



INSURANCE

Actuarial Services: Helping Create Better Business Decisions

FINANCIAL SERVICES



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Improving Business Decision-Making

One of the keys to a successful business strategy is the ability to identify, assess and respond to the numerous risks companies face every day. Many organizations are discovering how actuarial skills can be deployed to improve business decision-making in a wide range of situations. The need for qualified, knowledgeable actuaries has never been greater.

Worldwide, KPMG member firms' Actuarial practices are among the leaders in using actuarial techniques to assist our clients in achieving their goals. Our actuarial skills go beyond technical qualifications to a deep understanding of the important business issues facing our clients. Regularly, our actuarial skills are called upon to form part of a multi-disciplinary approach in responding to industry challenges.

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Our services are far-reaching, spanning the general insurance, life insurance and wealth management and medical insurance fields. Our firms' clients are equally far-reaching, from insurance and reinsurance companies to captive insurance companies – and from governmental agencies to other non-insurance organizations.

How We Can Help



Whether stemming from regulators, rating agencies, competitors or internal forces, insurance companies are facing many challenges today and increasing levels of sophistication and technical experience are required to meet these challenges.

A number of alternative strategies may exist to these challenges but what is the best way forward? Our blend of quantitative analysis coupled with the ability to distill complexities into practical, non-technical terms helps answer that question.

Risk and Capital Management

Too often in the past, unanticipated risks or the unintended consequences of risk interaction have had a significant financial impact on a company's financial position, sometimes irreversibly. Increasingly,

internal and external stakeholders are requiring companies to take a holistic and disciplined approach to understanding and managing their risks. Enterprise Risk Management is developing into a major component of business management.

Our firms' professionals have experience in using risk modeling techniques to:

- Evaluate an organization's risk profile and risk tolerance.
- Assess and quantify an organization's risks, spanning traditional insurance risks, credit and market risk, and operational risks.
- Develop or critically evaluate economic capital models.
- Provide advice on efficient capital management, including risk mitigation techniques such as reinsurance and capital markets strategies.

- Provide advice on the appropriate level of capital an organization should hold based on the regulatory capital requirements and the organizations' business risks and risk profile.
- Provide advice on financial planning and strategy through evaluation of alternatives based on a risk and reward framework.

Underwriting Risk – Pricing and Product Development

Appropriate underwriting and pricing are at the heart of an insurance company's success. The key to product development and pricing is the identification and assessment of risk.

We combine our firms' professionals' international experience, including product design and risk modeling techniques, with a deep knowledge of local markets to help organizations in identifying and pricing risk.

We have significant experience in:

- Evaluating market information on premium rates and product features.
- Evaluating existing and proposed regulations.
- Developing new products.
- Analyzing industry and organization experience and developing key assumptions.
- Analyzing product profitability and its sensitivity to changes in key assumptions.
- Evaluating alternate business strategies.

Reserve Risk – Liability Valuation

Reserve risk is one of the most significant risks facing an insurance company. It is linked closely to underwriting risk and forms part of the overall capital and financial management of a company. Our firms:

- Are familiar with the issues surrounding liability estimation and variability, including the increasing focus on risk margins.
- Regularly fulfill the statutory actuarial role to meet companies' regulatory and compliance needs.

Company/Portfolio Valuations

Company/portfolio valuations are required not only for merger and acquisition activity, but also for Board and management reporting. A crucial component is the understanding and assessment of risks embedded within the operation.

As part of multi-disciplinary teams, our actuaries have experience in:

- Appraisal values for mergers and acquisitions (M&A) due diligence, start-ups and IPOs, internal business planning, modeling and reporting.
- Business valuations for sale.
- Tax and management reporting, new company registrations and sales/transfers of existing businesses.
- Distribution channel valuations.
- Judicial management and wind-ups.
- Operational risk management.

Financial Reporting

The introduction and further development under Phase 2 of the International Financial Reporting Standards, reporting under U.S. GAAP and the development of European Embedded Values (EEV) require detailed knowledge and understanding of varied financial reporting issues. These developments are just several examples of the increasing requirements that regulators are making of the insurance industry. Rating agencies, too, have become more specific in regard to assessment of financial viability. These forces combine to escalate the challenges associated with financial reporting.

Internationally our network of actuaries is:

- Active in the development and implementation of International Financial Reporting Standards.
- Experienced in U.S. GAAP conversions and reporting requirements.
- At the forefront of the development of European Embedded Values.

At a local level, our firms are familiar with accounting requirements in numerous countries on six continents.

We have experience in advising companies on the development and implementation of efficient and effective management information systems and process re-engineering, including the integration of tax, actuarial and accounting models, to provide the Board and management with the financial information they need.

Corporate Governance and Process Improvement

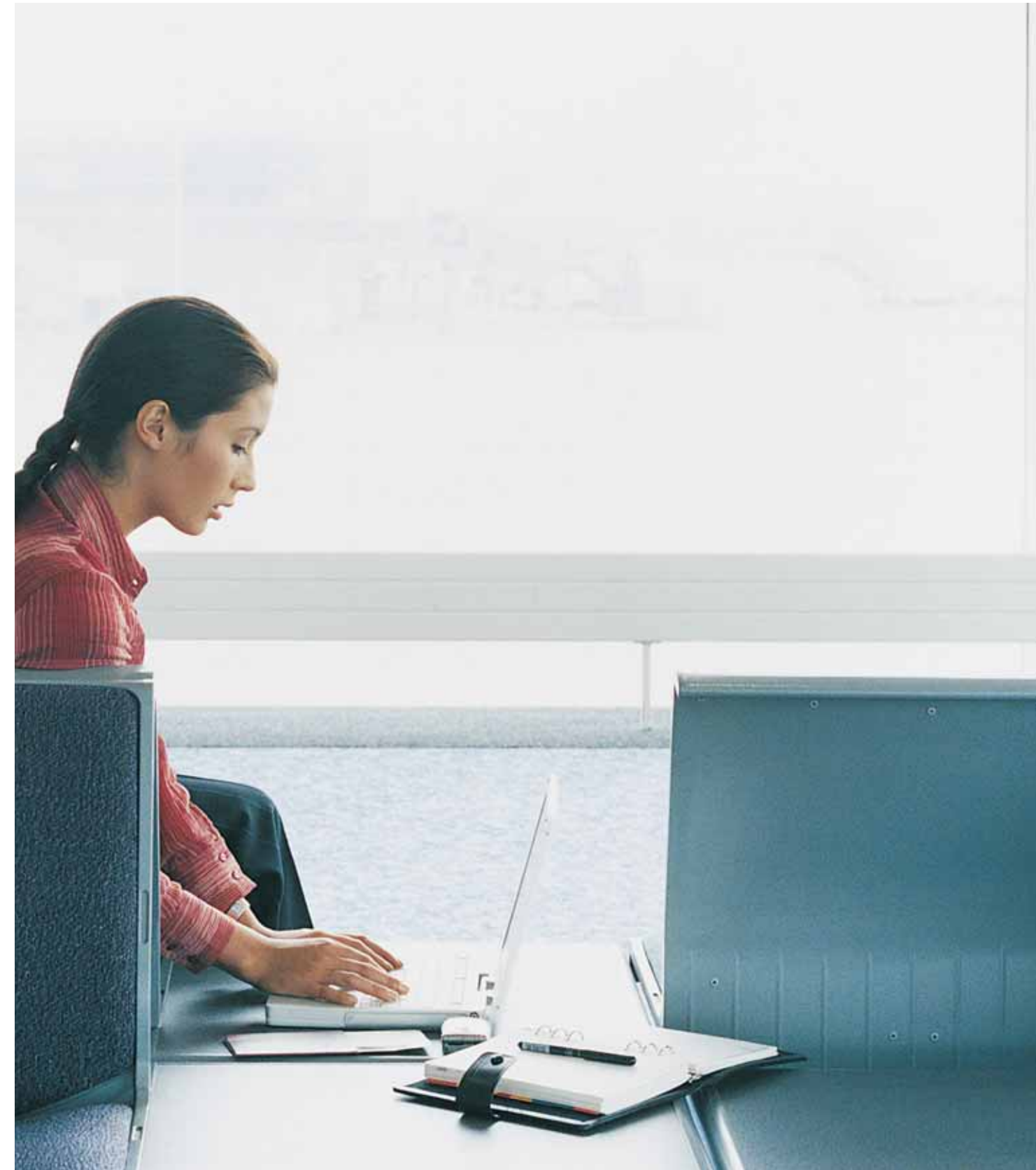
High visibility company failures in a number of markets, sometimes with the associated discovery of fraud, have produced a renewed focus on company transparency and risk management. While the Sarbanes-Oxley Act in the U.S. may be the most obvious result of this focus, the bar has been raised significantly worldwide for companies to understand their key processes and controls to ensure transparency and identify risks.

We concentrate not only on compliance but also on helping organizations extract the maximum value from the process by effecting real and lasting improvement in corporate governance. Actuarial processes are often some of the most complex processes within an insurance organization. Our actuaries are involved in corporate governance including:

- Reviewing existing process and controls documentation.
- Assisting with developing process and controls documentation.
- Providing advice on improving controls.

We have performed underwriting reviews, reserving process reviews, product reviews, market segmentation, price monitoring and overall profit improvement reviews.

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Our Firms' Clients

Local delivery with global consistency – KPMG member firms aim to provide a consistently high standard of service to a wide range of clients regardless of local or regional boundaries. A representative sample of our numerous audit and actuarial advisory clients follows.

Major Audit Clients	Major Actuarial Advisory Clients
Allianz Group	Aviva
HSBC	MetLife
MassMutual Financial Group	Swiss Re
Munich Re	XL Capital
Prudential plc	Zurich Financial Services
The Travelers Companies, Inc.	

Our People



KPMG's worldwide insurance actuarial network includes more than 300 professionals – a network that is vital when our firms' clients require cross-border support. Our professionals offer deep technical and business skills with a strong commitment to delivering high quality, cost-effective personal service. Our key marketplaces extend across the globe, with actuaries located in numerous offices on six continents.

Americas Region

With actuaries based in seven offices throughout the U.S. firm as well as working out of the Canadian and Brazilian firms, over 60 actuarial professionals serve the Americas. These professionals are deeply experienced in actuarial issues and services, spanning life, health and general insurance sectors.

Europe, Middle East and Africa Region (EMA)

Significant actuarial presence is centered in the German and U.K. member firms with well over 100 actuarial professionals in these locales, along with actuarial representation in many additional countries throughout this region.

Asia Pacific Region (ASPAC)

More than 60 actuarial professionals serve the ASPAC region from six offices. The largest practices in the Australian and Hong Kong member firms provide audit and advisory services in their home countries and across the region covering wealth management, life, general, and medical insurance. Actuaries based in KPMG member firms' offices in Beijing, Seoul, Taipei and Tokyo complement our presence in the region.

A Culture of Actuarial Involvement

Our professionals conduct research and develop thought leadership, helping to shape policy on many industry topics, and contributing to local actuarial communities by holding leadership positions:

- In the United States, the head of the U.S. firm's Actuarial Services practice has served as a director of the American Academy of Actuaries as well as a member of the Executive Council of the Casualty Actuarial Society.

- Many of our professionals in the Australian firm are involved with the Institute of Actuaries of Australia including membership of the Council (Board) and various Practice Committees and Task Forces, and assisting with the education program.
- In the United Kingdom, our U.K. firm actuaries have been actively involved in the General Insurance Reserving Issues Task Force.
- KPMG in Germany's actuaries are represented on the Board of the Deutsche Aktuarvereinigung (DAV) and are involved with four of their nine major committees.
- We have also had Board level representation on the International Accounting Standards Committee.

Globally, a number of our firms' professionals serve on multiple research and educational committees spanning all actuarial practice areas. Some examples include:

- Asia Employee Benefits Taskforce.
- Committee on Property and Liability Financial Reporting.
- German Insurance Contract Law Working Party.
- Health & Care Reserving Working Party.
- International Actuarial Association Response Resource Committee.
- Life Insurance Actuarial Standards Board.
- Long Range Planning Committee of the Casualty Actuarial Society and the 20:20 Vision Taskforce of the Institute of Actuaries of Australia.
- Stochastic Modeling for Life Insurance Subcommittee.
- United Kingdom General Insurance Reserving Oversight Committee.

Thought Leadership

Worldwide, our member firms employ over 100,000 people, with more than 20,000 dedicated to the financial services industry.

The complex issues facing the insurance industry demand attention. Our actuaries embrace the opportunity to take leading roles in investigating these topics and have published in-depth articles on many diverse topics, including:

- Linkage of risk, capital and financial management.
- Capital Reserving for Credit Risk for Insurers (Life & GI) and other Institutions.
- Reserve variability and materiality.
- Sarbanes-Oxley and actuarial processes.
- Fair value liability valuations.
- Actuarial implications of international accounting standards.
- Stochastic modeling.

Our actuaries regularly speak at industry events, such as those sponsored by local actuarial societies as well as international accounting and insurance conferences.

We frequently sponsor roundtables for our firms' clients to share ideas and brainstorm strategies in response to hot industry topics – recently, we have sponsored risk and capital management, price governance, and non-traditional long duration contracts, to name a few.

A Multi-Disciplinary Team

Our professionals have access not only to global actuarial resources but also to the full breadth and depth of experience offered by the audit, tax and general advisory professionals of KPMG's member firms. Worldwide, our member firms employ over 100,000 people, with more than 20,000 dedicated to the financial services industry. With the ability to access such a strong network, we can provide a multi-disciplinary, industry focused approach to help you accomplish your goals.



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