.
	4. The valuations of all types of technical provisions for life insurance obligations allow for the time value of money, except for technical provisions for life insurance obligations where the effect of the time value of money is insignificant. The valuations of technical provisions for non-life insurance obligations do not allow for the time value of money.
	5. The valuations of technical provisions do not allow for the time value of money.
2. To what extent have criteria for the determination of appropriate rates to be used in the discounting of technical provisions been established in YOUR JURISDICTION?
	1. Criteria have been explicitly established by legislation.
	2. Criteria have been explicitly set out under actuarial or financial reporting standards.
	3. Criteria have been broadly established by legislation and further elaborated through supervisory guidelines.
	4. Criteria have been broadly set out under actuarial or financial reporting standards and further elaborated through supervisory guidelines.
	5. Criteria have been established through supervisory guidelines.
	6. There are no specific criteria, but YOUR AUTHORITY advises insurers when it believes that the rates being used are inappropriate.
	7. There are no specific criteria and no supervisory expectation for the determination of appropriate discount rates has been communicated in YOUR JURISDICTION.

**14.11 The supervisor requires the valuation of technical provisions to make appropriate allowance for embedded options and guarantees.**

1. To what extent are the valuations of technical provisions in YOUR JURISDICTION required to make appropriate allowance for embedded options and guarantees?
	1. This is explicitly required by legislation.
	2. This is explicitly required under actuarial or financial reporting standards.
	3. This is broadly required by legislation and further elaborated through supervisory guidelines.
	4. This is broadly required under actuarial or financial reporting standards and further elaborated through supervisory guidelines.
	5. This is not required by legislation or under actuarial or financial reporting standards, but the expectation is communicated through supervisory guidelines.
	6. Although no such requirement has been published, YOUR AUTHORITY advises insurers when appropriate allowance is not being made.
	7. There is no such requirement and no supervisory expectation has been communicated in YOUR JURISDICTION.

**14.98 Additional questions part II**

1. How does YOUR AUTHORITY review an insurer's implementation of and compliance with valuation requirements?
	1. Reviews are regularly undertaken using off-site monitoring, which is sometimes supplemented by on-site inspection even when there are no supervisory concerns.
	2. Reviews are regularly undertaken using off-site monitoring, which is supplemented by on-site inspection in cases of actual or potential supervisory concerns.
	3. Reviews are undertaken only in cases of actual or potential supervisory concerns.
	4. Reviews are seldom undertaken, even in cases of actual supervisory concerns.
	5. Reviews are never undertaken.
2. During the last three years, to what extent has YOUR AUTHORITY taken appropriate corrective action when there were supervisory concerns regarding an insurer’s implementation of or compliance with valuation requirements?
	1. Most concerns were resolved in a timely manner.
	2. Most concerns were resolved, but not always in a timely manner.
	3. Some concerns were resolved.
	4. Most concerns were not resolved.
	5. This question is not applicable, because no such concerns arose during the last three years.

**14.99 Additional questions part III**

1. To what extent do the valuation requirements in YOUR JURISDICTION address insurance groups?
	1. Valuation requirements exist at both the group level and the legal entity level, and the relationship between them has been clearly defined.
	2. Valuation requirements exist at both the group level and the legal entity level, but the relationship between them has not been clearly defined.
	3. Valuation requirements do not exist at the group level, but those at the legal entity level explicitly take account of an insurer’s membership of a group.
	4. Valuation requirements do not exist at the group level, but those at the legal entity level broadly take account of an insurer’s membership of a group.
	5. Valuation requirements do not exist at the group level, and those at the legal entity level do not take account of an insurer’s membership of a group.
	6. There are no valuation requirements in YOUR JURISDICTION.
	7. This question is not applicable, because there are no groups in YOUR JURISDICTION.

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