The Actuarial Function under Solvency II: The Impact on Non-Life Insurers
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A Company Perspective

1 December 2010

Important Disclaimer

• The usual disclaimer
The views expressed in this presentation are my own for the purpose of provoking discussion and do not necessarily reflect the views of my company or the Actuarial Profession

• ‘Super’ disclaimer
….. and in fact these aren’t even necessarily my own views!
The Change

• Article 48 Summary - The Actuarial Function must:
  – Calculate technical provisions
  – Ensure appropriate methods, models and assumptions used
  – Assess sufficiency and quality of data
  – Compare actual vs expected
  – Inform on the reliability and adequacy of calculations
  – Express an opinion on the overall underwriting policy
  – Express an opinion on the adequacy of reinsurance arrangements
  – Contribute to the effective implementation of the risk management system
The Change (Continued)

- Clear links to Directive Articles on
  a) Risk Management
  b) Outsourcing
  c) ORSA
  d) Fit and Proper Persons
  e) Internal Control
  f) Internal Audit

“Solvency II is not just about capital. It is a change of behaviour”  
Thomas Steffen – Chairman of CEIOPS

Nature of the Actuarial Function

- Not necessary to be an actuary
- Can be part-time
- Can be more than one person each carrying out different roles
- Can be outsourced (but see Article 49!)
- Can be involved in other duties as management sees fit (provided does not compromise proper segregation of duties)
- A full or partial integration with other functions such as risk management is acceptable
- Appropriately skilled and qualified
Insurance Company Implications - Boards

- Compliance with all Solv II requirements including disclosure
- Understand key risks the business faces
- Understand internal model and how used in business
- Understand changes in capital and reserves and where margins are held
- Establish post implementation risk appetite
- Ensure all functions specified in Solvency II are adequately resourced by an appropriate number of skilled people
- Evidence of challenge and understanding of decisions made – “why” as well as “what”

Insurance Company Implications – Business & Senior Management

- The internal model needs to be trusted as an integral part of risk management and strategic decision making processes
- Understand internal model – the uncertainty; what it does and does not do
- Oversee internal model governance
- Data quality
- Organisational structure
- Roles, responsibilities and resourcing
- Understand impact on financials, risk appetite, MI requirements
- Engagement with the actuarial function
Insurance Company Implications - Actuaries

- Different method of calculating technical provisions
- Understanding risk margins
- Opinions on underwriting and reinsurance arrangements
- Documentation
- Validation – accuracy, stability, do categories of risk explain causes of variation in P&L
- Data quality

= Technical and Process Skills

Insurance Company Implications - Actuaries

- How to get the business involved with development of the internal model/SCR
- Educating the business so understand the model/SCR
- Establishing the role of providing opinions on underwriting and reinsurance arrangements
- Change management
- Build relationships - collaboration
- Communication
- Ability to judge when to stand firm and when not to
- How to take challenge

So much more about soft skills than technical
The Actuarial Function – The Challenge

As the function is a ‘must have’ – how to stop it being:

• Seen merely as an overhead
• Black-boxed/pigeonholed
• Thought of as another Compliance function
• Regarded as getting in the way and slowing initiatives down
• Unpopular!!

The Actuarial Function – The Opportunities

• Widen role & influence
• Positive attitude
• Collaborate & build relationships
• Communicate complexity in way non actuaries understand
• Exposure to Board and Senior Management
• Growth of the Enterprise Risk Actuary? CERA qualification
• Market role within business – ensure not just because in Directive – focus on “what any good business would do”.

Be seen to add EVEN MORE value
A (Very) Small Survey

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Your Starter For 10! OR Tricky questions I would rather ask the audience before you ask me!

- Do you know what proportionate means for your business?
- Can you articulate what it means to your non actuarial colleagues?
- Have you considered how reporting will have to speed up?
- How will you deal with increased frequency of reporting?
- When was the last time you worked with an underwriter; a reinsurance manager; investment department; marketing?
- Does your Board know what impact the new technical provisions will have on the balance sheet and risk appetite?

More Tricky Questions!

- Have you thought about how your behaviour may need to change?
- Have you and your company thought about how roles might be combined whilst retaining independence?
- Have you considered how reserving reports need to change?
- What will the ORSA document look like?
- How will you still demonstrate that you add value if you have ‘right’ to sign-off?
- What part can you play to help the Board and Senior Management meet their responsibilities?
And Finally: The Biggest Question Of All

What are we all going to do for CPD after Solvency II !?!