



Institute and Faculty of Actuaries

Actuarial Function in General Insurance - View from the Board

Andrew Hitchcox
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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

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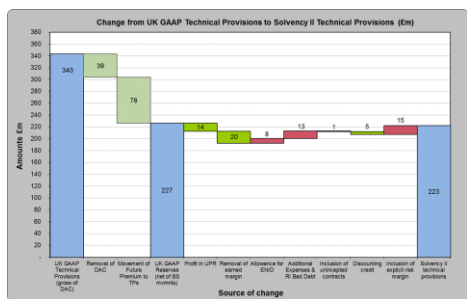
What Board wants from AFR – Interesting information on TPs

- Comparison to stat reserves
- Explanations of AOC
- Key assumptions and any changes

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Institute and Faculty of Actuaries – What Board wants from AFR – TPs: Comparison to stat reserves



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Institute and Faculty of Actuaries – What Board wants from AFR – TPs: Explanations of AOC

	2015Q2	Proportion of GAAP TPs	2015Q4	Proportion of GAAP TPs	2016Q2	Proportion of GAAP TPs
UK GAAP TPs	259.6	135.3%	267.3	130.6%	304.3	134.2%
UK GAAP (net of €8 mynths)	191.9	100.0%	264.7	100.0%	226.7	100.0%
5 Year Best Est. Net of €8	142.2	74.1%	162.7	79.5%	162.9	71.5%
Movement to a Solvency II best estimate						
Earned Margin	(10.4)	(5.4%)	(9.0)	(3.3%)	(20.3)	(8.0%)
Profit in LPR (excl. Future €8)	(14.7)	(7.7%)	(14.9)	(5.7%)	(18.3)	(8.1%)
Future RE Cost adjustments	3.2	1.7%	5.1	1.9%	6.0	2.6%
BENI business	(1.5)	(0.8%)	(2.4)	(1.2%)	(1.5)	(0.7%)
Liab & Overdue debtors	(1.8)	(0.9%)	(1.2)	(0.5%)	1.3	0.6%
Solvency II technical provisions						
Net Best Estimate	166.6	86.9%	170.8	64.4%	191.0	84.3%
Expenses & RI Bad Debt	12.1	6.3%	12.3	4.6%	22.8	9.7%
Allowance for ENO	3.8	2.0%	7.1	2.7%	8.1	3.6%
Risk Margin	13.7	7.1%	13.0	4.9%	15.1	6.6%
Discounting	(7.3)	(3.8%)	(7.3)	(2.8%)	(4.2)	(1.8%)
Net Total	189.1	98.6%	195.9	74.0%	222.5	98.2%
SCR for risk margin	65.8	34.3%	64.9	31.7%	75.5	33.3%

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Institute and Faculty of Actuaries – What Board wants from AFR – TPs: Key assumptions and changes

Date & Assumption	Description	As at	Source	Summary of updates since previous year-end's approach
1 Paid Premiums	Impact from 1000s branching system gives breakdown of paid premium amounts at a class, currency and YOL level.	2016Q2	France	No change in approach.
2 Paid Claims	Impact from 1000s branching system gives breakdown of paid claims amounts at a class, currency and YOL level.	2016Q2	France	No change in approach.
3 Claims provisions - future	Impact from 1000s branching system gives contract level premium best estimates.	2016Q2	Underwriters	No change in approach.
4 Claims provisions - future	Impact from 1000s branching system gives contract level claims best estimates.	2016Q2	Solvency II Reserving Committee	No change in approach.
5 Premium provisions	Impact from 1000s branching system gives contract level future premium estimates.	2016Q2	France	No change in approach.
6 Premium provisions	Impact from 1000s branching system gives contract level future premium estimates.	2016Q2	Underwriter estimates	No change in approach.
7 Profit in LPR	As how with underwriter assumed claims estimates for all syndicates.	2016Q2	Underwriter estimates	No change in approach.
8 Claims - RIA Adjustment	How the SCR includes an estimate of the cost of unmet LEO RIA that all project existing unmet business.	2016Q2	Underwriters / France	No change in approach.
9 Insured but not recovered	Cost of BBN as per dynamic extract at class and currency level (business BBN).	2016Q2	Systems extract	No change in approach.
10 Data used for BBN	Impact from 1000s branching system gives class level breakdown of underwriter assumed loss ratios for current YOL.	2016Q2	Underwriters	No change in approach.
11 Data used for risk margin calculation	Cost of the SCR produced by Capital Modelling team in assumed approach.	2016Q2	Capital Modelling team	No change in approach.
12 ENO (events not in scope)	ENO handling calculated using a normal distribution approach based on historic risk strategy from the Capital Modelling team.	2016Q2	Solvency II Reserving Committee	No change in approach.
13 Discount rates	The historic interest rates used in the discounting of future cash-flows have been published by EOPAs.	2016Q2	EOPAs	No change in approach.
14 Expenses	Expense allowance based on France expense projection for the forthcoming year of assumed.	2016Q2	France	Method established at 10Q2.
15 Risk Margin calculation method	Risk Margin calculated using cost of capital method.	2016Q2	Solvency II Reserving Committee	No change in approach.
16				
17				
18				

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What Board wants from AFR – Interesting information on SCR

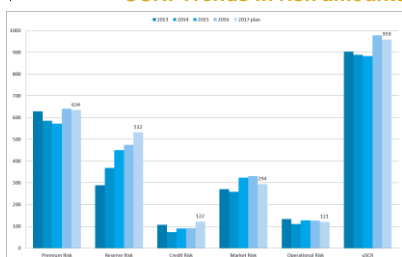
Trends in risk amounts
Explain the asset stack

This list is not exhaustive!

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Institute and Faculty of Actuaries What Board wants from AFR – SCR: Trends in risk amounts



Explain to the Board trends over last 5 years

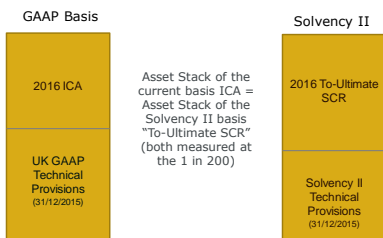
– Helps when you have to explain next 5 year trends in ORSA Report!

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Institute and Faculty of Actuaries What Board wants from AFR – SCR: Explain the asset stack

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



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What Board wants from AFR – Interesting information on Underwriting

Profitability 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:

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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]

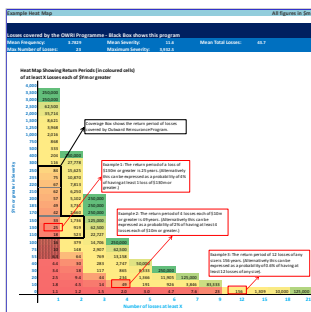
Entry / exit return periods [risk appetite]

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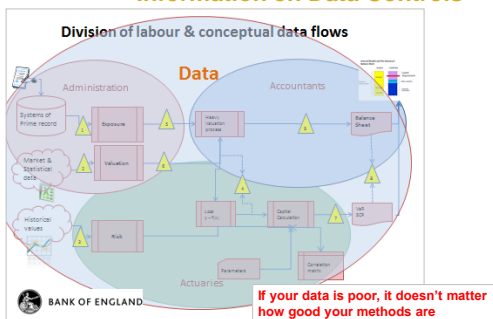
What Board wants from AFR – RI programme: Entry / exit return periods



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Institute and Faculty of Actuaries **What Board wants from AFR – Information on Data Controls**



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Institute and Faculty of Actuaries **What Board wants from the AFR – Interesting information!**

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Required reading: CALM Actuarial Function Report Working Party April 2014

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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.