

AF Reporting Roundtables

June 2018

Des Hudson & Jerome Kirk, IFoA Regulation Board
James Orr, PRA

Richard Rodriguez & Jon Hancock, Lloyd's
Ann Muldoon & Hazel Beveridge, FRC

Welcome

- Welcome and thanks
- Housekeeping
- Slido
- Scene Setting

Agenda

- Introduction & Background
 - IFoA, Lloyd's & PRA
 - 20 minutes
- Roundtable discussions & Feedback
 - 60 minutes
- Roundtables
 - Each table will have 2 questions
 - Scribe to capture the key points from your discussions
 - We will use Sli.do to capture the content as we go
 - Easily share comments from all tables
 - Ability to “like” comments
 - Add others to your own or other questions

Jerome Kirk
IFoA Regulation Board

Objectives

- Achieve a common understanding of the role of the AFR
 - Rule 6.1 of the 'Conditions Governing Business', PRA Rulebook
 - Article 48 of Solvency II Directive
 - Delegated Regulation (EU) 2015/35 article 272
 - EIOPA guidelines (in particular Technical Provisions and Governance)
- Identify hints and tips for ensuring the AFR to supports a purposeful discussion with the Board
- Consider how the AFR can meet regulatory requirements and demonstrate that these regulatory requirements are met in an effective way

Why is this important?

- The requirements were introduced for a clear reason.....
-due recognition of the role actuarial function holders play towards:
 - Policyholders / Public Interest in terms of solvency
 - Board in terms of comfort towards activities such as Reinsurance and Underwriting
 - “All parties” by input to managing the risk of firms
- But.....

Why is this important?

-we need to avoid this becoming just a “blame” or “regulatory” game

FINANCIAL TIMES
Fury over XYZ's role in
Independent failure

THE Sun NUMBER 1 FOR EXCLUSIVES
Friday, November 09, 2012 40p thesun.co.uk
[**INSERT YOUR NAME**]
JAILED OVER
[**INSERT YOUR FIRM**]
BUNGLE

Why is this important?

-and focus on:
 - Recognising the **value** the Actuarial Function brings
 - Recognising is a regulatory **change** but it isn't just about regulation
 - Making sure the actuarial work is **effective** and **efficient**
 - Getting the most for the **Board** and the wider business

**To succeed involves input from
“everyone”**

Outputs

- Proposing to present findings from these sessions at:
 - PRA event (Chief Actuaries Forum 2nd July)
 - Hot Topics session at GIRO
 - Potential articles
- All depending on the sessions themselves of course.....

James Orr

PRA

ACTUARIAL FUNCTION REPORTING FOR GENERAL INSURERS

Richard Rodriguez Lloyd's

Actuarial Function has two sides for Lloyd's...

Market and Society levels

Reports received from the market

- Two submissions per year
- Self-assessment template of requirements met, reviewed by Lloyd's

Report produced by the Lloyd's Actuarial Function

- Overview of internal Actuarial Function work and outcome from Syndicate report reviews
- (Voluntary) completion of self-assessment template for confidence on compliance

...Primary purpose of each side is the same

Actuarial Function has two sides for Lloyd's

The Actuarial Function is required to inform the board of the key findings from their work and recommendations to address these

The Actuarial Function Report does not:

- Have a primarily regulatory audience
 - it is for the board
- Provide sign-off for business plans/reinsurance purchase
 - it provides an opinion on these for the board to consider
- Include all of the actuarial work undertaken in the year
 - this is too long!

Our message has been consistent in recent reviews

We'd like to use these sessions to understand the barriers to the Actuarial Function meeting its purpose most effectively

As an internal Actuarial Function we have tried to practice what we preach...users are the best judge of our success

ACTUARIAL FUNCTION REPORTING FOR GENERAL INSURERS

Jon Hancock Lloyd's

Actuarial Function Primarily seeks to inform users

A user's view – Jon Hancock, Lloyd's Performance Management Director

Lloyd's has lots of information and analysis underlying business plan consideration

The Actuarial Function view provides:

- Independent perspective
 - Focus on data and past performance, the art of the possible grounded in reality
- Clear links to analysis
- Limitations of data and reliance clearly highlighted
 - Maybe more is possible, but **explicitly** what is being assumed compared to history in plans
- Appropriate timing of conclusions to be able to influence as decisions are being made

Actuarial Function Primarily seeks to inform users

A user's view – Jon Hancock, Lloyd's Performance Management Director

The actuary is right . . .

. . . now discuss!

The function is the key driver of 'Lloyd's loss ratios'

How reliable are your loss ratio picks?

What loss ratios are agreed for plans?

How much capital is charged?

Your Board has access to better data than we do

We rely on it

We rely on you to use it

You will get better outcomes by using your actuarial data

They have the context

They understand the initiatives

If the packs are not understandable . . .

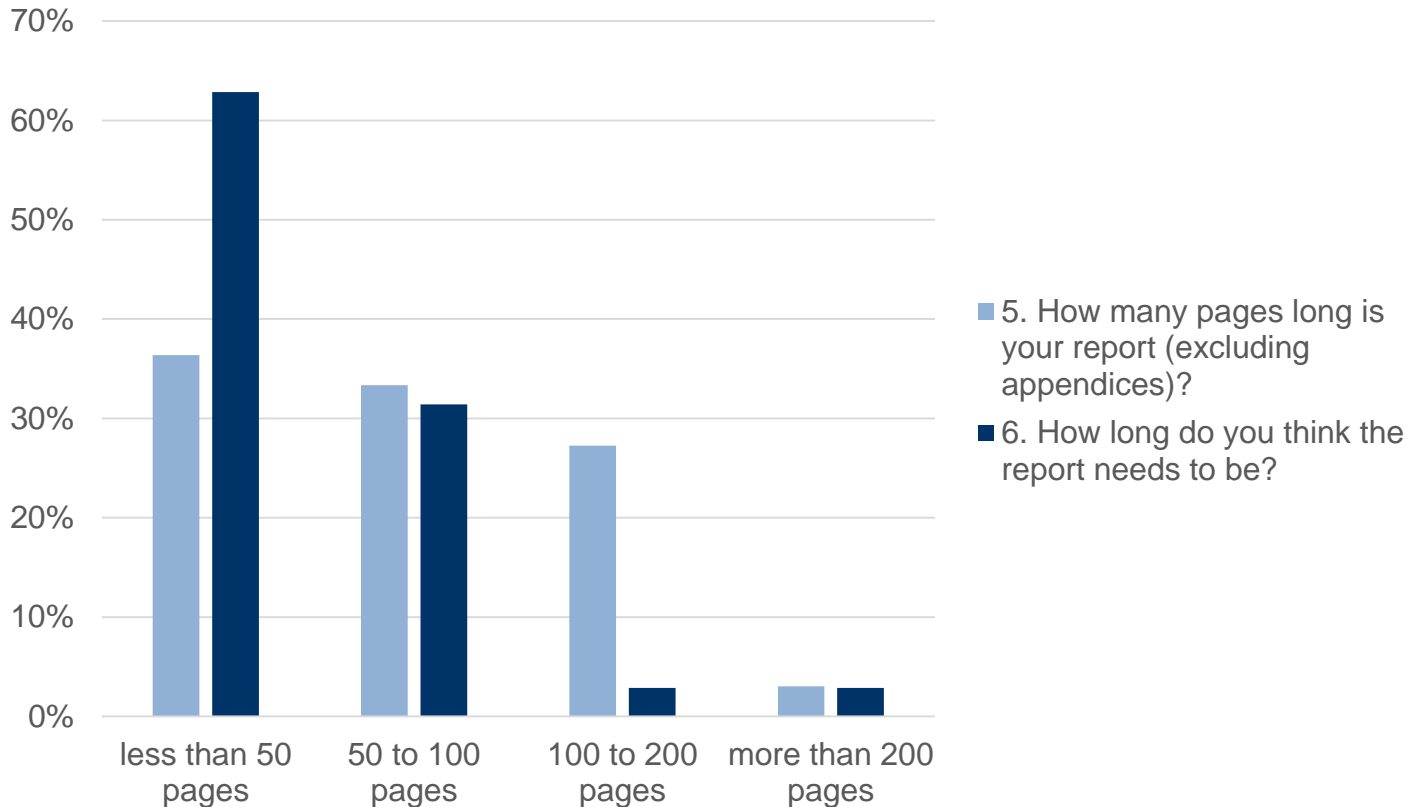
change the packs!

My request last week of the Boards . . .

. . . own your plans

Hazel Beveridge FRC

Survey Results



Discussion

- How can the AF report achieve its purpose for different stakeholders?
- How can the AF report contribute to decision making in your business?
- How could the report and the process for delivery be changed to make it more accessible (content and timing) to decision makers?
- What more could the AF do to express opinions and recommendations for the benefit of the business?

Thank you!