



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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9th December 2010

Dear Appointed Actuary,

As you know it is customary for the Central Bank to write to Appointed Actuaries at this time of year to set out views regarding financial parameters to be used in the forthcoming valuations, in particular in the resilience test.

Having reviewed the letter issued last year, it does not seem appropriate to make any specific change to the parameters as then specified.

However, it is obvious that the financial world is more complex and faster changing, and a process that relies on views set out several weeks before year-end (for the majority of companies) cannot be responsive enough. Therefore, with regard to market risk, it is necessary that Appointed Actuaries understand what the significant exposure of their companies are. ASP-LA 3 gives relevant guidance in Sections 3.2 and 3.3. Section 5.2 is also germane.

Explicitly, we would expect actuaries to:

- Identify market risk exposures
- Discuss the exposures with the relevant board and ensure that any approach meets with the approval of the board
- Monitor the exposures at appropriate frequency levels
- Understand changing market perceptions of risk and if appropriate, allow for them as described in Annex IV of SI 360 of 1994, section 7 (7) a and c (also ASP LA3 section 3.3.4)
- Ensure that there is adequate reserving according to generally accepted actuarial principles including allowance for market risk

If in doubt, the Appointed Actuary is encouraged to seek other actuarial opinions. You should, as always, be prepared to explain what you have done and why.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Jeffery', with a horizontal line underneath.

Tony Jeffery
Deputy Head of Retail Insurance Supervision