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Two hats on one head – Balancing the interests of the entity and the group

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1. How many “hats” do you wear?

- Group or (one or more) subsidiary(ies) / branch(es) or both
- Chief Actuary (AFH / Appointed Actuary) or CFO or CRO – or combination
- Different roles in different countries?
- For how many countries?
- In how many languages?
- With how many Boards and Regulators?
- How many different NEDs?
- Regulatory returns v Report and Accounts v Tax ?
- Non-GAAP measures (EV, NBV)



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2. *Actuaries* Are Different in Different Lands

- Different actuarial standards
- Different favoured approaches to modelling
- Different history
- Different training and qualifications
- Different types and seniority of roles
- Leads to different Thinking and Approaches
- They speak different languages – even if all “English”!



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3. Actuarial Differences - an example

- Canadian actuarial practice based around ALM
 - Means result of valuation is a pool of assets not a number
 - Basis setting on best estimates from history with specific provisions for adverse deviation
 - Best estimate means likely to be worse 50% of the time
 - Aimed to reserve at 60-80% CTE
 - Aim for capital at 95% CTE
- Does it travel the Atlantic well?
- Or the Pacific?



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4. Accounting is Different too

- IFRS (currently) not same for insurance in different countries
- And Local GAAP (if used) maybe different again
- In most (but not all) countries separate regulatory and financial reporting and, in some – e.g. US – separate tax accounts
- Often non-GAAP measures used too (again questions on consistency of approach) – but not the same ones
- Can multiply workload
- Are different measures moving appropriately and/or consistently given business results?
- Watch the disclosures too – are you saying / required to say more at a subsidiary than at Group?



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5. *Regulators* are Not all the same

- The IAIS has lead to some convergence and common themes
- But the same words or phrases don't necessarily mean the same requirements
- Approaches can differ
- Local regimes tend to reflect local history
- Local business models evolve to fit local rules....
- ... or vice versa
- Can mean that risks are viewed differently in different countries
- Different regimes view "controlled functions" in a different way and have significantly different expectations



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6. Regulators are *Not* all the same

- Regulatory Colleges are growing up
- However the development is in its early stages
- And some logistical and practical issues apply here too
- What capital do you measure and use for:
 - risk decisions?
 - product pricing?
 - Capital Allocation?
 - And where should it be held?
- Are risk management techniques equally effective in all regimes?



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7. Auditors are not all the same – even if the same firm!

- The role of actuary versus the role of the auditor
- The degree of recalculation and assessment
- Is there mandated Peer Review – and if so how and who?
- Levels of materiality can be different for a small subsidiary
- Local practices (including rotation) can differ and pools can be limited in smaller locations
- Expectation of auditors could well differ by country



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8. Practicalities + Logistics

- Language – even if it is always English!
- Timelines and timing differences (including holidays)
- Time zones
- Priorities - especially Head Office v subsidiary
- Key ratios – do they make sense for subsidiary business
- Travel challenges
- Cultural differences
- Currency issues



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9. How does one manage?

- Sometimes measures conflict
- Which hat are you wearing?
- Which system predominates?
- Maintain sense of proportion/humour
- Harmonise where possible
- Or, maybe, "higher of..." approach
- Seek to build margins for reaction time
- Take positives from broadened thinking
- Slainte!



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Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

