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adequate tools to meaningfully discuss the situation of those insurers that are exposed to significant risk of financial distress with senior management, or the Board, as appropriate.

IV. COMMENTARY ON OTHER SCENARIOS FROM THE 2006 SST FIELD TEST

23. The FOPI requested companies to submit stress results for other individual market scenarios based on reoccurrence of various historical market crises. While each of these scenarios led to different orders of distress in the insurance industry, similar issues to those raised by the global deflation scenario were generally raised.

24. In 2006, the FOPI also asked insurers for analysis of the effects of a global pandemic. For direct insurers, the largest risks appeared to be related to asset market turbulence rather than to additional insurance claims. This suggests that similar thinking as to risk-bearing guidelines that link the market risks assumed to the RBC capacity of the insurers that were raised in the global recession scenario testing should be undertaken by the FOPI.

25. However, for reinsurers, it might be expected that a global pandemic might have much more impact on insurance claims. This conclusion is tentative since reinsurers do not yet participate in the SST field tests. However, the large reinsurers have been trying to assess the impact of this risk. Expansion of the scenario testing to reinsurers in 2007 should help quantify the risks assumed.

26. The other major risky scenario that the FOPI asked the insurers to consider was a major terrorist act. To date, there is no one scenario that captures the risks borne by the different insurance segments. However, in a rapidly changing world, attention needs to be paid to the potential exposure to such risks.