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

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Agenda

- Motivation
- Our approach
- Why is it difficult?
- Key Themes
- Questionnaire
Our Approach – Simple really!

- Identify where you are
- Identify where you want to be
- Plan how to get there

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
Segmenting the business

Why is it Difficult?

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

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
Questionnaire

Ian Hilder

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?