

FSA general insurance actuaries – what do they actually do?

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FSA general insurance actuaries – what do they actually do?

- A better question would be:
What don't they do?

- Well the only thing is pricing!



FSA general insurance actuaries – what do they actually do?

- A Consultancy within the FSA!



FSA general insurance actuaries – what do they actually do?

Providing advice for:

- Commercial General Insurance department
- Major Firms Department
- Retail General Insurance Department
- Lloyds
- Policy
- Enforcement
- Authorisations
- Projects, Themes, Blue-sky thinking,...



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Types of work

- Reserving
- RAF assessments
- ICAS
- Supervisory events
- Policy
- Authorisations
- Projects
- Training



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Reserving

- We regularly perform reserving analyses for companies, from small monolines to large composite insurers.
- We review reserving for Lloyds's managing agents.
- This may involve using our enforcement division should the situation require.
- These may form part of regular monitoring for firms or may be specific for an event.
- But we always need to consider the wider aspects of a firm's overall level of capital, its internal structure and the wider market – Think Big Picture!

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RAF assessments

- The RAF system or Risk Assessment Framework, involves supervisors regularly reviewing a company and the risks which it poses to our statutory objectives. This can involve a great deal of analysis of historical information and also visiting and interviewing the company's senior management – not only actuaries!
- We give guidance on mitigants of identified risks - which draws on our experience as analysts of risk.
- This can be an annual occurrence for the larger, high impact firms, or a 3-yearly period for smaller firms.

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ICAS – an actuary's dream!

- The new capital requirements to be introduced following CP190 will mean that a large proportion of our work from July 2004 will involve reviewing company's ICA submissions.
- This will involve us reviewing and challenging economic capital models and their assumptions, as well as assessing the appropriateness of stress and scenario tests and also assessing loadings for those non-modelled risks.
- This will be a hot topic in the market for some time and where else better to see it from than from the FSA!

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Supervisory Events

- This covers the wide issue of any events which require regulatory approval.
- They include waivers, variation of permissions, changes of control and transfer of business.
- They may include enforcement actions if necessary.
- We have been involved with many major events over the past 18 months, e.g. the Direct Line purchase of Churchill.

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Policy

- The actuarial team have a good link to the policy being developed within the FSA.
- We have been involved in, obviously, CP190 and the proposed new capital regime. We have also been involved in looking into regulatory reporting, new capital regime for Lloyds, PI for IFAs, Solvency II, and Basel.
- We are also involved in the Reinsurance Task Force, as well as looking at liquidity, credit and operational risk.

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Authorisations

- The actuarial team have involvement with most of the applications for authorisation of general insurers, be they companies or Lloyds entities.
- We have developed models to test the adequacy of the capital structures proposed as part of the submissions and often meet on a regular basis with the supervisors from the authorisation division and the company involved.
- This can involve working with many overseas based companies trying to build a subsidiary in Europe.

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Project work

- The FSA runs many cross divisional projects, many of which find their way into policy or market distribution, and the actuarial team have heavy representation on these, whether as project manager, project team members or sitting on the actual project board.
- Major projects recently completed have been completed include the Liability Insurance Project, the Reinsurance Project, the Asbestos Project, Credit Risk Transfer Project, Calibration of the ECR and Regulatory Reporting.

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Training

- The team are heavily involved in training the insurance supervisors on technical issues. We regularly run training courses on:
 - Reserving
 - Analysing accounts
 - Reinsurance
 - Discounting of reserves
 - Capital adequacy
 - and of course ICAS!



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Work with external bodies

- The FSA, and FSA general insurance actuaries in particular, meet on a regular basis with many external bodies including
 - Overseas insurance supervisors
 - The Profession
 - ABI
 - Government departments, including DWP, HMT, OFT, DTI, DCA,...
 - IUA

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Working with the institute

- The FSA general insurance actuaries are involved in many of the GIB committees and are regular contributors to GIRO working parties.
- We regularly attend GIRO and also events such like today, either as delegates or presenters



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Conclusions

- Hopefully you can see that life is very varied – No two days are the same (unless you are training for ICAS!)
- Our focus is primarily on the big picture, but knowing when to delve into the details!
- It is a challenging but very rewarding role
- Things can only get better!

Questions?
