

The Actuarial Profession
making financial sense of the future

Current Issues in General Insurance
Nicholas Line & Ian Shires

TAS
A Practitioner's Approach

10 May 2012

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Why did we agree to speak?

To make us think properly about TASs!

Contents

- What we do in our Actuarial team
- A recipe for TAS compliance
- Some observations about the real world

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What we do in our Actuarial team

- Reserving - In-house SAOs
- Pricing – Risks, Models, Reinsurance
- Capital modelling
- Catastrophe Modelling
- Commutations
- A Company and a Syndicate

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Our recipe for TAS compliance – Step 0

Summarise each TAS into bullets (a “1-pager”)

Not that many:
D, M, R, Ins...

Reasonably
straightforward

Don't make a cake
without first reading and
understanding the
recipe!



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Our recipe for TAS compliance – Step 1

Make a list of all department output
Reports
Emails
Powerpoints etc

- Anything with any Actuarial input, even if co-authored
- All functions within the team
- Nothing excluded to start with

Aggregate vs
Component
reports?

Users and
decision making?



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Our recipe for TAS compliance – Step 2

Compare list items to Scope of each TAS

- Scope and Authority
- Insurance TAS – 1st October 2011
- TAS R – 1st April 2010
- TAS M – 1st April 2011
- TAS D – 1st July 2010

Which supermarket can I buy my ingredients from?



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Our recipe for TAS compliance – Step 3

Decide which pieces of work in the list fall into Scope

- Hopefully a shorter list than the one you started with
- We discovered that if one TAS was needed, they all were
- Cross check with Alex Marcuson's list:
 - Reserving
 - Audit support
 - SAOs
 - AF Opinions for S2
 - Regulatory Capital
 - Pricing frameworks
 - Transformations



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Our recipe for TAS compliance – Step 4

Check each “piece of work” satisfies each bullet of your one-pager

- See where the gaps are
- Look for common elements

Where are
the gaps?

MATERIALITY

Then FILL THE GAPS!

Bear in mind:

- Materiality
- Knowledge and experience of users
- Use of standing documents



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Some observations about the real world 1

- Overlap with Solvency 2 in many places
- Overlap with Sarbanes-Oxley
- Reports and outputs might serve:
 - Genuine business use
 - A TAS requirement
 - A Solvency 2 requirement

Must consolidate
these as much as
possible otherwise
you will drown in
paper!

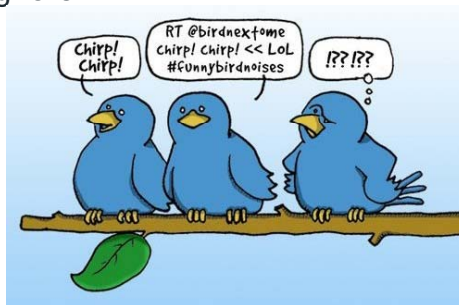


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Some observations about the real world 2

- Pensions Trustee with little experience *versus*
- Director of a Managing Agent underwriting for 20 years.
- Communication must start at an appropriate level
- However, also remember that almost all users of actuarial work would dearly love to ignore:
 - How you did your work
 - What methods you used and how unreliable they are
 - The assumptions you used and how heroic they are
 - Where your data came from and how grubby it is
 - How wildly uncertain your results are



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Questions?

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