



QUANTIFYING RISK, ENABLING OPPORTUNITY

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ASSA STIC: Professional Guidance – Guidance Note Work Stream

ASSA STIC Update: Role of the HAC

Agenda

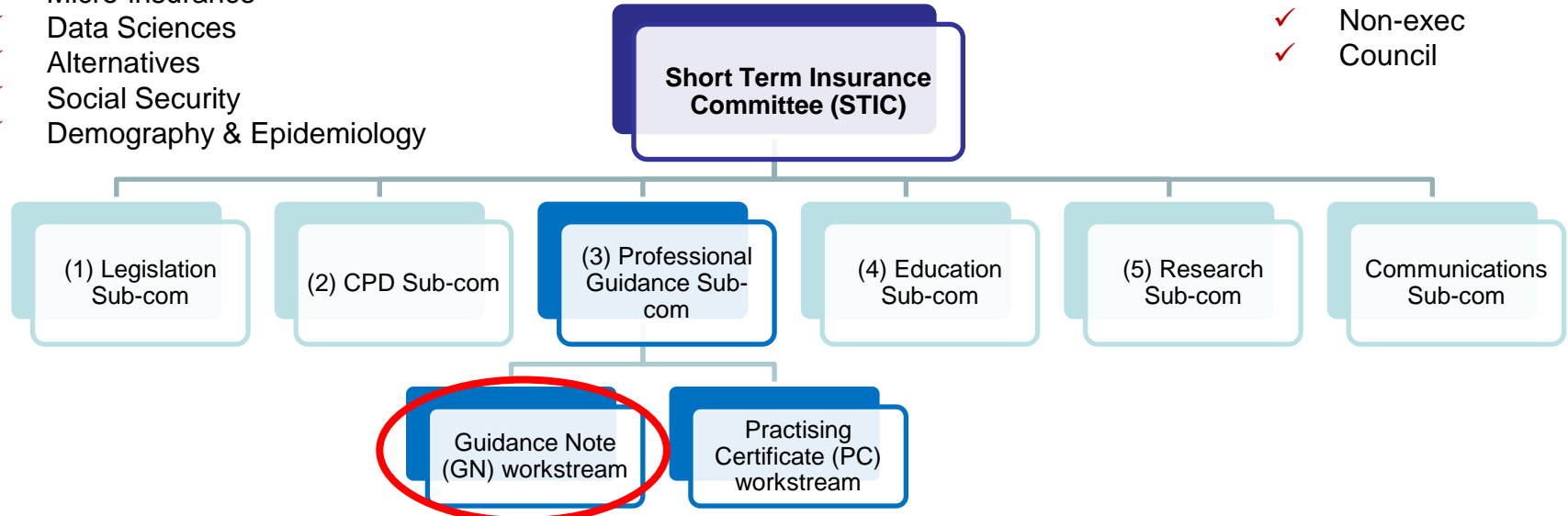
- Background: ASSA STIC
- The Journey
- What is the HAC?
- Key Issues & Considerations
- Structure of the APN
- Next Steps



Background: ASSA STIC

- ✓ Life Assurance (LAC)
- ✓ **ST Insurance (STIC)**
- ✓ Healthcare
- ✓ Finance & Banking
- ✓ Investments
- ✓ Retirement Matters
- ✓ Comp & Damages
- ✓ Micro-insurance
- ✓ Data Sciences
- ✓ Alternatives
- ✓ Social Security
- ✓ Demography & Epidemiology

- ✓ Chair
- ✓ Chair-elect
- ✓ **Subcom chairs**
- ✓ Secretary
- ✓ FSB
- ✓ SAICA
- ✓ SAIA
- ✓ Non-exec
- ✓ Council



- ✓ APN 401
- ✓ APN 402 (coming soon)
- ✓ APN 403 (coming soon)

The Journey

Life

Long and established history of Actuarial involvement

Regulatory framework already mature
 Role of Stat Act well defined and understood
 Comprehensive framework of Prof Guidance

Transition from Stat Act to HAC & Lines of defence

Update existing GNs (APN106)

Go Live

SAM & HAC



2005

...

2010

2011

2012

2013

2014

2015

2016

2017



FCR

APN401



Role for Stat Act – mainly reserve dispensations



BN169 SAM Interim Meas

Ongoing development of regulatory environment and our Actuarial “place” in it



SAM & HAC

Go Live

Short Term

Regulations simplistic: 7% IBNR, 15% Capital

No Actuarial sign-off

Refined regs: IM & CAR

Limited Stat Act role
 Guidance & framework almost non-existent

Concept of ACF and HAC introduced
 Increased Actuarial involvement in ST ins.

Guidance & framework development initiated
 Still only 1 APN (APN401)

The Journey

APN 403: Responsibilities of the HAC for ST Insurers in SA

• Development

- Commenced August 2015
- Team/Contributors:
 - Lisa Pines (Lead)
 - Lynette Calitz
 - Walter Sosa
 - Jaco van der Merwe
 - Jacques du Preez
 - André Jansen Van Vuuren
 - Lance Moroney
 - Kgosi Moeng
 - Nelda Breytenbach
 - Christiaan Ahlers

Primary drafters

• Key considerations

- SAM Position Paper 83 (v6)
- LAC (APN106) – Simon Louw & Andy Rayner
- IFoA working party paper: *“Application of the SII Actuarial Function to General Insurance firms”*
- Note: we are considering role of the HAC not qualifications for being a HAC



What is the HAC?

SAM Position Paper 83 (v6): “The Role of the Statutory Actuary”:

Insurance and reinsurance undertakings shall provide for an effective actuarial control function, headed up by the HAC.

Insurers must apply proportionality when considering segregation of first and second line duties wrt the HAC



Review and attest to:

the reliability and adequacy of:

- ✓ Technical Provisions
- ✓ SCR calculation
- ✓ Technical Provisions and capital requirements forming part of the projections in the ORSA



Express opinion on:

- ✓ Underwriting policy (goes further than S2 requirements)
- ✓ **Actuarial soundness of premiums**
- ✓ Asset and Liability Management (ALM) policy
- ✓ **Reinsurance policy and** the adequacy of reinsurance arrangements

“Formal sign-off”

Assertions and scope

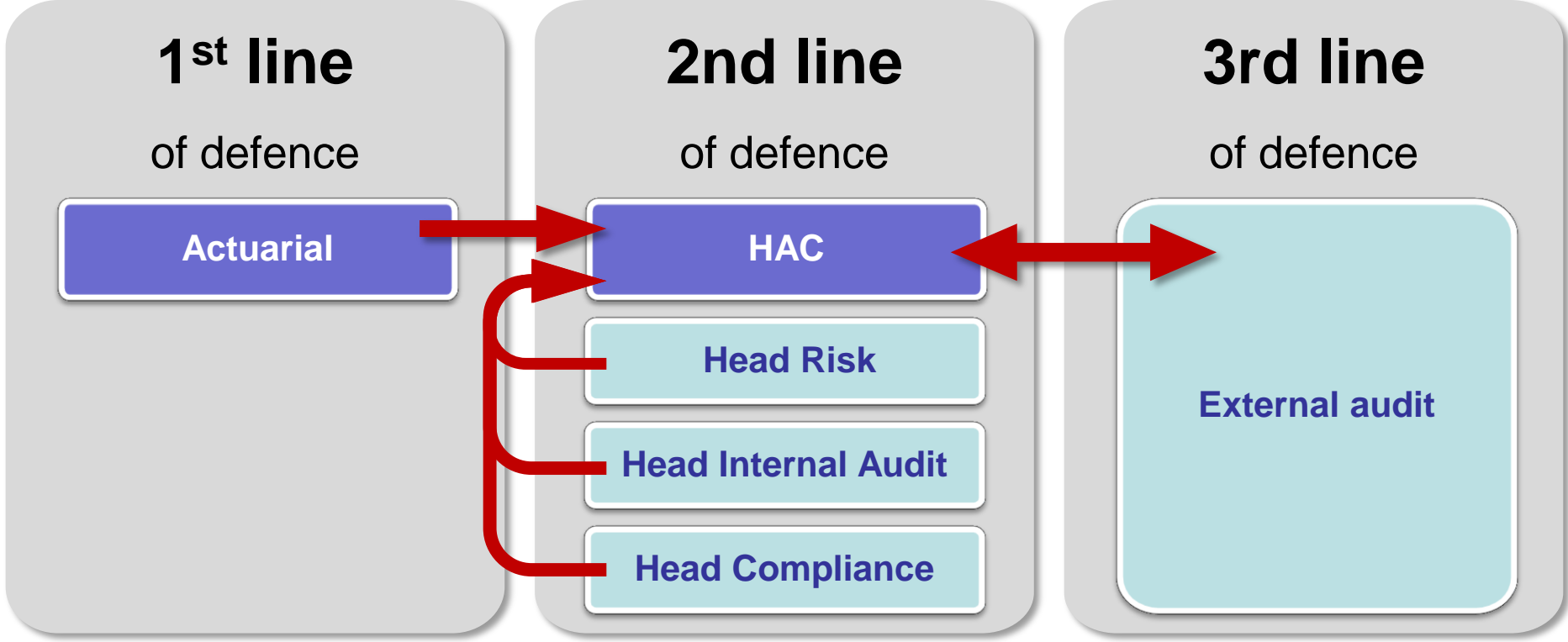
“Actuarially based view, not a formal sign-off... inform debate” (IFoA)

Considerations to enable opinion

Key Issues & Considerations

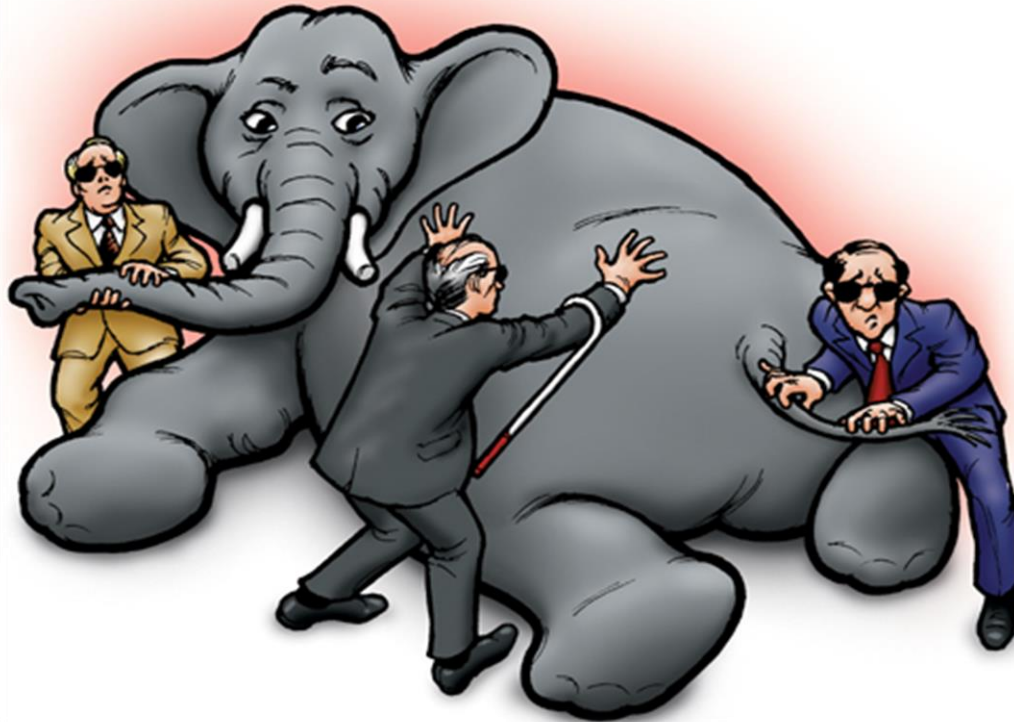


Reliances



Key Issues & Considerations

Reliances



Terms Of Reference

Combined Assurance Forum

Structure of the APN

HAC Requirements under SAM

As per Position Paper 83 (v6)

Introduction

*Attestation vs Opinion, Reliance on others,
Minimum requirements vs Best Practice, HAC TOR*

Guiding Principles

Reporting	Technical Provisions	SCR Calculation	ORSA
Underwriting Policy	Actuarial Soundness of Premiums	Reinsurance Policy and Adequacy of Reinsurance	ALM policy

Structure of the APN

Solvency Capital Requirement (“SCR”) calculation

“Review and attest to the reliability and adequacy of... the SCR calculation (whether internal model or standard formula)”

General:

- ❖ Full internal, Std Formula, Partial, USP, combinations of these
- ❖ Reliance on 3rd parties

Assertions:

- ❖ Methodology & assumptions comply with SAM
- ❖ Proportionality
- ❖ Data accurate, complete and appropriate (fit for purpose)
- ❖ Implementation concerns (interpretations)
- ❖ Effective controls
- ❖ Full / Partial models: coverage and risk identification

Frequency of review:

- ❖ At least annual

Best Practice:

- ❖ Use test
- ❖ Simplifications

Structure of the APN

HAC Rec

Underwriting Policy

“Express an opinion on the overall underwriting... policies”

Introduc

General:

- ❖ Policy, document, framework, process document or agreed-upon procedure
- ❖ Examination, acceptance & classification of risks

Guiding

Considerations to enable the opinion:

- ❖ In line with business strategy, plan, risk appetite & risk management
- ❖ Underwriting limits & controls
- ❖ Delegations of authority
- ❖ Data accurate, complete and appropriate (fit for purpose)
- ❖ Policy implementation
- ❖ Effective controls
- ❖ Process documentation
- ❖ SAM compliance
- ❖ Reliance on other assurance providers

Reporting

Frequency of review:

- ❖ In-depth: 3 yearly
- ❖ Major changes: Annually
- ❖ Other: As needed (proportionality)

Underwri

s vs Best
HAC TOR

Next steps

- The HAC draft APN will soon be circulated to industry for comment

- Process:

- 1) ASSA STIC (currently in progress)
- 2) ASSA Professional Matters Board (PMB)
- 3) ASSA STIC distributes to members for comment
- 4) Final approval by STIC and PMB
- 5) Approval by Council

All before SAM
implementation
April 2017!



- Other developments:

- ⇒ **APN402: Actuarial Standards for Actuaries in STI**

- “Overarching framework” of guidance*

- Same process as above. Currently with STIC (step 1)*

- ⇒ **APN401: Reserving**

- Review for SAM*

- A future project. Not yet commenced*



Thank you

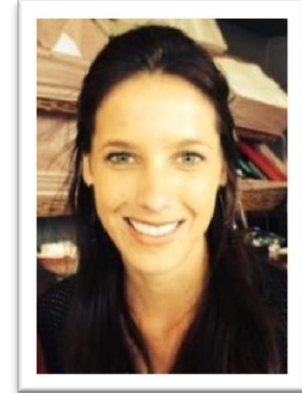
Questions?



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