
11th – 14th October 2011
GI ROC SII TP Working Party

Chair: Susan Dreksler
Ayuk Akoh-Arrey
Jeff Courchene
Laurence Dunkling
Kendra Felisky
Jerome Kirk
Yan Liu
Shane O'Dea
Meera Shah
Gemma Shaw
Dave Storman
Seema Thaper
Lucy Thomas
Mat Wheatley
Matthew Wilson
Neil Wilson
Chris Wiltshire
Plan for the session

- Introduction
- Survey results
- Future developments to look out for
- Close
The survey

- 104 respondents
  - But not everyone completed every question
- Aim: to get one reserving actuary, hopefully involved in TP implementation(!), from each entity to complete
- Ran over the summer 2011
- Sent to members of the Institute and Faculty of Actuaries who registered as working in GI reserving
- May also have caught a few actuaries based on the Continent
- Anonymous, of course!
- Used Survey Monkey
  - Pros: Quick to get out, Nice format for results
  - Cons: Some inflexibility
Is the firm that you’re carrying out reserving for:

- Lloyd's (55%)
- Non-Lloyd's (45%)

London Market (57%) and Non London Market (43%)
Is the firm that you’re carrying out reserving for:

- A personal lines insurer: 11%
- A commercial lines insurer: 15%
- A reinsurer: 8%
- A combination of these: 66%
- A non-life insurer: 88%
- A composite: 12%
What is the annual gross premium of the firm?

![Pie chart showing the distribution of firms by size category.]

- Small - <£250m: 33%
- Medium - £250m - £1bn: 32%
- Large - >£1bn: 30%
- N/A(e.g. Run-off only): 6%

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How do you expect your 2014 year-end reserves to be calculated?

For the purpose of published accounts:

- Deterministic: 42%
- Stochastic: 33%

For the purpose of Solvency II:

- Deterministic: 21%
- Stochastic: 29%
Who do you expect to lead the estimation of the premium provision?

- Reserving team: 79%
- Capital modelling team: 5%
- Pricing/Planning team: 16%
Which of the following do you routinely book in your company accounts?

- The actuary’s recommendation: 40%
- The underwriter’s recommendation: 4%
- A management best estimate that routinely differs from the actuary’s recommendation: 57%
In terms of the software you are using to estimate your Solvency II Technical Provisions, how much are you reliant on spreadsheets?

18% Spreadsheets

30% Software

32%
Do you intend to change how you group your data prior to reserving because of Solvency II?

- Yes: 28%
- No: 72%
How is the reinsurance being estimated?

- Net:gross: 62%
- Stochastic: 26%
- Projection of net data/RI data: 28%
- Modelling of underlying treaties: 37%
Who is likely to estimate the reinsurance reserves?

- Reinsurance team: 20%
- Technical provisions team: 88%
- Capital modelling team: 13%
How are you estimating your binary events loading?

- Expert judgement: 29%
- Scenarios: 18%
- Implicitly/not estimating an explicit loading: 14%
- Mathematical models: 13%
- Stochastic models: 10%
- Other: 9%
- Benchmarks: 5%

"This is a totally pointless part of the calculation & it needs to be..."
How does your firm calculate risk margin?

- 27% Approximate the risk margin directly as a percentage of the best estimate
- 9% Estimate all the SCRS at once, e.g. by using an approximation based on the duration approach
- 61% Approximate the whole SCR for each future year, e.g. by using a proportional approach
- 17% Approximate the individual risks or sub-risk within some or all sub-modules used for the calculation of future SCRs
- 14% Full projection of all future SCRs without simplifications
How well do the following understand the types of input required from them for the technical provisions?

- **Capital Modelling Team**
  - 1: No Understanding: 4%
  - 2: Basic Understanding: 3%
  - 3: Moderate Understanding: 12%
  - 4: Good Understanding: 52%
  - 5: Complete Understanding: 30%
  - Mean Score: 4.0

- **Pricing Team**
  - 1: No Understanding: 7%
  - 2: Basic Understanding: 22%
  - 3: Moderate Understanding: 29%
  - 4: Good Understanding: 37%
  - 5: Complete Understanding: 6%
  - Mean Score: 3.1

- **Finance Team**
  - 1: No Understanding: 5%
  - 2: Basic Understanding: 32%
  - 3: Moderate Understanding: 40%
  - 4: Good Understanding: 18%
  - 5: Complete Understanding: 5%
  - Mean Score: 2.9

- **Management**
  - 1: No Understanding: 9%
  - 2: Basic Understanding: 28%
  - 3: Moderate Understanding: 46%
  - 4: Good Understanding: 18%
  - 5: Complete Understanding: 5%
  - Mean Score: 2.7

- **Underwriters**
  - 1: No Understanding: 36%
  - 2: Basic Understanding: 37%
  - 3: Moderate Understanding: 16%
  - 4: Good Understanding: 11%
  - Mean Score: 2.0

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Which areas in the estimation of the Solvency II Technical Provisions do you find most challenging?

<table>
<thead>
<tr>
<th>Area</th>
<th>Difficulty Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>7.8</td>
</tr>
<tr>
<td>Communication</td>
<td>6.7</td>
</tr>
<tr>
<td>Risk Margin</td>
<td>6.3</td>
</tr>
<tr>
<td>Data</td>
<td>5.9</td>
</tr>
<tr>
<td>Management Buy-in</td>
<td>5.9</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>5.6</td>
</tr>
<tr>
<td>Internal Reporting</td>
<td>5.3</td>
</tr>
<tr>
<td>Interactions with..</td>
<td>5.1</td>
</tr>
<tr>
<td>Premium Provision</td>
<td>5.0</td>
</tr>
<tr>
<td>Segmentation</td>
<td>4.0</td>
</tr>
</tbody>
</table>

1 is the least challenging, 10 is the most challenging.
Which specific areas would you like to be clarified?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Binary Events</td>
<td>33%</td>
</tr>
<tr>
<td>Premium Provision</td>
<td>27%</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>17%</td>
</tr>
<tr>
<td>Solvency II balance Sheet</td>
<td>7%</td>
</tr>
<tr>
<td>Value Added</td>
<td>7%</td>
</tr>
<tr>
<td>Expenses</td>
<td>3%</td>
</tr>
<tr>
<td>Actuarial Function</td>
<td>3%</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>3%</td>
</tr>
</tbody>
</table>
What areas would you like the working party to concentrate on?

- Premium Provisions
- Operational Risk (??)
- Actuarial Risk
- Binary Events
- Reinsurance
- Expenses
- Value Added
- Solvency II balance sheet
- Expert Judgement
- Reporting Format
- Communication
How comfortable are you with regards to being able to meet the new SII TP requirements in good time?

- Comfortable: 11%
- Worried: 34%
Future developments

- Reporting requirements
  - EIOPA public consultation
    - Due on 4 November, Open until 20 January
- Technical Provisions working party
  - Sessional “lite” meeting in March 2012
- Reserving conference (November)
Any questions?

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