GIRO Conference and Exhibition 2012
Juggling uncertainty the actuary’s part to play

Headline news: "Actuarial Function" to get a capital A and F

Laurence Townley
Actuarial Function

Insurance Companies

- Marketing
- Reserving
- I.T.
- Finance
- Pricing
- Claims
- Underwriting
Insurance Companies

✓ Mission Statement
  – How they work
✓ Strategy
  – Chosen Market
✓ Plan
✓ Forecast
✓ Result

Insurance Companies
Solvency 2 Directive

a) Coordinate TP calculation
b) Ensure appropriate methodologies and assumptions
c) Assess data quality
d) Compare A v E
e) Inform on reliability and adequacy
f) Oversee calculation when data limited
g) Express an underwriting opinion
h) Express a reinsurance opinion
i) Contribute to the risk systems

Approach 1: List of Tasks

Risk
- Risk Modelling
- ORSA link

Finance
- TP adequacy
- Provide recommendations

Reinsurance
- Consider Risk Profile
- Adequacy
- Stress testing / scenarios
- Credit risk

Underwriting
- Interact with underwriters
- UPR and URR
- Inflation / legal risk / mix
- Anti-selection
Approach 1: List of Tasks

Actuarial Report

- Technical Provisions
- Underwriting Policy
- Reinsurance Arrangements

Approach 2: AF as a control function

- Board
- Risk Committee
- Audit Committee
- Executive Committees
- AF
- Risk
- Audit
- Operations
- Claims
- Underwriting
- Pricing
- Finance
- Reserving
- Marketing
Article 48

Issues to Consider

Risk / Actuarial overlap
Conflicts of Interest
Outsource
Issues to Consider

Risk / Actuarial Function Overlap

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Appendix: Solvency 2 Directive

a) Coordinate the calculation of technical provisions (TPs)
b) Ensure the appropriate methodologies and assumptions made in the calculation of TPs
c) Assess the sufficiency and quality of the data used in the calculation of TPs
d) Compare best estimates against experience;
e) Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of TPs
f) Oversee the calculation of TPs in cases of limited data
g) Express an opinion on the overall underwriting policy
h) Express an opinion on the adequacy of reinsurance arrangements
i) Contribute to the effective implementation of the risk-management system

Questions or comments?
Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.
The views expressed in this presentation are those of the presenter.