

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

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- **The usual disclaimer**

The views expressed in this presentation are my own for the purpose of provoking discussion and do not necessarily reflect the views of my company or the Actuarial Profession

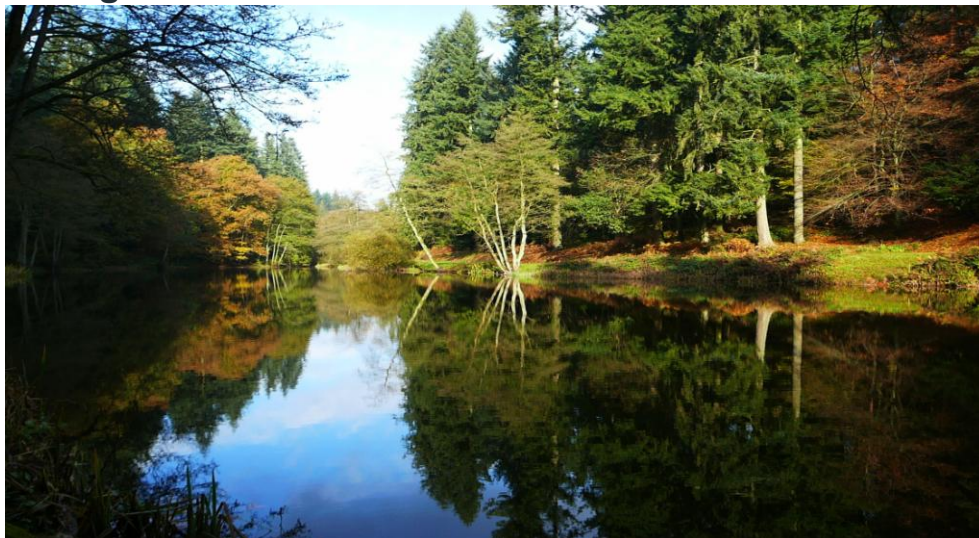
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..... and in fact these aren't even necessarily my own views!

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Change



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.....Reflection

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The Change

- Article 48 Summary - The Actuarial Function must:
 - Calculate technical provisions
 - Ensure appropriate methods, models and assumptions used
 - Assess sufficiency and quality of data
 - Compare actual vs expected
 - Inform on the reliability and adequacy of calculations
 - Express an opinion on the overall underwriting policy
 - Express an opinion on the adequacy of reinsurance arrangements
 - Contribute to the effective implementation of the risk management system

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The Change (Continued)

- Clear links to Directive Articles on
 - a) Risk Management
 - b) Outsourcing
 - c) ORSA
 - d) Fit and Proper Persons
 - e) Internal Control
 - f) Internal Audit

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

Nature of the Actuarial Function

- Not necessary to be an actuary
- Can be part-time
- Can be more than one person each carrying out different roles
- Can be outsourced (but see Article 49!)
- Can be involved in other duties as management sees fit (provided does not compromise proper segregation of duties)
- A full or partial integration with other functions such as risk management is acceptable
- Appropriately skilled and qualified

Insurance Company Implications - Boards

- Compliance with all Solv II requirements including disclosure
- Understand key risks the business faces
- Understand internal model and how used in business
- 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
- Evidence of challenge and understanding of decisions made – “why” as well as “what”

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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
- Oversee internal model governance
- Data quality
- Organisational structure
- Roles, responsibilities and resourcing
- Understand impact on financials, risk appetite, MI requirements
- Engagement with the actuarial function

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Insurance Company Implications - Actuaries

- Different method of calculating technical provisions
- Understanding risk margins
- Opinions on underwriting and reinsurance arrangements
- Documentation
- Validation – accuracy, stability, do categories of risk explain causes of variation in P&L
- Data quality

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Technical and Process Skills

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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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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!!

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

Grabbing The Opportunity



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A (Very) Small Survey

Actuaries involvement	None	Little	Some	Major	Own
Pricing Decisions				☺☺☺☺☺	
Reinsurance Decisions			☺☺	☺	☺☺
Investment Decisions	☹	☹☹☹		☺	
Bus/Strategic Planning		☹	☺☺☺	☺	
Risk Management			☺☺☺	☺	☺
Setting Risk Appetite			☺	☺☺☺☺	
Ranking Risks	☹		☺☺	☺☺	
Management of Capital			☺	☺☺☺☺	

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Your Starter For 10! OR Tricky questions I would rather ask the audience 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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More Tricky Questions!

- Have you thought about how your behaviour may need to change?
- Have you and your company thought about how roles might be combined whilst retaining independence?
- Have you considered how reserving reports need to change?
- What will the ORSA document look like?
- How will you still demonstrate that you add value if you have 'right' to sign-off?
- What part can you play to help the Board and Senior Management meet their responsibilities?

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And Finally: The Biggest Question Of All

What are we all going to do for CPD after Solvency II !?!



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