Actuarial Function in General Insurance
- View from the Board

Andrew Hitchcox
7th September 2016

What Board wants from the AFR
– Interesting information that provokes discussions!

- Explanations, trends, AOC etc.
- Graphs, charts, tables
- Bullet points, not long paragraphs
- Key drivers, most important issues:
  - e.g. 3 points only
- Main sources of uncertainty:
  - e.g. 3 points only

What Board wants from AFR
– Interesting information on TPs

- Comparison to stat reserves
- Explanations of AOC
- Key assumptions and any changes
Extract from XXXX’s forecasting system gives breakdown of paid claims.

No change in approach.

Solvency II Reserving

The risk-free interest rates used in the discounting of future cash-flows have been prescribed by EIOPA.

As at 2016Q2, the level of the SCR produced by Capital Modelling team is assumed to be sufficient to protect existing unearned business.

The SII TPs include an element of the cost of unwritten LOD XLs based on reserve risk analysis from the Capital Modelling team.

Underwriters / Finance

162.7

No change in approach.

No change in approach.

Capital Modelling team
Discount rates

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What Board wants from AFR – Interesting information on SCR

Trends in risk amounts
Explain the asset stack

This list is not exhaustive!

what Board wants from AFR – SCR: Trends in risk amounts

Explain to the Board trends over last 5 years
– Helps when you have to explain next 5 year trends in ORSA Report!

what Board wants from AFR – SCR: Explain the asset stack

Asset Stack available to cover risk (1 in 200)
GAAP / ICA -versus- TPs / SCR

<table>
<thead>
<tr>
<th>GAAP Basis</th>
<th>Solvency II</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 ICA</td>
<td>2016 To Ultimate SCR</td>
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What Board wants from AFR
– Interesting information on Underwriting

Proficiency IM versus plan
Consistency with risk appetite:
• Tail risk, earnings risk
Concentration risk percentages

Key drivers, most important issues:
• e.g. 3 points only
Main sources of uncertainty:
• e.g. 3 points only

What Board wants from AFR
– Interesting information on R/I Programme

Impacts on metrics: tail risk, earnings risk, ROC
• With/without main contracts [why you buy RI]
• What if your 3 main contracts +/-25%? [optimisation]
What if [modelled] gross exposure +25%? [uncertainty]
How do you go out the top? [RST]
Entry / exit return periods [risk appetite]

What Board wants from AFR
– RI programme: Entry / exit return periods
What Board wants from AFR
– Information on Data Controls

If your data is poor, it doesn't matter how good your methods are.

What Board wants from the AFR
– Interesting information!

Required reading: CALM Actuarial Function Report
Working Party April 2014

Questions Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.