

The Actuarial Profession
making financial sense of the future

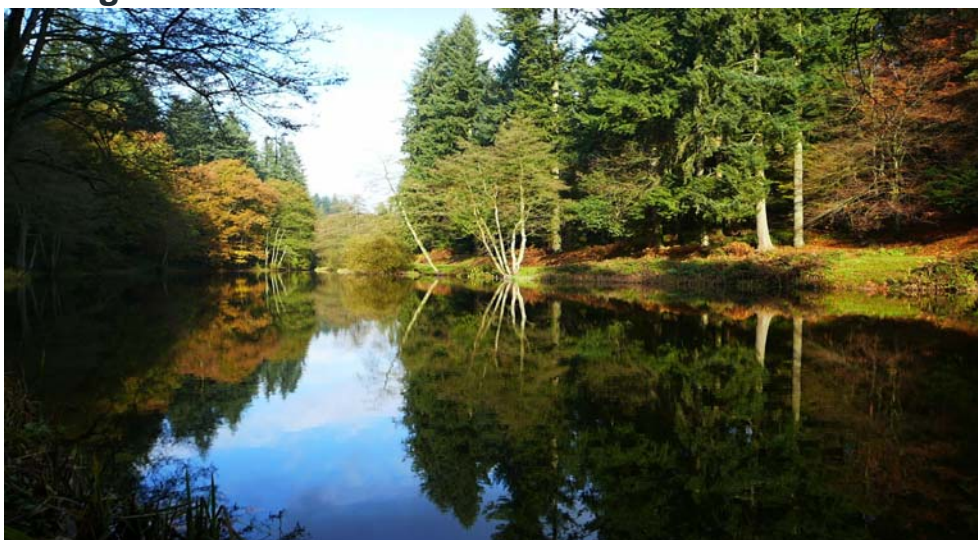
The Actuarial Function under Solvency II : The Impact on Non-Life Insurers
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A Company Perspective

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Change



.....Reflection

1

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The Change

- “Solvency II is not just about capital. It is a change of behaviour” **Thomas Steffen – Chairman of CEIOPS**
- Article 48 Summary

Must be provided by those who have appropriate actuarial knowledge and be responsible for:

 - Calculated technical reserve
 - Ensuring appropriate assumptions and methodologies used
 - Assessing quality of data
 - Comparing actual vs expected
 - Informing on the reliability and adequacy of calculations
 - Overseeing case estimate provisions
 - Expressing an opinion on the underwriting policy
 - Expressing an opinion on the reinsurance arrangements
 - Contributing to the risk function.

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2

The Change (Continued)

- Article 44 Summary

Strategies, processes and reporting procedures to:

 - Identify, measure, monitor, manage and report (on a continuous basis) the risks to which the company is exposed.
 - To include those in the SCR calculation and others including liquidity and reputational.
 - Demonstrate compliance with “prudent person principle” in respect of investment risk.
 - Risk function to oversee the risk management system and any internal model development.

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3

Nature of the Actuarial Function

- Not necessary to be an actuary
- Can be part-time
- Can be more than one person carrying out different roles
- Can be outsourced (but see Article 49!)
- Appropriately skilled and qualified

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4

Insurance Company Implications - Boards

- Need to own technical provisions
- Evidence of understanding and decisions made – “why” as well as “what”
- Understand internal model sufficiently
- Understand changes in capital and reserves and where margins are held
- Establish post implementation risk appetite
- Ensure all functions specified in Solvency II are adequately resourced by an appropriate number of skilled people

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5

Insurance Company Implications – Business & Senior Management

- The internal model needs to be trusted as an integral part of Risk Management and Strategic Decision making processes
- Understand internal model – the uncertainty; what it does and does not do
- Data quality
- Organisational structure
- Understand impact on financials, risk appetite, MI requirements
- Engagement with the actuarial function

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6

Insurance Company Implications - Actuaries

- Different method of calculating technical provisions
- Understanding risk margins
- Opining on underwriting and reinsurance arrangements
- Documentation
- Validation – accuracy, stability, do categories of risk explain causes of....
- Data quality

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Technical and Process Skills

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7

Insurance Company Implications - Actuaries

- How to get the business involved with development of the internal model/SCR
- Educating the business so understand the model/SCR
- Establishing the role of providing opinions on underwriting and reinsurance arrangements
- Change management
- Build relationships - collaboration
- Communication
- Ability to judge when to stand firm and when not to
- How to take challenge

So much more about soft skills than technical

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8

The Actuarial Function – The Challenge

As the function is a 'must have' – how to stop it being:

- Seen merely as an overhead
- Black-boxed/pigeonholed
- Thought of as another Compliance function
- Regarded as getting in the way and slowing initiatives down
- Unpopular!!

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9

The Actuarial Function – The Opportunities

- Widen role & influence
- Positive attitude
- Collaborate & build relationships
- Communicate complexity in way non actuaries understand
- Exposure to Board and Senior Management
- Growth of the Enterprise Risk Actuary? CERA qualification
- Market role within business – ensure not just because in Directive – focus on “what any good business would do”.

Be seen to add EVEN MORE value

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10

Grabbing The Opportunity



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11

Your Starter For 10! OR Questions I would rather ask you before you ask me!

- Do you know what proportionate means for your business?
- Can you articulate what it means to your non actuarial colleagues?
- Have you considered how reporting will have to speed up?
- How will you deal with increased frequency of reporting?
- When was the last time you worked with an underwriter; a reinsurance manager; investment department; marketing?
- Does your Board know what impact the new technical provisions will have on the balance sheet and risk appetite?

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12

And Finally: The Biggest Question Of All

- What are you going to do for CPD after Solvency II is implemented!!!
- Picture of professor scratching head? Or person obviously in retirement??

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13