Aviva’s Starting Position

- Well established actuarial teams across life and general insurance
- Historic role of Actuarial Function Holder (AFH) within UK Life
- Actuarial teams typically sat within finance, with Chief Actuary reporting to CFO
- Broad range of actuarial capabilities across different BUs and countries
Actuarial Function – Design Principles

- Independence (1 of 4 independent functions required under Solvency II)
- Need to satisfy core requirements of Article 48 around Technical Provisions
- ...and also to own the Solvency II Internal Model
- Relatively senior team
- Will not carry out production activity
- Creation of “healthy” tension between finance and actuarial
- Minimise duplication
- Minimal increase in costs

Options considered

Option 1: Direct to CEO

- CEO
- Chief Actuary

Option 2: Direct to CFO

- CFO
- Chief Actuary

Option 3: Direct to CRO

- CRO
- Chief Actuary

Option 4: Dual to CRO & CFO

- CRO
- CFO
- Chief Actuary

Actuarial Function - Over-arching Principles

1. Finance, and in particular the CFO, will continue to have responsibility for the overall results, both P&L, balance sheet and capital.

2. The Actuarial Function will play a central role in determining the underlying assumptions and methodologies used to calculate the technical provisions and will present these assumptions and methodologies, together with the results of the technical provision calculations, to the CFO and ultimately the Audit Committee for approval.

3. In addition, as day to day owner of the Internal Model, the Actuarial Function will play a key role in determining the underlying assumptions and methodologies used to calculate the capital requirements and, along with the CRO, will present these to the Risk Committee for approval.

4. Taking the methodologies and assumptions underlying the technical provisions, capital requirements and other aspects of the financial results (e.g. accounting and tax rules), finance will continue to:
   - Perform all calculations and establish/monitor controls around the production of results
   - Present the overall financial results (balance sheet and P&L) to the audit committee
   - Prepare all external reporting materials (Analyst Pack, R&A etc)
   - Manage internal and external messaging of results
   - Have responsibility for capital management and overall financial planning
Actuarial Function – Structure and Reporting Lines

The Actuarial Function is structured around 3 elements (Group, Business Units and Shared Services) with both direct and functional reporting lines.

- **Group**
  - Ownership of Group actuarial methodology and associated business standards
  - Oversight and review of BU actuarial calculations
  - Reporting to relevant group governing body on the adequacy of reserves and capital requirements
  - Reporting to relevant group governing body on the adequacy of underwriting and reinsurance arrangements
  - Co-ordination of actuarial function teams across BUs and the Group
  - Methodology requirements for Group-wide actuarial systems (e.g. Aggregation tool, Igloo)
  - Ensure group resources receive appropriate training

- **Business Units**
  - Ownership of BU actuarial methodology
  - Calibration of BU economic capital (EC) risk calibrations
  - Oversight and review of BU actuarial calculations
  - Reporting to relevant governing body on the adequacy of reserves and capital requirements
  - Methodology requirements for BU actuarial systems (e.g. Prophet, RESQ)
  - Ensure business unit resources receive appropriate training

- **Shared services**
  - Calibration of Group-wide Solvency II risk calibrations (largely market and credit)
  - Calibration of Group-wide CAT risk

Actuarial Function – Key Responsibilities

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Group actuarial function key interactions

The Group Actuarial Function interacts with different functions within and outside Aviva.
Actuarial Function Priorities

- Building a strong working relationship with Finance/Capital and MIV
- Actuarial Function Priorities
- Ensuring that we work together as a genuinely Global function
- Ensuring the Actuarial Function is appropriately positioned within governance structures
- Ensuring that we have the appropriate skills within the BU & Group teams and that the Actuarial Function is a challenging but rewarding place to work

Progress to date

- Actuarial Function operational from 1 July 2015
- Actuarial Charters produced and signed-off
- Actuarial Function leaders in place in all markets and teams largely populated
- Actuarial Function Working Groups established (e.g. looking at content of Actuarial Function opinions and Actuarial Function Report)
- Internal Model Approved
- YE15 successfully completed

Forward Looking Challenges……..

- Further embedding of operating model and roles & responsibilities with finance
- Elevation of Actuarial Function in eyes of senior management and the regulator
- Full population of actuarial teams with appropriately skilled resources
- Continued global collaboration across actuarial teams
- Delivery of Article 48 requirements (AF report and opinions)
Thank you
We hope you are feeling inspired.

Actuarial Function in General Insurance
A Company Perspective
Matt Saker, Aviva