

Embedding Capital Models in the Business

Plenary 7 – Friday 29 September 2006
Ian Hilder and Alex Marcuson

33rd ANNUAL GIRO CONVENTION
Hilton Vienna Hotel
Am Stadtpark

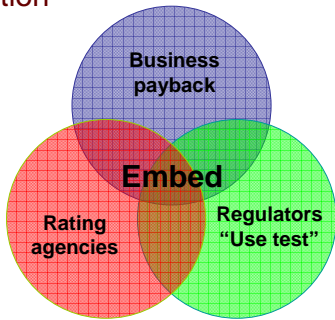
Working Party Members

- Matthew Byrne
- Cathryn Dunlop
- Steven Fisher
- Ian Hilder
- Alex Marcuson
- Loan-Anh Nguyen
- Penny Shaw
- James Toller

Agenda

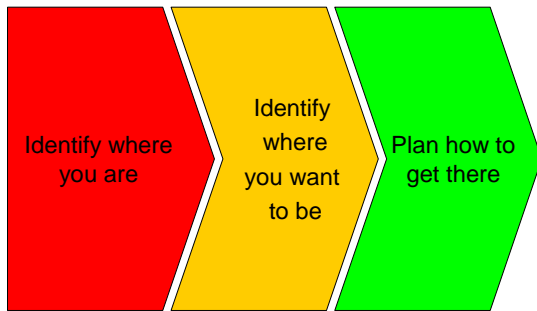
- Motivation
- Our approach
- Why is it difficult?
- Key Themes
- Questionnaire

Motivation



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Our Approach – Simple really!



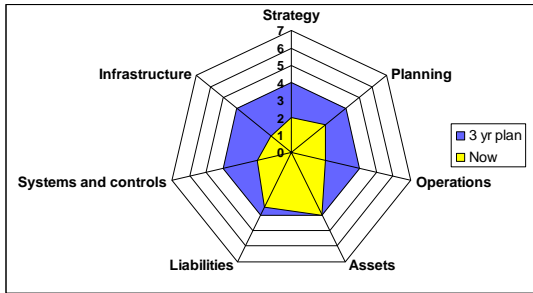
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Our Approach

- Segmentation of business processes that interact with capital: Strategy, Planning, Operations, Assets, Liabilities, Systems & Controls and Infrastructure
- Self-assessment now and in future
 - 0 = Not at all embedded
 - 7 = God's gift to embedding
- Assign senior management responsibility
- Articulating your position is half the battle

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Segmenting the business



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Why is it Difficult?

- Technical limitations of existing model
- Keeping model current
- Aligning model to business needs
- Intelligible output
- Getting buy-in

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Key Themes

- Needs to be part of a process
- Buy-in is fundamental
- Granularity – operate at right level of detail
- Timeliness – model needs to be up to date
- Format of output from model
- Communication (both ways) is key

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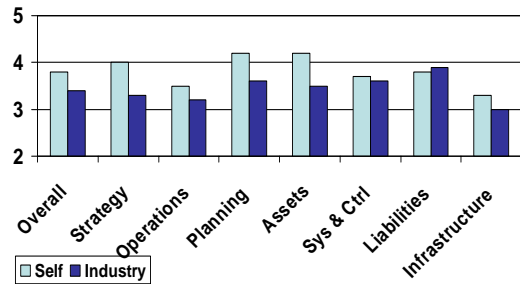
Questionnaire

Ian Hilder

Questionnaire

- Survey carried out at workshop yesterday
- Around 30 responses
- Questions on:
 - Impact of ICAS
 - Value delivered by capital modelling
 - Self-assessment of embeddedness

“We think we are doing well at embedding”
“We are more embedded than our peers”

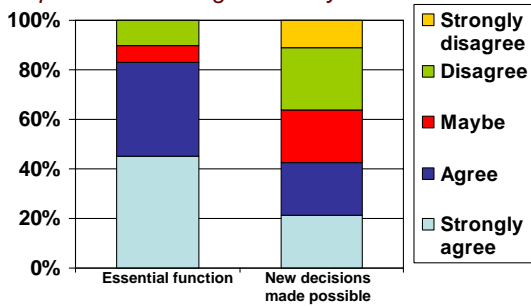


“ICAS has helped but there is more to do”

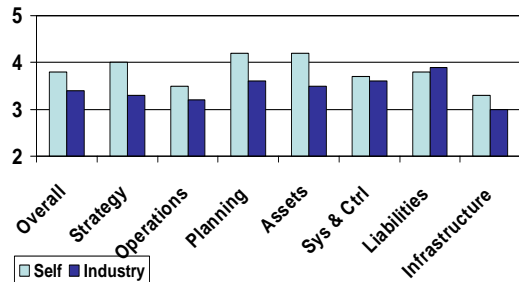
- Four groups considered: Actuaries, underwriters/brokers, senior management and boards
- Actuaries have benefited most
- Underwriters and brokers have furthest to go
- All four groups have seen improvements in understanding

How embedded are we really?

Is the practice matching the theory

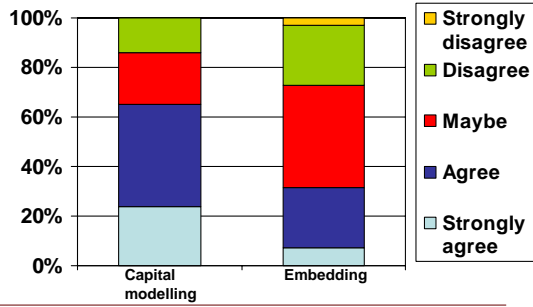


“We think we are doing well at embedding”



“We need better tools”

Tools exist to help me perform:



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Where next?

- Are we being honest about how seriously our models are being taken?
- How much value has been generated by capital model development?
- What can the profession do to support the development of better tools for embedding?
- Should we be engaging with actuaries in other fields?

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