



The Actuarial Profession  
making financial sense of the future

**GIRO Conference and Exhibition 2012**  
Juggling uncertainty the actuary's part to play

21 September 2012

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**GIRO Conference and Exhibition 2012**

**Climbing Mount TP**  
Neil Bruce & Susan Dreksler

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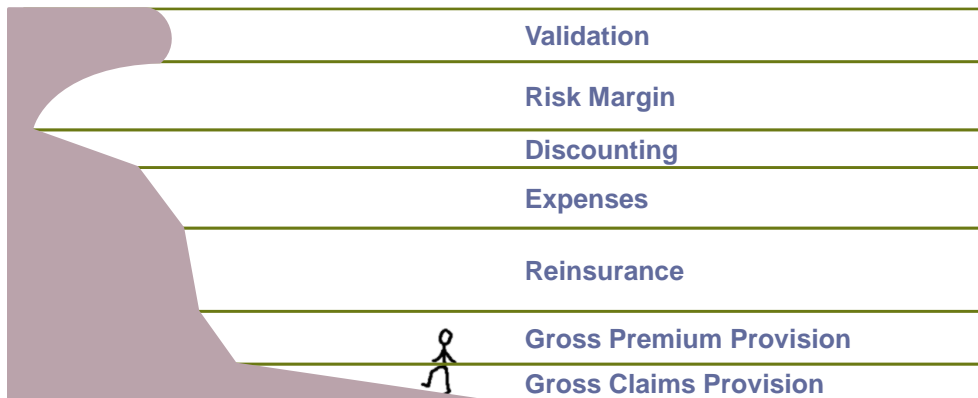
## Your objective



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## Route Map



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## Route: Gross Claims Provision

### Rating: Easy/Moderate



Mickel Savage

#### Key points:

- Familiar, but take care!
- Lack of margin can be tricky
- The Binary Event scree-scramble

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## Route: Gross Premium Provision

### Rating: Moderate



Nemadec/Entrepreneur

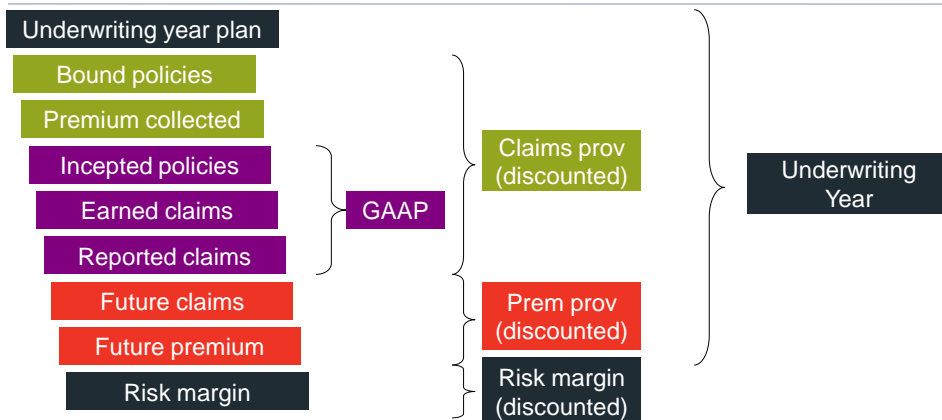
#### Key waypoints:

- Not the UPR/URR route
- Bound but not incepted (BBNI) pinch point
- Things moving off TP
- Binary Events scree slope

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## Route: Gross Premium Provision Rating: Moderate



One approach here is to use patterns to represent the time delay between these steps (excl. risk margin). These can then be used to allocate ultimate positions to each stage from any starting point.

## Route: Discounting Rating: Simple



### Key waypoints:

- A walk in the park?
- Multiple currency paths – don't forget Proportionality equipment
- Much of the equipment required has been provided by Lloyd and/or the mountain maker - EIOPA

## Route: Reinsurance

### Rating: Difficult



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#### Key points:

- This route can trap the unwary: some treacherous ledges
- Key equipment: Correspondence
- Recoveries and reinstatements
- Discounting

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## Route: Expenses

### Rating: Moderate



Enviqene, Waichun, (維那, 齊)

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#### Key points:

- Not just ULAE
- Data is important: Can Finance help?
- Watch out for the microclimate: what's in/out of data
- Be prepared for the unexpected

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## Route: Risk Margin Rating: Suicidal



Thatcher Clay

### Key points:

- Very tricky: will require some planning and sufficient time
- No perfect route: variety of approaches, lack of consensus
- Relies on SCR, but don't forget to adjust

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## Route: Validation Rating: Circular



Scott Gray

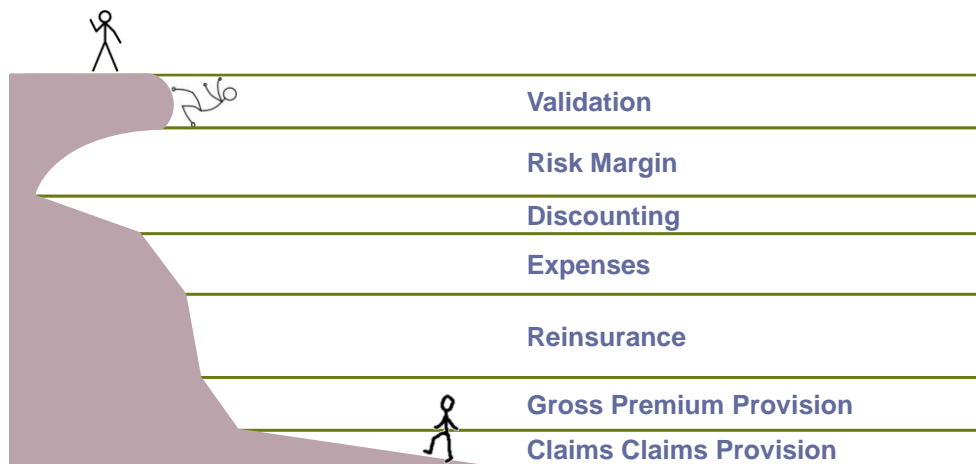
### Key points:

- Not well defined
- AvE and Backtesting.
- Stochastic model output
- Backtesting may be much less detailed
- Varied interpretations
- Independence

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## Route Map



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## Final advice: Don't forget the bigger picture

- Lots of technical and practical challenges: pragmatism is key
- Consistency is important, in particular, with what your colleagues are doing to climb Mount Capital Modelling
- Everyone is finding their way, including the regulators: simplicity and consistency with others will make everyone's life easier
- Wider considerations:
  - Board (sponsor) needs to sign off
  - You will need to work with and rely upon other teams
  - Use test
  - Regulator (FS Ay/Lloyd/AN Other) needs to be happy

Good communication will be key to success

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## Just Do It!

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Paxson Woelber

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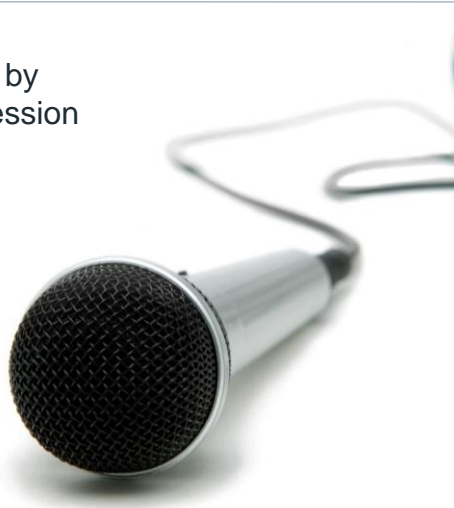
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## Questions or comments?

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- Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.
- The views expressed in this presentation are those of the presenters.



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