

Highlights of the Economic Capital Survey Results

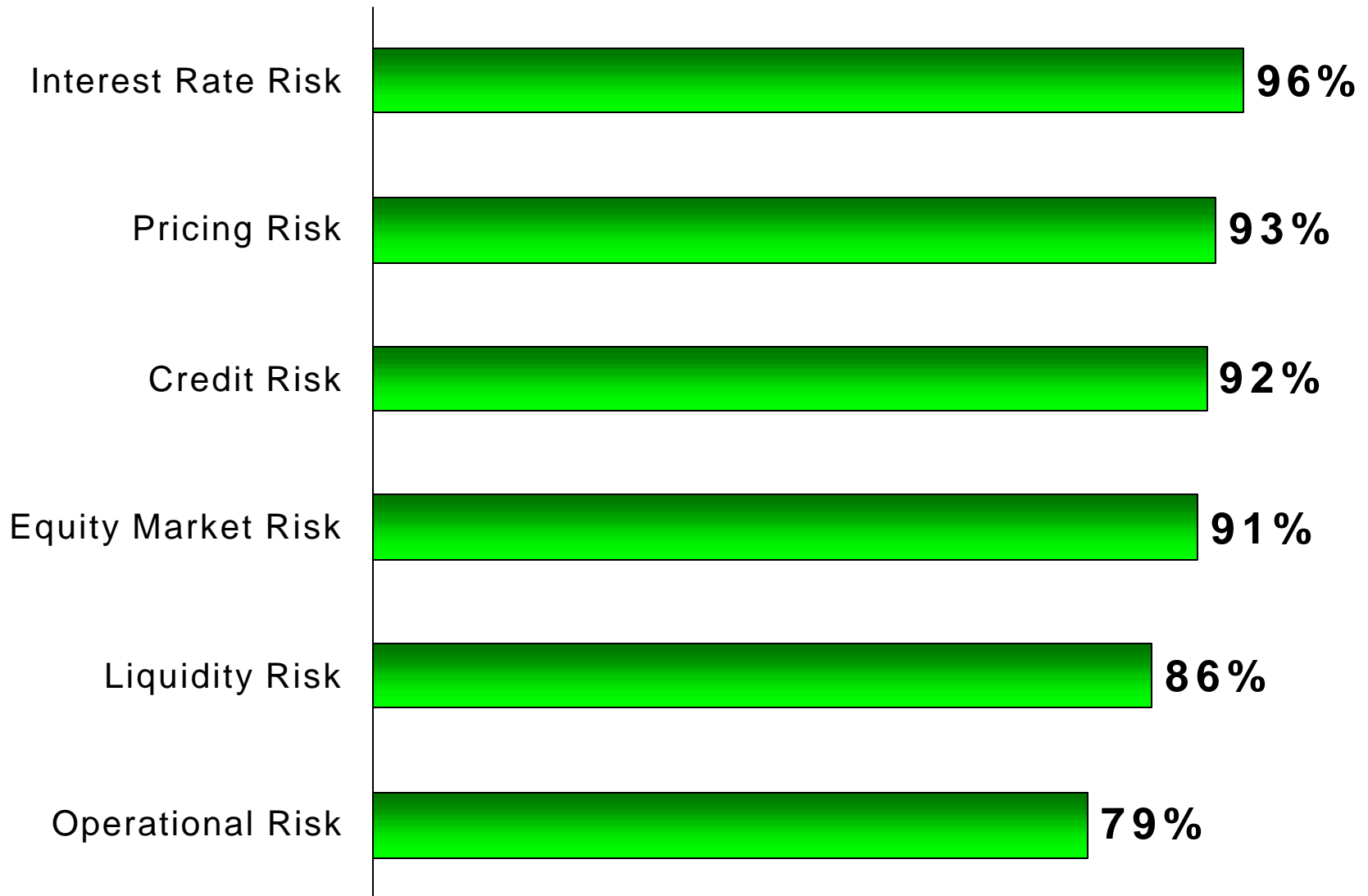
- Conducted over a six week period mid-July through early September, 2002, presented at SoA Boston meeting October 2002
- Blast e-mail was sent to members of
 - International Section
 - Financial Reporting Section
 - Investment Section
- 491 survey participants
 - 44% multinationals
 - 32% US-based
 - 8% North American
 - 4% Canadian
- 57% had assets greater than \$20 billion
- 68% were stock companies
- 24% of respondents were consultants

Over 80% of participants agreed to a strawman definition of EC

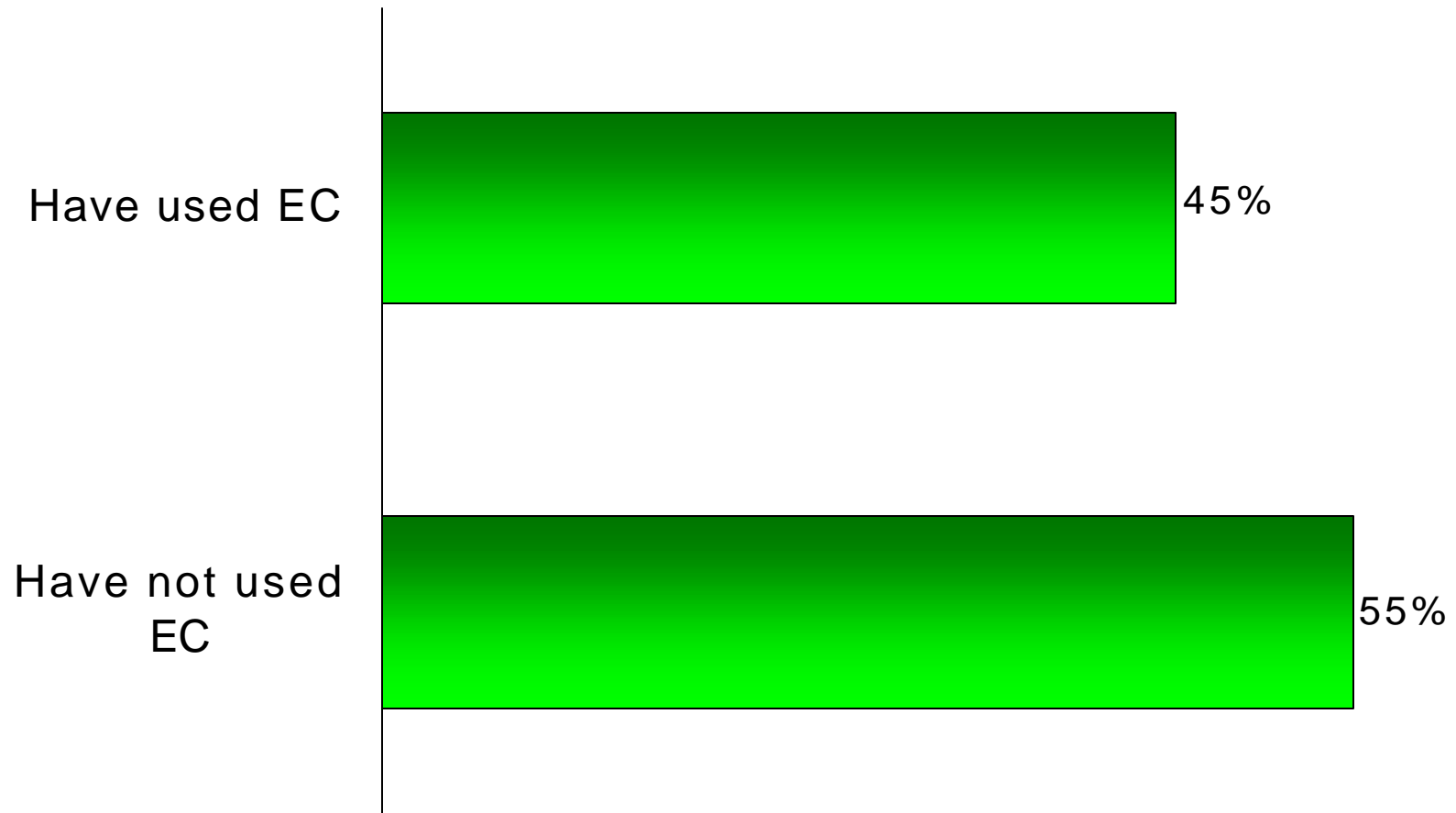
At the enterprise level, Economic Capital is typically defined as “sufficient surplus capital to meet negative cash flows at a given risk tolerance level”.

- 81% agreed (strongly or somewhat)
- 9% disagreed
- 10% didn't know

Most respondents agreed that EC should cover various types of risks

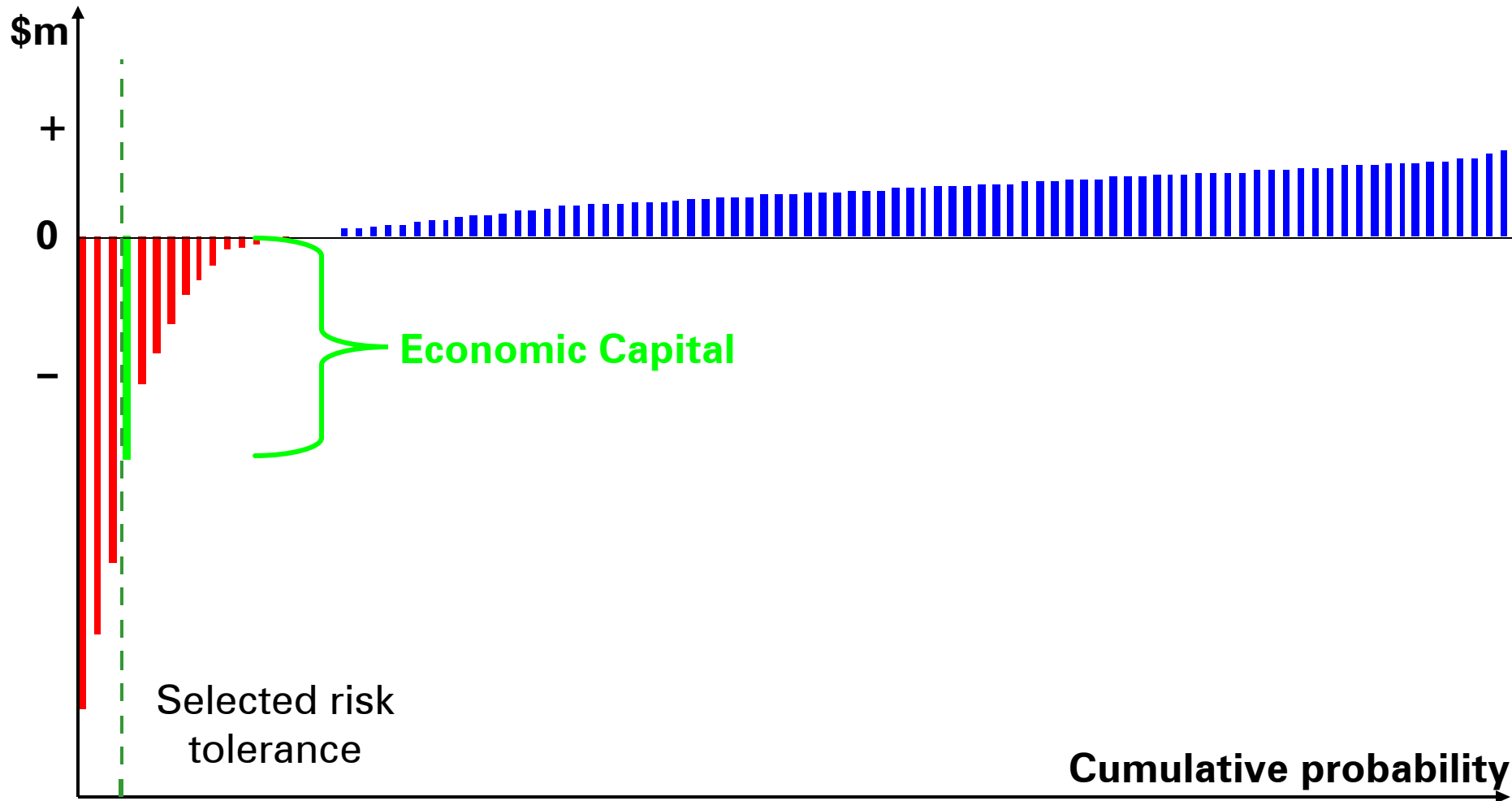


Almost half of the respondents have been using the concept of EC at their company/in their work

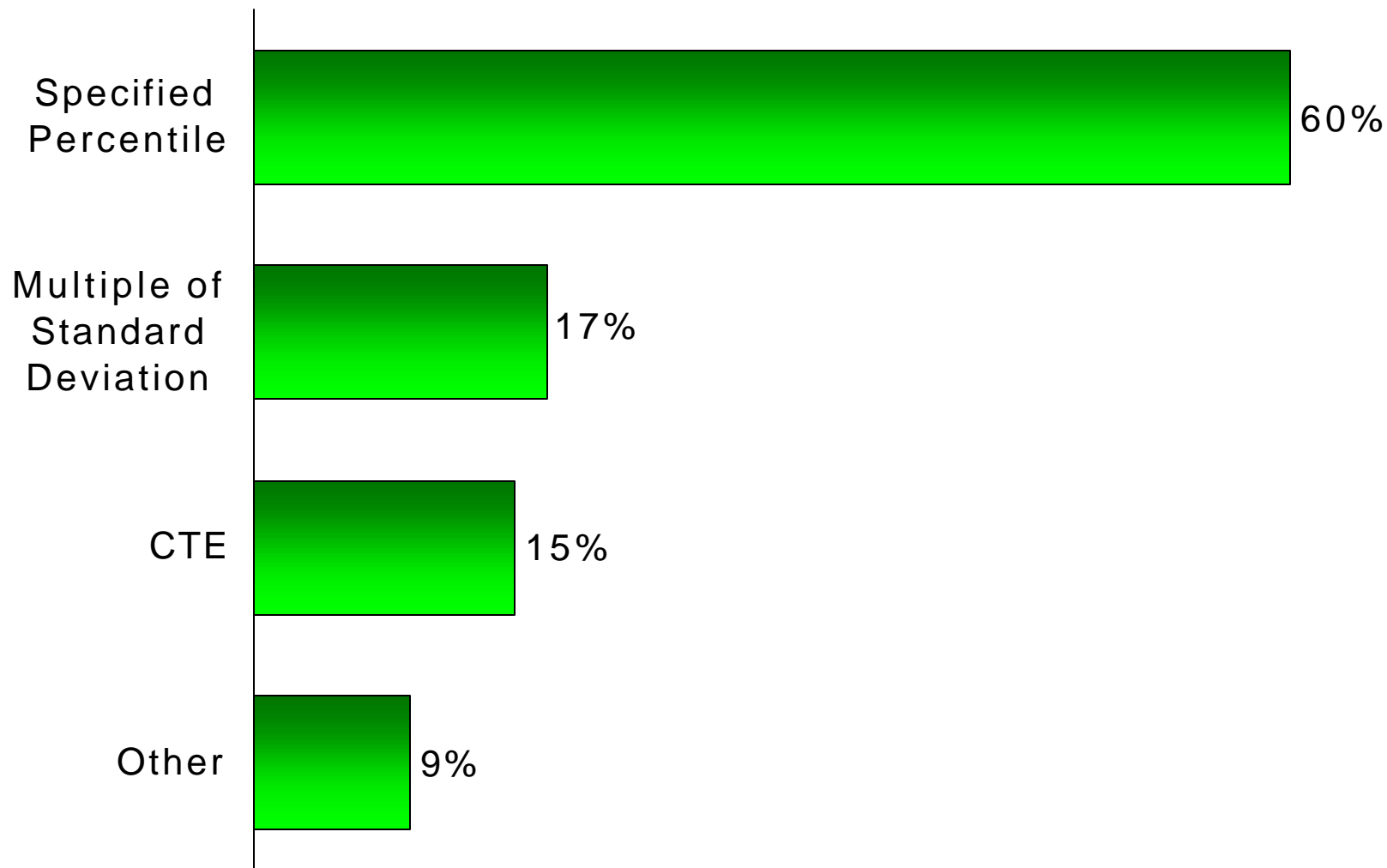


Determining economic capital for selected risk tolerance

Ranked distribution of present values of future profits from each simulation



When determining EC, various risk tolerance measures are currently in use

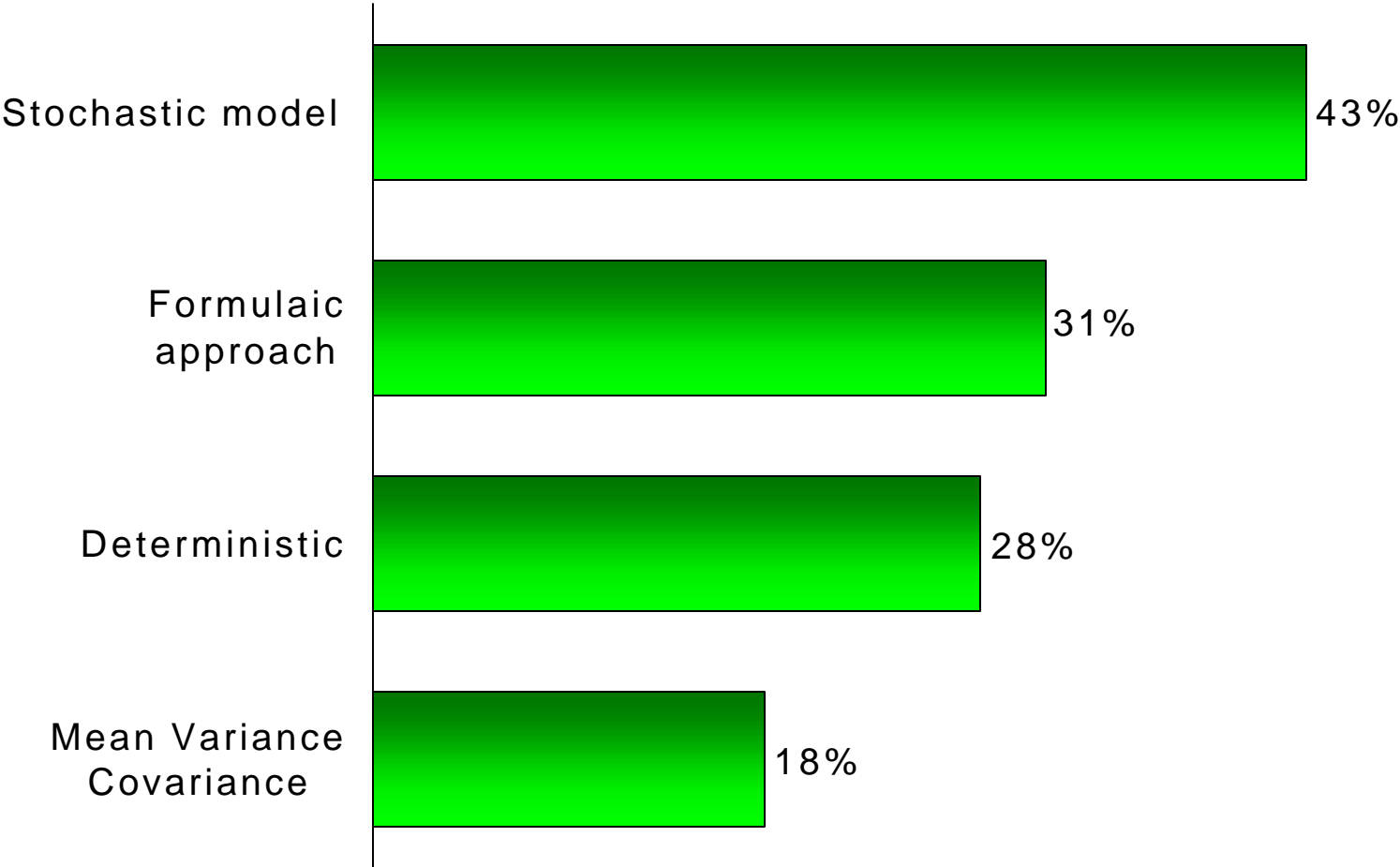


The main reasons for calculating EC include risk and performance measurement

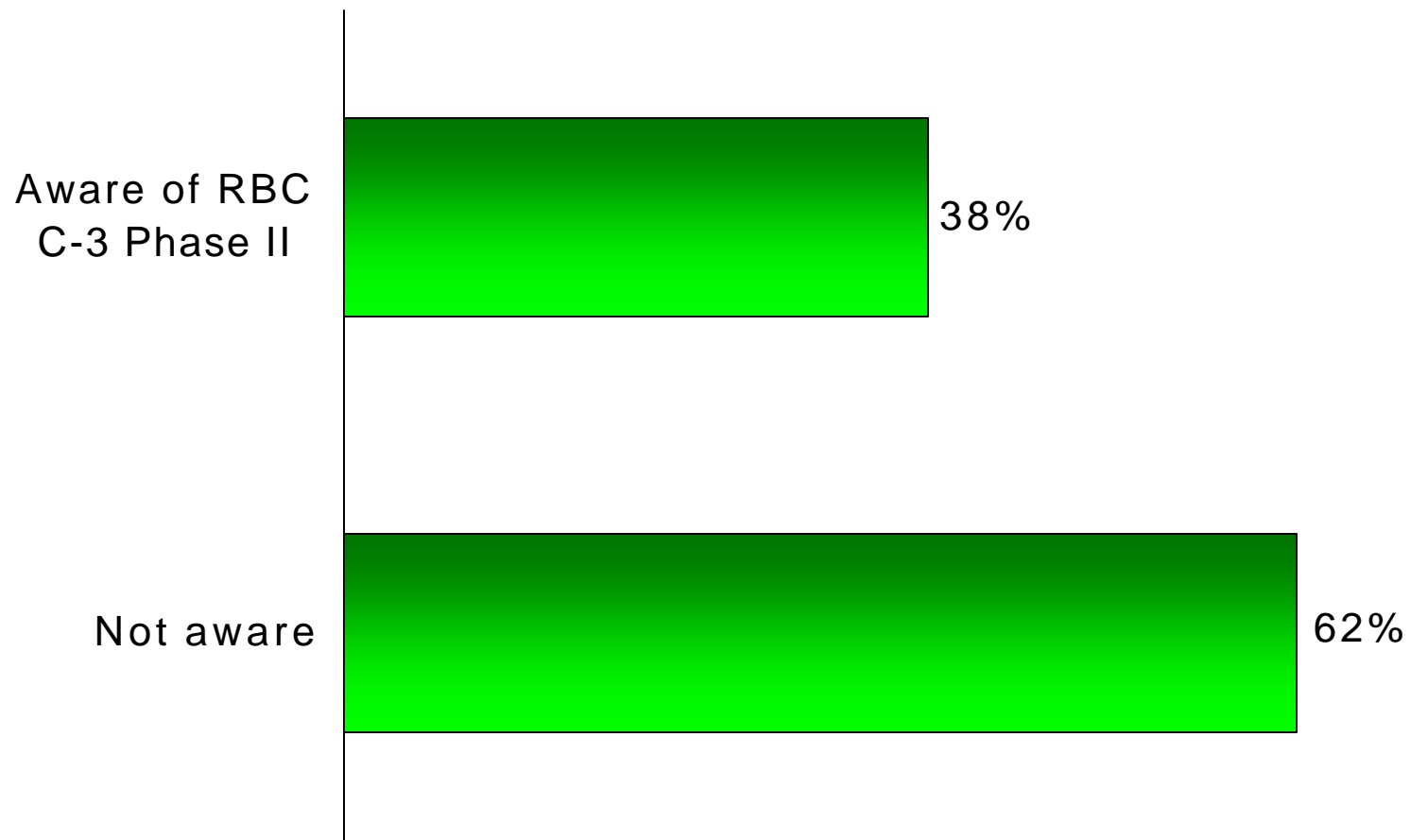
1. 44% of respondents cited risk management as a key reason
2. 32% cited performance measurement
3. 59% have established a formal framework for the calculation of EC

For measurement of EC, less than half of respondents currently use stochastic methods

“How has EC been measured for various lines of business?”



While only a minority are aware of the new RBC C-3 Phase II requirements, ...



..., a majority of companies expect EC to have greater significance going forward

“What are your plans/expectations for future developments of EC at your company?”

