



MARKEL INTERNATIONAL

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The Director
Board for Actuarial Standards
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15 July 2010

Director,

We are writing on behalf of Markel International Insurance Company Limited and Markel Syndicate Management Limited in response to your invitation to comment on the Exposure Draft for the Insurance TAS.

We support the inclusion of pricing within the scope of the Insurance TAS and the broad principles of the Insurance TAS but have concerns about some of the details, especially as they apply to small individually priced risks. We would prefer some modifications to the proposed TAS to allow us to apply the Insurance TAS to all actuarial pricing rather than have our users request our actuaries not to apply it.

Definition of 'materiality'

The current definition of materiality is not appropriate for all London market pricing work. Matters can be material to an individual piece of work, but immaterial to the entity or line of business. In general, the same matters will be material to the price required for a \$10,000 policy and a \$1,000,000 policy but it is not proportionate to consider the same matters for both policies. The definition of materiality is contradictory to the principle of proportionality. We think that the materiality definition would be more helpful if it included the wider context of the user and not just the piece of work.

D.2.2 Assumptions used in ... models shall be derived from sufficient relevant information.

We disagree with the usage of 'sufficient'. If sufficient relevant information does not exist or is not available, an assumption may still need to be made. This is partially addressed by D.2.4 in respect of data that is available but expensive. However, we do not agree that the cost of additional data makes the currently available data any more sufficient. We would prefer this sentence to be replaced with: "Wherever practical, assumptions used in, or proposed for use in, models shall be derived from sufficient relevant information. Where sufficient relevant information is either not available or the cost of obtaining it is disproportionate to the benefit, the resultant uncertainty shall be clearly explained to the user."

D.2.13 If assumptions about claim rates are used in, or proposed for use in, an exercise there shall be separate assumptions for base claim rates and for future changes to those rates.

This is inappropriate for inclusion in every piece of non-Life Insurance work. Claim rates do not generally change materially during a 12 month contract. With regard to the example given, the effect of climate change on household flooding, the effect over 50 years is highly uncertain. Incorporating any change over 12 months would be spurious accuracy and is contradictory to the principle of making models parsimonious.



The Introduction to the exposure draft (1.9) says: “we note that the fact that a principle could apply more widely than to work in insurance does not always imply that it should be so applied. Moreover, the Generic TASs apply to areas of work other than insurance and pensions, and a principle that is applicable to both these areas of work may not be applicable or desirable in other areas.” If different principles should apply to, say, a statutory valuation of an insurance company’s deferred annuity book to the triennial valuation of a pension scheme, then it seems self evident that different principles should sometimes be applied to London market pricing and valuing a deferred annuity book.

We think that this principle is only applicable to Life insurance.

Applicability of TASs D, M and R

Each of these TASs is brought into scope for Pricing due to its inclusion in the Insurance TAS. Each allows the application of judgement as to its applicability. TAS R is explicit in that this judgement is not required to be documented. We would appreciate clarification as to whether or not judgements concerning the application of TAS D and TAS M need to be documented.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jeremy Brazil".

Jeremy Brazil - Active Underwriter, Syndicate 3000

A handwritten signature in blue ink, appearing to read "Nick Line".

Nick Line – Chief Actuary

A handwritten signature in blue ink, appearing to read "Hamish Rose".

Hamish Rose – Pricing Actuary

A handwritten signature in black ink, appearing to read "Ian Shires".

Ian Shires – Pricing Actuary