GIRO Convention
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Hilton Sorrento Palace
The Road to Solvency II
A business perspective
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Objectives
- Views on Solvency II
- Lessons Learned from ICA and Basle II
- Challenges for Actuarial community
- Challenges for Business
- Implications going forward

Solvency II Framework
- Pillar 1:
  - Solvency Capital Requirement
  - Internal models
- Pillar 2:
  - Supervision
- Pillar 3:
  - Disclosure

It's just good business
Embedding ICA – Strong Progress

- Current ICG – formula based (ECR)
- ICA Submission – May 2008
- Better models – better engagement
- Capital allocations – by product, channel
- Embedding workshops – risk and capital
- Business decision making:
  - Risk selection
  - Reinsurance
  - Captive Reinsurer
  - Pricing

“Joining up the Channel Tunnel”

Basel II lessons

- Similar goals – similar regulatory uncertainty:
  - Regulatory capital
  - Better risk management
- One Group programme:
  - Initially six divisions plus Group
  - Start early – clarity of ‘vision’
  - Data, not just models
  - Embed ‘use test’
- Internal models – running business vs. capital calculations
- Business programme – not ‘risk’ project

Solvency II – Key challenges

- Vision
- Models – capital vs. business tools:
  - Approved, on time, on budget
  - Own Risk and Solvency Assessment (ORSA)
  - ‘User friendly’ and real time
- Data quality and consistency
- Embedding and integrating
- Technical QA
- Resourcing vs. BAU
- Uncertainty – lobbying

What’s important?
Your role

- Business partner
- Provide credibility
- Technical and generalist
- Commercially biased, pragmatic
- No black boxes:
  - Inputs, assumptions, outputs and feedback loops
- Guides, not necessarily leaders
- Translate jargon
- As one with Finance and FS Actuaries

Business benefits

- Risk as key driver / competitive differentiator
- Sensible pricing
- Capital allocation and pricing aligned to risk
- Investment Appraisal
- Lower volatility
- Channel/Product/Segment choices
- Diversification benefits
- [Groups regulation]

More than ‘technical’ compliance

Way forward

- Business lead project
- Challenge our vision
- Define success (and measures of success)
- Identify business benefits:
  - More than lower Solvency Capital Ratio (SCR)
- Commit resources
- Programme disciplines
- Engagement with FSA

High expectations
Summary

- Good start through ICA
- Your role as:
  - Business partner
  - Teacher
  - Guide
  - [As well as technical skills]
- Balance technical and commercial
- Embedding and integrating – heart of business

Together, we can make it happen
[whatever ‘it’ turns out to be!]