



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Actuarial Roles under the Solvency II Framework

Dr. Huijuan Liu

Actuarial conference for supervisors
4 June 2014

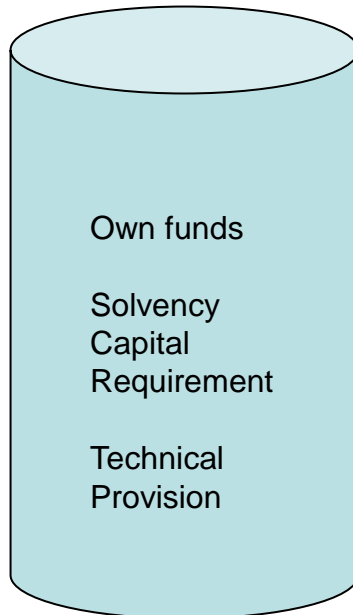
Solvency II – where do the actuaries fit?



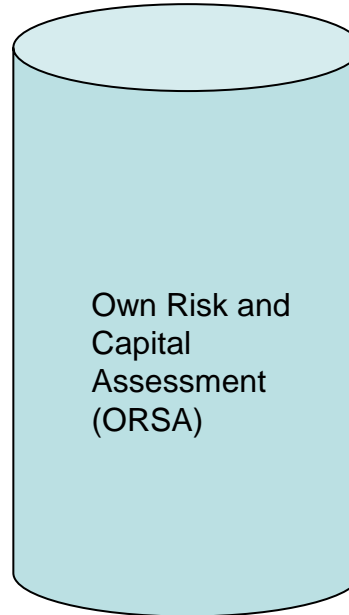
- The actuaries and the Solvency II
- The actuaries in the supervisory Authorities
- The challenges and expectations

Areas where the actuaries could get involved

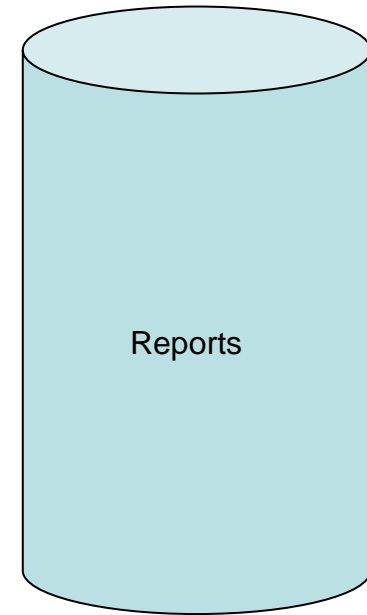
Pillar 1 Quantitative Requirements



Pillar 2 Supervisory Review



Pillar 3 Disclosure



- **Technical Provision calculation**
 - o Actuaries are the owners
 - o Methodology development
 - o Regular comparison against emerging experience
 - o Documentation

- **Solvency Capital calculation**
 - o Opportunity for actuaries
 - o More knowledge on assets side
 - o Communication to management
 - o Validation Requirement

- **Own Risk and Capital Assessment (ORSA)**
 - o Opportunity for actuaries
 - o New qualification for actuaries in risk management: Enterprise Risk Management (ERM) Actuary
 - o Appreciate different viewpoints of different users of the ORSA

- **Disclosure**
 - o Close cooperation with Finance department
 - o Comprehensible results and fit for purpose

Stochastic valuations

Sensitivity analysis

Coordination in calculation
of technical provisions

Volatility due to market
consistent approach

Actuarial guidelines

Enterprise risk management

Participating in stress test

Internal models

Evaluation of embedded
options and guarantees

Governance rules

- **The system of Governance**

- o The four functions
- o The links between the actuarial and risk management functions
 - Actuaries provide opinions on the risks modeled in the insurer's risk management system, in particular for internal models
 - Actuarial sound analysis and understanding of risks is key in enterprise risk management

→ Actuaries should play an active role in the area of risk management and add the actuarial perspective

- **Actuarial inputs to EIOPA**

- o Centre of Expertise on internal model
- o Regulatory policy development on Solvency II and IORPs
- o Solvency II technical specifications
- o Financial Stability, e.g. stress testing

- **Actuarial inputs to National Competency Authority**

- o Approval process, e.g. Internal model
- o Review and evaluate compliance with the system of governance, including the ORSA

- **Approval process, e.g. Internal model**
 - o Challenge the appropriateness of the model
 - o Recent actuarial (model) developments and market practices
 - o Appropriately adapted to the decision-making process
 - o Principle-based standards
 - o Minimum list of documentations
 - o Limitations of the model
 - o Comparison with the standard formula results

- **Review and evaluate compliance with the system of governance, including the ORSA**
 - o Enterprise Risk Management actuaries
 - o Review on information provided
 - o Discuss with undertakings on progress made
 - o 'Continuous' compliance
 - o ORSA reports
 - o Independent reviews

- **Technical competency**

- Professional qualifications, knowledge and relevant experience in actuarial and financial mathematics
- Quantify, price and set reserves for the insurer's risks
- Review undertakings' analysis of the areas required for improvements
- Understand and advice actions the undertaking should take

- **Communication Skills**

- Report any major problems to the administrative, management or supervisory body
 - Be able to communicate at their own initiative and ensure that their advice and conclusions are properly understood
-

- **Integrity and Impartiality**

- o follow rules of professional conduct, for example the conflict of interest
- o honesty and financial soundness
- o personal behaviour and business conduct

-> Actuaries are expected to be 'Fit and Proper' at all times

The end

eiopa

Thank you!