Regulatory requirement to risk reporting: Experiences of a capital actuary

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Agenda

- Regulatory requirement to risk reporting
- Historical developments
- Challenges and approach
  - Buy in / use
  - Entities / granularity
  - Governance
Regulatory requirement driven initial model

Risk reporting – information pipes and feedback
Keeping it live; up to date and relevant

Sensitive to changes to business risk data

Feedback / challenge from business

Historical developments

Build / embed

Growth

Buy in / use

Entities / granularity

Governance

Challenges and approach

Buy in / use
- Drivers of risk:
  - Insurance market cycle, link between risk and capital

Entities / granularity
- Single model for all entities
- Modular structure
- Reference model, scenarios and sensitivity

Governance
- Board knowledge requirements:
  - Define responsibilities
  - Define frequency of meeting

Buy in / use: Drivers of risk
Buy in / use: Drivers of risk

- Correlation between premiums and reserve
- Correlation between classes
- Correlation between insurance risk and major reinsurer default

Buy in / use: Drivers of risk – Class specific factors

- Linking detailed factors impacting risk to capital

<table>
<thead>
<tr>
<th>Class</th>
<th>Client sophistication, business complexity…</th>
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<tbody>
<tr>
<td>Control</td>
<td>Alignment of underwriter incentives, level of delegation…</td>
</tr>
<tr>
<td>Pricing</td>
<td>Competitive position, knowledge of true price, growth…</td>
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<tr>
<td>Reinsurance</td>
<td>Availability, completeness…</td>
</tr>
<tr>
<td>Claims</td>
<td>Tail length, inflation risk, uncertainty of case estimate…</td>
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Entities / granularity: Modelling approach

- Single model for all exposure
- Modular structure
  - Governance
  - Use
- Entity share of each risk
- Scenarios
- Sensitivity tests

- Base model with functionality exclude and scale all risks

Governance: Board knowledge requirements

- Define knowledge topics
  - Governance
  - Risk
    - Reserve
    - Asset
    - Etc
  - Model
    - Platform
    - Etc
  - Use
- Define responsibilities
  - ED owner
  - NED & ED peer review
  - All minimum standard
- Define ongoing requirements
  - Regular meeting schedule
  - Ad hoc meeting as required
Summary

• Integration with business processes
  • Input and feedback; Keeping it live
• Challenges and approach
  • Buy in / use → Drivers of risk and the market cycle
  • Entities / granularity → Single modular model
  • Governance → Clear process and responsibilities