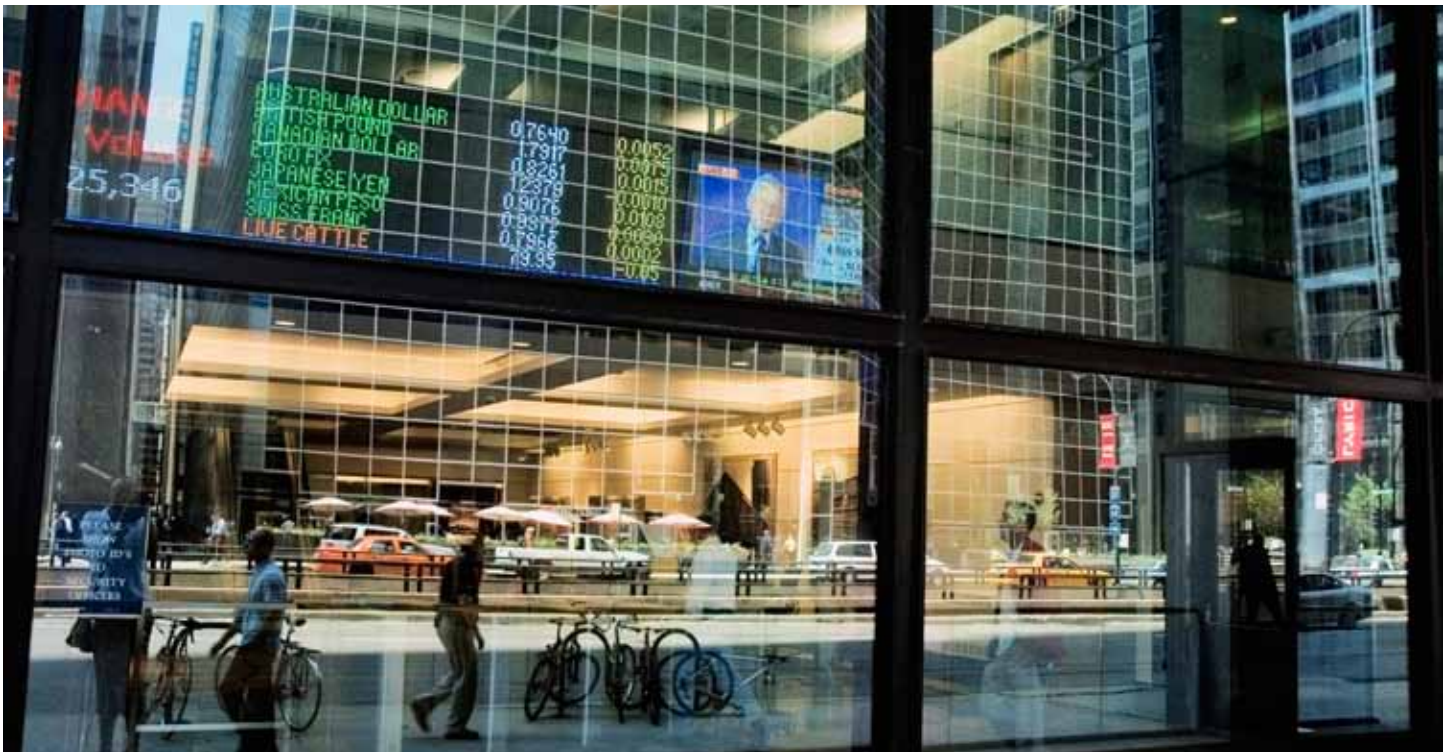


Transfer Pricing

By: Jiyang Song, FCAS, MAAA, and Ash Ruparelia

Introduction

Today, a significant portion of the world's economic activity is conducted by multinational enterprises. Due to business needs, strategic considerations, and regulatory requirements, these multinational enterprises commonly enter into intragroup transactions. One of the unique issues they face with respect to these intragroup transactions is transfer pricing. When unrelated parties enter into commercial transactions with each other, the terms and conditions are generally governed by the market forces. However, transactions among related parties might be more influenced by management or tax considerations.

Transfer price is defined to be the price at which tangible goods, intangibles, and services are transferred between related parties. For multinational enterprises, transfer prices can play a significant role in determining the distribution of taxable income in the various jurisdictions in which they operate. Tax authorities need to determine that the profits attributed to the economic activities in their respective jurisdictions are accurately stated in order to collect the correct amount of tax revenue. Shareholders also have a stake in transfer pricing activities as their share prices may be influenced by the economic implications as well as potential reputational risks or tax penalties that could result from any abusive transfer pricing.

Contents

Transfer Pricing Guidelines

Most member countries adopted the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines that were revised and approved in 2010. The OECD is the international economic organization founded in 1961 to stimulate economic progress and world trade. It currently has 34 member countries, including major industrial countries such as the United States, United Kingdom, France, and Japan.

The U.S.-specific transfer pricing rules are complex and lengthy. The regulations under Internal Revenue Service's (IRS) section 482 of the Code generally provide that prices charged by one affiliate to another, in an intercompany transaction involving the transfer of goods, services, or intangibles, yield results that are consistent with the results that would have been realized if uncontrolled taxpayers had engaged in the same transaction under the same circumstances. This is the "arm's-length" principle. The U.S. and OECD guidelines are broadly similar and contain certain principles followed by many countries. Over the past decade, many other countries adopted transfer pricing regimes, and virtually all of these regimes are based on the arm's-length principle.

Many jurisdictions impose significant tax adjustments and penalties relating to transfer pricing adjustments by tax authorities. For example, U.S. rules impose a 20 percent penalty where the adjustment exceeds $5 million, increased to 40 percent of the additional tax where the adjustment exceeds $20 million.[1]

Transfer Pricing for Insurance Companies

Multinational insurance companies enter into reinsurance contracts for reasons such as protecting a local affiliated insurer against extreme loss events, addressing capital constraints, or supporting their business strategy. When these reinsurance contracts are established among affiliates of the same group, affiliates (the ceding companies) within one jurisdiction obtain reinsurance coverages for key segments of their direct or assumed business from affiliates (reinsurers) in another jurisdiction in the form of quota share or excess of losses treaties. Under these intragroup reinsurance contracts, reinsurers receive premiums and, in exchange, pay a ceding commission to the cedant companies to take on the obligation of reimbursing the ceding companies' covered losses and expenses under these contracts.

As mentioned above, the key principle to consider when establishing whether transfer prices are appropriate is the arm's-length rule. Under this approach, a price is considered appropriate if it is within a range of prices that would be charged by independent parties at arm's length. U.S. regulation requires that the arm's-length price be determined by the most reliable measures. Methods that are applicable to intragroup reinsurance contracts include:

- Comparable Uncontrolled Prices (CUP)
- Broker Quotes
- Actuarial Approach

Comparable Uncontrolled Price

Most revenue authorities consider a CUP to be the most reliable indicator of an arm's-length price. For intragroup reinsurance transactions, CUPs might be available in instances where the cedant companies have purchased similar reinsurance coverage externally in the recent past or a third-party reinsurer shares the same terms with the affiliated reinsurer as a co-reinsurer.

In many instances, CUPs are not always available due to limited external historical reinsurance transactions or significant changes in business profiles over the years. Even when there seems to be CUPs available to establish appropriateness of the transfer prices, care needs to be exercised to ensure these CUPs are truly comparable. Many features of the complex reinsurance contracts can have relevant impacts on the pricing of these contracts such as covered business and territories, ceding commissions, exclusions, retentions and aggregate limits, reinstatement features, the experience of the underlying insurance contracts, and the status of the current reinsurance pricing market.

Broker Quotes

Reinsurance broker quotes are often put forward as potential evidence to support the terms of reinsurance contracts between related parties. However, the economic result of a reinsurance contract is so dependent on the specific terms and conditions of the contract that it is generally not possible to rely exclusively on broker quotes. In addition, many revenue authorities are very reluctant to accept broker quotes as primary evidence of arm's-length pricing if they are not associated with executed contracts.

Low-Risk and High-Risk Categories

From a transfer pricing perspective, certain reinsurance contracts are considered low risk of not meeting the transfer pricing guidelines since it is relatively easier to provide support for the arm's-length nature of these transactions. These contracts could include proportional reinsurance, contracts where same terms and conditions apply to external reinsurance contracts, and contracts that are reinsured or pooled internally before retroceded to external parities and the external terms are passed through. Generally, the CUP method or the broker quotes method would provide sufficient supports for the arm's-length price for these low-risk contracts. Certain complicating characteristics can lead to a higher risk of not meeting transfer pricing requirements. These include a large portion of the originating business being ceded to related parties, the cession of very profitable business, or ceded risks that are complex and unique. For transactions in the high-risk groups, the burden of proof on the taxpayer is higher and an actuarial approach may be a preferred, robust approach.

[1] 26 U.S.C. 6662.

Actuarial Approaches

The following activities can help a taxpayer strengthen their documentation supporting appropriate transfer pricing.

Review of the internal reinsurance pricing models

In instances where taxpayers have relatively robust internal reinsurance pricing models supporting arm's-length pricing of their reinsurance contracts, actuaries can help improve this support by:

- Benchmarking the terms and conditions of the reinsurance contracts against similar contracts in the market
- Validating the assumptions, inputs, outputs, and methodologies in the internal pricing models
- Assessing controls to monitor and update these models
- Reviewing detail and clarity of the documentation to support the arm's-length nature of the transactions.

Independent actuarial review

In instances where no sophisticated internal pricing model was used and CUPs are not easily obtainable, an independent actuarial review can be crucial to help document the arm's-length nature of reinsurance prices. The figure below illustrates the general process of actuarial analyses in a typical transfer pricing review. Many aspects of this process are consistent with reviews of any pricing model.

We will focus on two of the common actuarial methodologies: cost of capital approach and present value of future profit approach.

Cost of Capital Approach

Under this approach, the reinsurance premium is estimated by using the formula below:

Ceded premium = Best Estimate of Ceded Liability + Risk Margin + Expense + Ceding Commission

To retain the reinsured business, the reinsurer is required to hold capital to support the runoff of the assumed liabilities. Cost of capital refers to the return that this capital could be expected to earn in an alternative investment of equivalent risk from the viewpoint of the shareholders. Risk margin in the formula above is calculated as the present value of the expected cost associated with holding the required capital as liabilities run off.

Each reinsurance transaction is unique and dependent on the nature of business reinsured and the business model of the reinsured. From an actuarial perspective, it is generally preferable to derive key pricing assumptions based on the company's own historical experience to the extent possible. However, when the company's history is limited and/or volatile and not fully credible, industry information can be utilized to supplement company data in the selection of key parameters. Following is a representative list of key assumptions[2]:

- Loss and loss adjustment expense (LAE) ratios
- Payment patterns
- Acquisition expense ratios and maintenance expense ratios
- Cost of capital rate
- Investment returns
- Capital requirements based on regulatory or rating agency requirements and/or economic capital models

For this approach, it is generally preferable to have pricing assumptions from both the reinsured's and reinsurer's perspectives to provide a

[2] The list of assumptions focuses on a typical transfer pricing engagement for the Property & Casualty industry.

Review Current Reinsurance Contracts	Actuarial Modeling	Summarize Findings and Documentation
• Type of treaty (QS, XOL, Fin Re) • Business and period covered under each treaty • Retentions • Limits • Premium • Ceding commission • Exclusions • Will the treaties pass the risk transfer test?	**Data Collection** • Clarification of reinsurance contract terms • Business and period covered by each treaty • Premiums • Loss and expense by line by policy year • Claim counts • Loss development histories • Details of the factors and assumptions that feed into the pricing model to arrive at the premiums for each treaty • Insurance expense exhibits **Actuarial methodologies** • Cost of capital approach • Present value of future profits approach • Return on capital approach • Modeling may need to be performed from both the insurer and the reinsurers's perspective	• Review the arm's-length nature of the related-party ceding commission • Document assumptions, procedures, and actuarial judgments that support the conclusions

more robust view of the pricing of these contracts. Therefore, the formula above yields a range of reasonable estimates based on the two sets of assumptions. The actual premium charged for the contract is then compared with this calculated range, and if it falls within the range, then it supports the assertion that the contract is priced at arm's-length basis. That is, it supports the assertion that the ceding company is paying a market-equivalent rate for the coverage.

Present Value of Future Profit Approach.

Under this approach, the derivation of the arm's-length price for a proposed reinsurance contract is based on what third-party reinsurers might demand for this transaction in a deep and liquid market such that it is economically advantageous to them. The arm's-length price of the reinsurance transaction is calculated by projecting the stream of profits that would emerge over time, including the provision and subsequent release of capital to a hypothetical third party reinsuring the remaining liabilities. If the premium for the intragroup reinsurance is set at arm's length, the profit stream discounted at the required return on equity from the reinsurer's perspective would produce a present value of zero. This method is also referred to as the Return on Equity method.

Conclusions

The recent financial crisis that turned into a global economic downturn may have long-term impacts on most corporations. Among them, the increase in regulation and additional scrutiny of authorities is increasing to unprecedented levels. In addition, due to regulatory initiatives such as Solvency II in Europe and the Solvency Modernization Initiative in the United States, the insurance industry faces increased focus on capital adequacy and capital efficiency. As many countries face budget crises, pressure on taxing authorities to find ways to raise additional revenue is intensifying.

Multinational insurance companies are actively seeking ways to structure or restructure their intracompany reinsurance transactions to be able to better manage their business risk profiles and achieve higher efficiency in deploying their available capital. Therefore, transfer pricing reviews are becoming increasingly important. Actuaries can help in many ways, including reviewing and building pricing models and reviewing and preparing documentation to support company assertions that these agreements represent an arm's-length transaction.

The Evolving Landscape of Capital Modeling

By Tom McIntyre, FCAS, CERA, MAAA, and Anthony Bustillo, FCAS, MAAA

U.S. property and casualty (P&C) insurers have watched their European counter parts ramp up in preparation for Solvency II; but with no similar call to action, the pace of change in the United States has been slower. The proposed Own Risk and Solvency Assessment (ORSA) requirements by the National Association of Insurance Commissioners (NAIC) may cause an uptick in modeling in the near future, but we do not expect this to approach the level of investment underway by European firms under Solvency II. U.S. insurers—even with an ORSA requirement—are free to assess their risk and capital management needs in a manner suited to their own unique exposures and business plans.

The U.S. ORSA requirement includes certain features that are new to U.S. insurance regulation. Group capital assessment and the prospective nature of the ORSA requirements are two items that stand out in the guidance. U.S. regulation focuses on individual companies with primary oversight from the insurance department of the state of domicile using tools including Risk-Based Capital (RBC). Group regulation will require coordination between the various state regulators and a broader view of RBC over the entire group. The prospective nature of the ORSA requirement introduces a new requirement that cannot rely solely upon measures of current balance sheet strength, like RBC.

While many P&C insurers may seek to meet these expectations using multi-year capital models (e.g., dynamic financial analysis (DFA) models) that are currently in use, it is important to note that ORSA allows for a great deal of flexibility in designing models to meet the emerging requirements. Insurers may wish to consider rating agency evaluation criteria. Standard and Poor's (S&P), in particular, notes that appropriate capital modeling capabilities are an important consideration in achieving the highest levels on their ERM ratings scale.[3]

Modeling Considerations

Building a capital model requires careful planning and consideration of competing corporate objectives. Collaboration between actuarial, finance, internal audit, and other stakeholders is essential to establish objectives, design input processes, establish validation standards, provide documentation, and meet reporting requirements. Many insurers concentrate on modeling calculations, i.e., the "calculation kernel," while ignoring critical processes needed for success. Design mistakes and process flaws from the early stages can lead to costly delays, embarrassing mistakes/restatements, and complete overhauls of newly implemented systems.

Regulatory considerations are an important factor in model design. For example, Solvency II is prescriptive on certain points as European insurers must forecast required economic capital over a one-year horizon using market-consistent valuations of assets and liabilities.[4] In contrast, U.S. regulation—including the U.S. ORSA—allows for much greater flexibility in time-horizon and valuation framework (economic, GAAP, statutory, etc.).

The U.S. ORSA proposal speaks of "capital" in general without hinting at a valuation methodology. The NAIC takes a stronger position on forecasting methodology, calling for a "Prospective Solvency Assessment," including documentation of "… financial resources necessary to execute its two to five year business plan."[5] The current NAIC plan may be difficult for some insurers to implement, and it is possible that the proposal could evolve into a different form.

Modeling Methodologies

Key design decisions made early in the model development will have lasting effects on the benefits derived from the capital model and an insurer's ability to incorporate it into its financial reporting process. Two aspects of model design are particularly important: (1) forecasting methodologies and (2) valuation methodologies. As noted above, there are important differences in regulatory requirements between jurisdictions on these points.

Forecasting Methodology

Two methods commonly used to estimate an insurer's required capital are (1) balance sheet stresses and (2) forecasting profit and loss. Naturally, they are closely related but the mechanics of the calculations have certain pros and cons that can be important considerations for different types of insurers. Both methods produce many thousands of trials to measure the amount of loss that could be suffered, i.e., the amount of capital "consumed" in a given period. Selected percentiles from the modeled losses (e.g., the 99.5th percentile loss) are compared to the insurer's actual capital to assess capital adequacy.

The *balance sheet method* begins with an initial balance sheet and forecasts decreases in assets/ increases in liabilities, i.e., shocks.

[3] "Because of the importance we attribute to an ECM for risk management purposes, we believe that an ERM assessment of "excellent" is only possible if we find the ECM to be credible." – S&P, A new Level of Enterprise Risk Management Analysis: Methodology for Assessing Insurers' *Economic Capital Models*, January 24, 2011.

[4] CEIOPS, *QIS5 Technical Specifications*, July 5, 2010.

[5] *NAIC Own Risk and Solvency Assessment Guidance Manual*, November, 2011.

Correlation[6] ensures that the aggregated changes provide an appropriate overall estimate including diversification benefits for the insurer. Balance sheet models that separately model risk drivers (e.g., interest rates) and their effect on portfolios (e.g., investments, loss reserves) offer the unique flexibility to aggregate risks of disparate businesses. This technique is particularly useful for multi-line insurers and others needing to combine multiple business units into a consolidated view. However, balance sheet methods are often used only over a one-year time horizon that may not meet U.S. ORSA objectives.

The *method of forecasting profit and loss* using a DFA model is a common approach for many P&C insurers. The DFA model aggregates results, usually with some form of correlation and other assumptions, to produce multi-year *pro forma* financials. Scenarios producing negative returns on capital (cumulative) throughout the period are analyzed to determine required capital. Ordinarily, multi-year scenarios do not allow for firms to "rise from the dead." For example, a scenario with failure in year two will not allow for a subsequent recovery in year three or later, thereby maintaining a degree of realism within the model.

DFA approaches can be good options for many P&C insurers, especially those with relatively simple (e.g., pooled) corporate structures. Several DFA software packages are available in the market, each with its own strengths and weaknesses. Software has an important role to play, but it must be practical and enable achievement of objectives rather than constraining an insurer's options to available feature sets.

Valuation Methodology

Valuation methodology is a second key consideration in building modeling capabilities. Statutory accounting, GAAP, and economic valuation methods each have pros and cons. There is not an obviously superior choice for capital measurement.

Statutory accounting is desirable because it is objective, tangible, and used regularly for many other financial reporting purposes. Additionally, many management teams prefer to focus on financial distress rather than (or in addition to) measures of insolvency risk. Statutory measures, such as change in policyholder surplus, are commonly accepted measures for this purpose. Of course, the use of amortized cost accounting for bonds means that it is incapable of measuring key risks without modification.

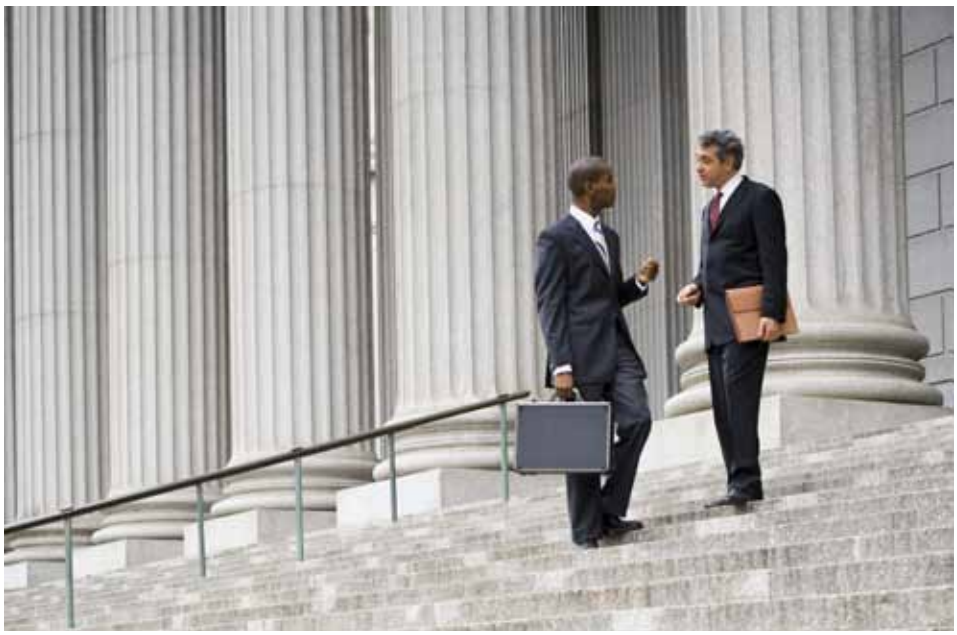
GAAP includes certain key risks excluded in statutory accounting, e.g., market value of bonds (most insurers use available-for-sale rather than held-to-maturity treatment). However, because of the principle of matching revenue and expenses, GAAP creates intangible assets and liabilities that are generally not used for solvency analysis. Tangible book value (TBV) per share (adjusted for dividends) is one way to overcome the shortfalls of GAAP in this context. TBV has the added advantage of being a widely accepted and understood metric.

Finally, economic valuation was meant to correct for the shortcomings of other valuation methodologies. It is true that an economic valuation measures all risks, whereas other systems may not. However, the assumptions required for economic valuation, particularly of insurance liabilities, are not widely understood or accepted, can be very complex, and require significant judgment that may have a material effect on the results. For example, discount rate assumptions engender debate about the appropriate reference rates or introduce adjustments such as illiquidity premium.

There are no easy answers to the difficult questions and complex assumptions underlying valuation methodology. Under Solvency II, economic valuation is mandatory. But in the United States, no such mandate exists, at least for the time being. U.S. insurers should consider their options carefully as they invest in new capabilities.

Conclusion

Today, trends in capital management are driven by regulators and rating agencies, but both groups are calling for management to measure required capital on their own terms. It will not be easy, and it may take years for regulators and rating agencies to give meaningful credit for internal models. In the meantime, as models mature and if results are reported on a regular basis, brokers, customers, and investors will make use of the new insight on insurers' financial security from these models. Companies will compete for business and capital by differentiating themselves from the competition along new dimensions of overall security and their exposure (intended and actual) to key risk factors.



[6] More advanced dependency structures can be utilized.

Title Insurance – After the Storm

Quentin Mostoller, ACAS, MAAA

As the U.S. economy continues to recover from the housing crisis and recession, the $10 billion title insurance industry also stands to benefit. However, constraints such as lower volume of title policies and loss reserve deficiencies that are residual effects of the housing bubble and collapse are still hampering title insurance providers.

The Basics of Title Insurance

Title insurance protects property owners against title defects that existed prior to the purchase date. Unlike typical property and casualty (P&C) insurance, such as auto liability or homeowners, the coverage is backward-looking with no fixed exposure period. Title policies remain in effect for an indefinite period, from the purchase date until the property is sold or refinanced. A one-time premium is paid up front for continuous coverage, and there is no unearned premium reserve. Lender's and owner's policies are the two primary policy types. A lenders title policy insures the lender's (mortgage holder's) security interest in the property, and an owner's title policy protects the buyer for as long as they own the property or until it is refinanced. The title insurer is liable up to the face value of the policy, generally equal to the secured interest in the property or the property value at time of sale, plus defense and litigation costs.

Writing title insurance is cost-intensive due to the ongoing expense of maintaining the "title plant"—the company's intellectual property associated with title search and examination. Providers benefit from economies of scale, and four large families of title insurance companies dominate the market, with approximately 90 percent of premium volume—Fidelity, First American, Stewart, and Old Republic.[7] Loss and loss adjustment expense (LAE) ratios are typically in the 5 percent–10 percent range, with general expenses incurred in the title-search and examination process making up around 85 percent of premiums. The average title insurance loss and LAE ratio for the 10 years ending in 2008 was 5 percent. This is very low, compared to the overall P&C industry average loss and LAE ratio of 75 percent; however a loss and LAE ratio above 10 percent is considered high for a title insurer, and from 2008–2010, the industry average loss and LAE ratio was 11 percent.

The Great Recession

Through the end of 2011, U.S. housing prices dropped over 30 percent from the 2006 peak on average, and prices at the beginning of 2012 were near 2002 levels. Approximately $7 trillion of wealth evaporated.[9] High real estate transaction volume, agent fraud, and poor underwriting standards during the housing bubble and subsequent foreclosures led to a high volume of title claims. Title insurers put up $600 million and $400 million in reserve strengthening in 2007 and 2008, and another $100 million in 2010.[10] Higher claims volume impacted insurers beginning in 2007, resulting in higher than expected losses associated with policies written prior to 2009. In 2009, mortgage lenders tightened credit requirements, and title insurers improved their title search and underwriting processes, eliminating the worst agents. As a result, any adverse loss emergence going forward is expected to affect primarily policies written during the bubble years from 2005–2008.[11]

Relatively high fixed expense-to-premium ratios also heavily impacted results beginning in 2007. Total title insurance premiums dropped from over $15 billion in 2006 to less than $9 billion in 2010. Industry combined ratios increased from 95 percent in 2006 to a peak of 109 percent in 2008, and remained high at 103 percent in 2009 and 2010 as older claims from policy years 2005-2008 continued to impact results and title companies struggled to manage expense levels.

Government Involvement

The government implemented several programs beginning in 2008 to mitigate the housing crisis and foreclosure calamity. The overall effects of federal programs on the title industry are difficult to determine, but the short-term stabilization of the housing market has had a positive effect. Federal tax credits in place from 2008 through 2011 for home buyers helped buoy the housing market and title premiums during the worst part of the crisis. The Home Affordable Refinance Program and the Home Affordable Modification Program implemented in 2009 were designed to help people stay in their homes through loan modifications and principal reductions.

However, these and other federal programs have met with limited success due to a lack of participation by private lenders and federal entities Fannie Mae and Freddy Mac. While interest rates have remained at historical lows over the past few years, high unemployment, tighter lending requirements and uncertainty about bottoming real estate prices have hindered a rebound in the housing market. The recent $25 billion settlement between the five largest

[7] *Best's Special Report*, Financial Review, U.S. Title, 10/10/2011.

[8] *Best's Special Report*, 2008 Market Review, U.S. Title, 12/14/2009.

[9] Federal Reserve White Paper, *The U.S. Housing Market: Current Conditions and Policy Considerations*, 1/4/2012.

[10] Fitch Ratings, Title Insurance *U.S. Special Report*, 3/24/2011.

[11] Best's Special Report, Financial Review, U.S. Title, 10/10/2011.

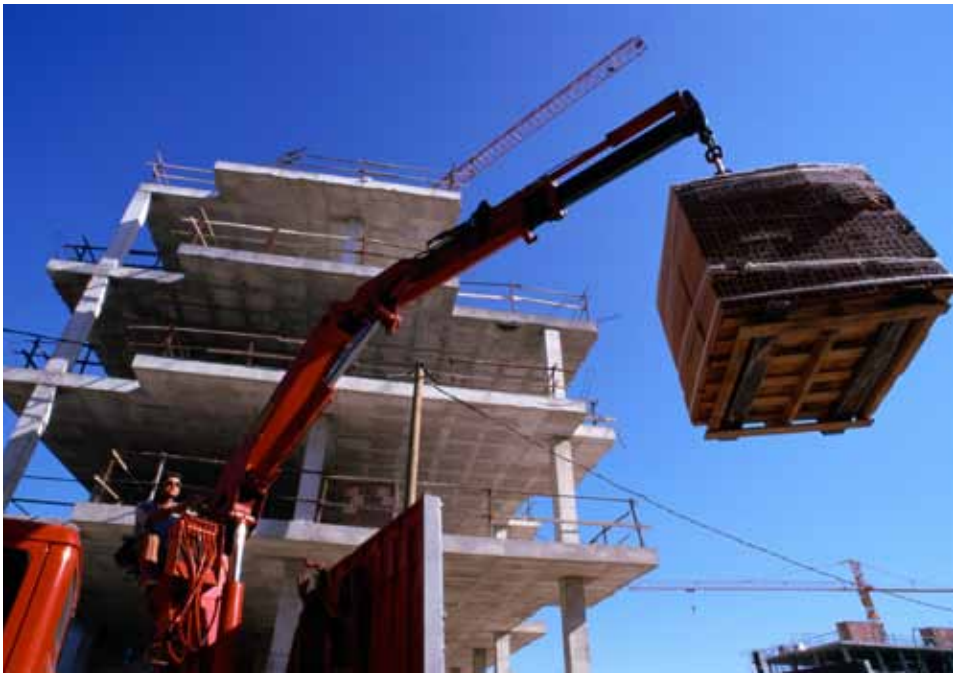
private lenders and the U.S. Department of Justice could increase the pace of write-downs and other efforts to shore up the real estate market. At the beginning of 2012, a large backlog of residential foreclosures remains, exacerbated by regional weakness and uncertainty in housing. Over the next few years, this backlog could put additional pressure on title claim rates as the foreclosures are processed.

Title Reserves

Residential and commercial real estate transaction volume drives title insurance claim reporting. Title claims have a long reporting period because defects may not be exposed until the property is sold or refinanced, but as with homeowner's insurance, claim settlement periods are short. Most claims are small relative to the value of the property and involve resolution of the defect, but the insurer has exposure up to the value of the property or interest in the property, and large claims are common, especially with commercial property. Title insurance companies generally set reserves using statutory processes that are not directly tied to actuarial reserve estimates, and they price their policies based predominantly on expense levels. Therefore, title companies do not maintain large internal actuarial departments.

Title companies typically record reserves by applying a provisional loss ratio to current written premium, with the provisional rate selected by management to fund current period claims liabilities plus liabilities emerging from older policy years. Company management determines the provisional rate based on judgment and information from actuarial reserve estimates. The current reserving environment reflects a high level of variability due to the sluggish and uneven recovery in the economy and housing market, coupled with a massive foreclosure overhang and uncertainty about the effect of government initiatives.

The continuing low real estate transaction volumes and prices are limiting title insurers' premiums and impacting companies' provisional loss ratio selections. At the same time, ongoing foreclosure activity relating to properties insured in older policy years could give title insurers a headache, with continued high claim reporting over the next several years. To the extent that ongoing premium volume is not sufficient to cover emerging claims from older policy years, provisional rates may have to be increased or companies could be forced to put up additional reserves, impacting operating results.



2012 and Beyond

The U.S. economy is showing signs of improvement in 2012. New claims for unemployment in March 2012 hit a four-year low, and consumer confidence hit a four-year high in May 2012. Gas prices peaked in the spring and have since trended down; auto sales have been strong in 2012. The U.S. economy is expected to grow 2 percent–3 percent in 2012 and 2013.

But while the economy begins to recover, the housing market is still bottoming out. A.M. Best's rating for the industry was stable in October 2011, with results driven by individual company performance and their ability to manage expense levels. At the end of 2011, about 20 percent of homeowners remained underwater on their mortgages, and in the worst states like Nevada, Arizona, Florida, and California the ratio was closer to 50 percent. The first quarter of 2012 saw increased housing activity, with higher new home starts and existing sales than the same period of 2011, but still much lower than during the boom years. Title industry results over the next several years will be determined by offsetting effects of renewed growth in the housing market and a claims hangover from policies written during the bubble years 2005–2008.

Title insurers continue to face threats to their bottom lines from low premium volumes and continued weakness in the housing market, as well as the potential for continued loss emergence in older policy years. In order to manage these risks, title insurers need to aggressively monitor expenses and balance the need to maintain their title plants with effective management of expense and staffing levels with the level of real estate and refinancing activity. While the worst of the crisis seems to have passed, its effects will linger for several years.

KPMG's Property & Casualty Actuarial Services Practice

Our Actuarial Services practice offers creative business strategies to clients in the rapidly changing insurance industry. We also bring insurance insight and quantitative analytic skills to noninsurance clients. We assist clients in understanding and addressing challenges caused by competition, technology, mergers and acquisitions, globalization, increased regulatory scrutiny, and the ongoing struggle to provide greater value to all stakeholders.

Features

- Evaluate or design and implement economic capital models and enterprise risk management frameworks
- Conduct model risk and control analyses
- Assess and implement actuarial and finance transformation of processes
- Access reserving risk for claims liability valuation
- Assess underwriting risk for pricing and product development analyses
- Assist in all facets of financial reporting (statutory, tax basis, IFRS,U.S. GAAP)
- Provide assistance with corporate governance and process improvement.

Potential benefits

- Full range of services for identification,measurement, and management of risks—offered to the full spectrum of life, general, and health insurers and reinsurers as well as corporate and governmental entities that choose to retain some or all of their insurable interests
- Analysis of alternative strategies to assist companies in making more efficient business decisions
- Deep technical skills coupled with the ability to distill complex issues in practical, nontechnical terms.

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