

The Actuarial Profession
making financial sense of the future

Actuarial Systems & Controls – The Challenge

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Workshop B01
Life Convention
Glasgow
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The story so far.....

- 2005
 - Visited 6 companies
 - Internal FSA report
- 2006
 - Life Insurance Newsletter (February)
 - Visited 3 more companies
 - Life Convention (November)

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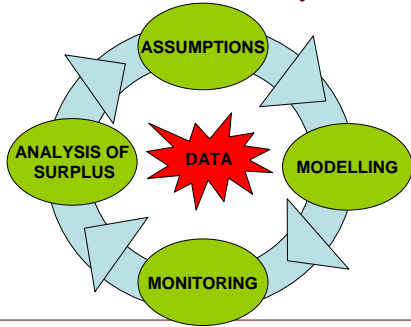
Systems & Controls – why?

SYSC 3.1.1 (R) :

A firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business.

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Systems & Controls – why?



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Our visits to companies

- High level
- Evidence of remedial work
- Range of prevailing standards
- Derived “best practice”

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Documentation

- Standards established and documented
- Responsibility of the Head of Actuarial Function
- All actuarial systems and procedures
- Independently signed off
- Maintained on a “read only” basis

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Data

- Key to meaningful output
- Accurate
- Complete
- Validity checks

Assumptions

- "Database" of assumptions
- Centralised
- Secure
- Kept up to date

Systems and Models

Controls include:

- Specification
- Development
- Testing
- Reviewing
- Ability to demonstrate confidence in models

Spreadsheets!

- Different from other actuarial systems?

Experience Reviews

- Part of control cycle
- Frequency of reviews
- Analysis of surplus
- Key to effective controls

Other thoughts.....

- Process reviews
- Automation
- Disaster recovery plans
- Controls at all times?
- Senior management engagement?
- Monitoring

Our conclusions so far...

- Many firms have improved their controls around actuarial systems in the past year.
- The challenges are to maintain these higher standards and to improve further.
- Firms still have some way to go before the chances of significant errors occurring are eliminated altogether.

Over to you!

- Key areas still to be addressed?
- Sarbanes Oxley?
- Contentious areas?
- Thoughts for additional guidelines?

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