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The Road to Solvency II

A business perspective

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## Objectives

- Views on Solvency II
- Lessons Learned from ICA and Basle II
- Challenges for Actuarial community
- Challenges for Business
- Implications going forward



# Solvency II Framework

Pillar 1:

- Solvency Capital Requirement
- Internal models
- Pillar 2:
  - Supervision
- Pillar 3:
  - Disclosure

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### Embedding ICA – Strong Progress

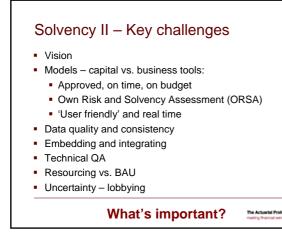
- Current ICG formula based (ECR)
- ICA Submission May 2008
- Better models better engagement
- Capital allocations by product, channel
- Embedding workshops risk and capital
- Business decision making:
  - Risk selection
  - Reinsurance
  - Captive Reinsurer
  - Pricing

"Joining up the Channel Tunnel" The Actuarity Profession

#### **Basle II lessons**

- · Similar goals similar regulatory uncertainty:
  - Regulatory capital
  - Better risk management
- One Group programme:
- Initially six divisions plus Group
- Start early clarity of 'vision'
- Data, not just models
- Embed 'use test'
- Internal models running business vs. capital calculations
- Business programme not 'risk' project

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#### Your role

- Business partner
- Provide credibility
- Technical and generalist
- Commercially biased, pragmatic
- No black boxes:
  - Inputs, assumptions, outputs and feedback loops
- Guides, not necessarily leaders
- Translate jargon
- As one with Finance and FS Actuaries

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# **Business benefits**

- Risk as key driver / competitive differentiator
- Sensible pricing
- Capital allocation and pricing aligned to risk
- Investment Appraisal
- Lower volatility
- Channel/Product/Segment choices
- Diversification benefits
- [Groups regulation]

More than 'technical' compliance The Actuarial Pr



