



The Actuarial Profession

making financial sense of the future

GIRO Convention 2009

Workshop C7

Extracting value from Solvency II preparation

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Embedding

Alternative perspectives:

- “We already do this” – informal networks
- “We need to do a lot of work” – formal networks

Company Networks

Where is Solvency II taking us?

Formal positives

- Explicit
- Documented
- Understood

Formal negatives

- Mechanical
- Delegated to weak staff
- Irrelevant

Informal positives

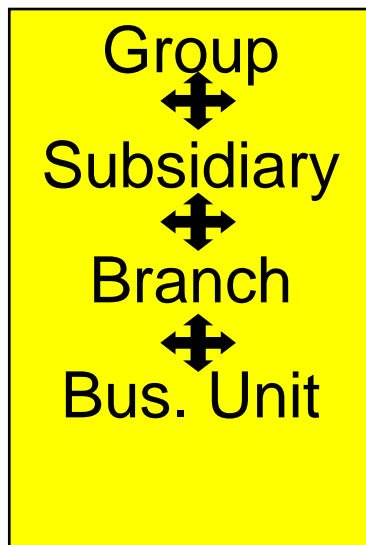
- Direct tap into experience
- Immediate
- Deeper reach

Informal negatives

- Ad-hoc
- Fragile
- Key person risk higher

Company Networks

How does SII change the chain of command?



- Formal/informal
- Power/Influence
- Parochial behaviours
- Silos being broken
- More robust information flows both up down and across

SII is demands consistency across organisations

Group Models

- Centralised or local models?
- One-size fit all?
- Trade-off between consistency and reflecting Business Unit characteristics
- Different approaches and different priorities

How should these dilemmas be addressed?

Modelling Dependencies

- Forces explicit thought process around tail dependencies
- Interactions between assets and liabilities
- Scenarios married with analytical assessment
- Process for critical review of systemic risks

Outwards Reinsurance

- More optimal purchase of outwards reinsurance
- More explicit decision-making
- Higher quality price discussion
- Better quality data feeding pricing process
- Counterparty risk focus – diversification and quality

Underwriting and pricing

- Pricing framework should instinctively reflect ROE and capital considerations
- Alienation of underwriters?
- Challenges the balance between technical pricing and portfolio management skills

Control cycle issues

- Executive, actuaries, finance and risk management drawn into control cycle
- More robust debate on business plans
- Drives Board to make painful demands for MI
- Timely updating and what-if analyses
- Risk dashboards

Solvency II – challenges

