

The Actuarial Profession
making financial sense of the future

Responsibilities of the Actuarial Function
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Technical Provisions *...or what AF means for the Reserving Actuary*

22nd January 2013

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Agenda

- What do we need to do?
- Where do the challenges lie?
- The Actuarial Function report

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What do we need to do? The SII Directive

Insurance and Reinsurance undertakings shall provide an effective actuarial function to:

- *Coordinate* the calculation of technical provisions;
- *Ensure* the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- *Assess* the sufficiency and quality of the data used in the calculation of technical provisions;
- *Compare* best estimates against experience;
- *Inform* the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions

Source: Solvency II Directive, Article 48

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Where do the challenges lie?

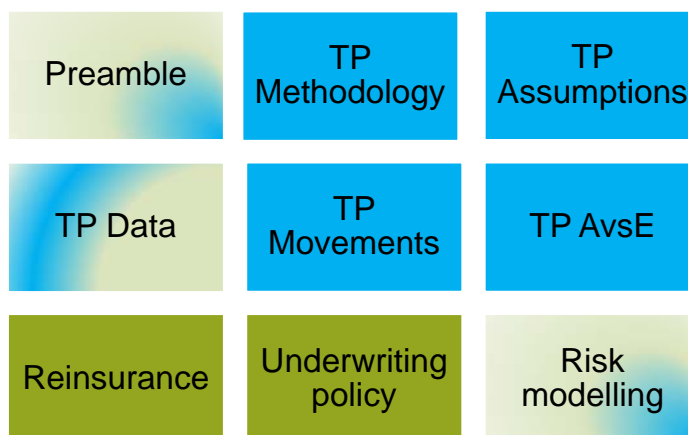


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Actuarial function report and the reserving actuary

What should be in it?



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Actuarial function report

Methodology and assumptions (1)

What should be included in the report?

- What did we do and why did we do it?
 - An overview of the approach taken
 - Why the methodology and assumptions are appropriate
 - Simplifications and why they are reasonable
- Sources of comfort:
 - Confirmation that TP documentation is complete and approved
 - Have the TP processes described been followed?

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Actuarial function report Methodology and assumptions (2)

What should be included in the report?

- How the figures tie in with what we are familiar with
 - How IFRS/UK GAAP estimates map to technical provisions
- Not a lot of detail: It is okay to reference detailed documentation

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Actuarial function report Data

What should be included in the report?

- How is data grouped for reserving? Why? Any changes, past and planned
- How accurate, appropriate and complete is the data used for the TPs
- How can you tell? Data quality assessments performed
- Who is responsible?
- What are the shortcomings? Where are they? What impact do they have? What is being done to fix them?
- Any adjustments made to data: why and what?

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Actuarial function report IT – *something new*

What should be included in the report?

- Are the existing IT systems for TP calculations and data adequate?
- What are their limitations
- ...and what are you planning to do about it?
- How have you dealt with the current limitations?
(Adjustments/approximations made)

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Actuarial function report Movement analysis

What should be included in the report?

- How do this time's TP's compare with previous TP's?
- Why are they different?
- How are you planning to change what you do in the light of this?

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Actuarial function report Actual vs expected analysis

What should be included in the report?

- Where are the material deviations between actual and expected?
- What caused them?
- What is your response going to be?

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Actuarial function report Uncertainty

What should be included in the report?

- Your report needs to be TAS compliant
- Where are the areas of greatest uncertainty...with quantification, if possible
- How uncertain are your binary events loadings, WBNI, payment patterns and risk margin?
- Just how accurate are your technical provisions? How uncertain are they? What are the limitations in your estimates not already covered elsewhere?

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Actuarial Function

Challenge or Opportunity?

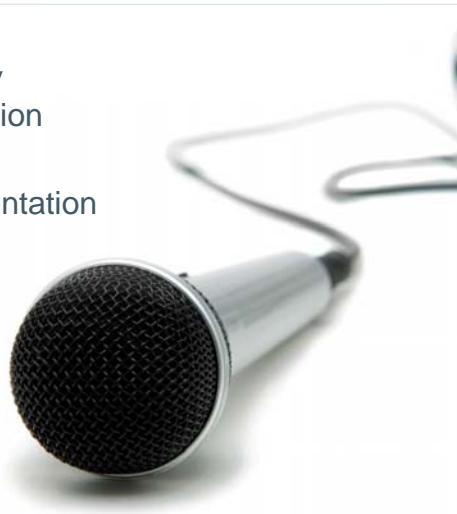
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Questions or comments?

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