

Finance Managers' Forum

Effective delivery of actuarial functions

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Why it matters

- Regulatory requirement
- Boards need to focus on what matters
- Effective communication of information
- Deeper understanding of the drivers to the business
- Allows you to succeed and meet your strategic objectives

Article 48

Insurance and reinsurance undertakings shall provide for an effective actuarial function to:

- (a) coordinate the calculation of technical provisions;
- (b) ensure the appropriateness of methodologies, underlying models and assumptions
- (c) assess the sufficiency and quality of the data used
- (d) compare best estimates against experience
- (e) assess the reliability and adequacy of the calculation of technical provisions
- (f) oversee the calculation of technical provisions in the cases set out in Article 82;
- (g) express an opinion on the overall underwriting policy;
- (h) express an opinion on the adequacy of reinsurance arrangements; and
- (i) contribute to the effective implementation of the risk-management system

Requirement on who fulfils the role

“The actuarial function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance or reinsurance undertaking, and who are able to demonstrate their relevant experience with applicable professional and other standards.”



Institute
and Faculty
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What is changing

- Regulations, increased reporting requirements
- Successful and ambitious – greater expectations and more demanding
- Greater internal ownership
- Increased governance
- Greater regulatory oversight

Typical structure of a function



Outsourced

- Traditional approach
- Relationship
- Communication
- Delegate responsibility
- Avoid HR issues
- Can normally change quickly if required
- Often most cost effective for smaller firms
- Not (generally) onsite – so delays in getting information

Key driver

Some in-house

- Emerging trend
- Need actuarial capability and oversight
- Clarity on what the business need is
- Ability to recruit, train, develop
- Generally costs incremental as business becomes more complex
- Modelling capability
- Interaction with external Chief Actuary

Fully insourced

- Ability to recruit
- Knowledge and support
- Modelling
- Management time can be considerable
- Ability to change quickly more limited

Things that work well

- Communication, dialogue, interaction
- Project management
- Clear timetabling
- Early notification of issues
- Clarity of reports – focus on what matters
- Ability to share models – understand the drivers to a business
- Solvency II – gives expected path of firm's solvency and material risks
- Accreditations
- Effective control environment

Future developments

- Complexity
- Information
- More people/systems needed to monitor
- Support mechanisms
- Training, development and accreditations
- Systems and controls