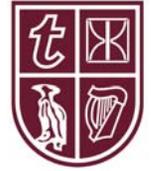


Regulations in General Insurance

Statements of Actuarial Opinion

Agenda



- History of the SAO in Ireland
- Types of SAO
- Who needs an SAO
- Who can sign an SAO
- Guidance for Signing Actuaries
- What does the SAO process involve
- Directors Role in the SAO
- The SAO Certificate
- The SAO Report
- Additional comments on the SAO Report
- The Future of the SAO



History of the SAO in Ireland

- 2000. IMF & World Bank assessment of Irish Financial Sector
- 2001. DETE introduced trial SAO's
- 2002. SAO for all Non-life Insurance
- 2003. IFSRA takes over from DETE
- 2005. EU Reinsurance Directive
- 2006. SAO's apply to Non-life Reinsurance Companies
- 2007. SAO's apply to all Reinsurance Undertakings
- 2010 Irish Financial Regulator is absorbed back into the Central Bank of Ireland
- 2010 International Monetary Fund back in Ireland!
- *2013/14 Solvency II*

Types of SAO



- Non-life Insurance Undertakings
- Non-life Reinsurance Undertakings
- Life Reinsurance Undertakings



Who needs an SAO

Non-life Insurance Undertakings

- The requirement for an annual actuarial Opinion applies in principle to all non-life insurance undertakings supervised by the Central Bank which includes Branches of 3rd Country insurance undertakings:
 - Exempt if
 - No third party business
 - No Motor, Liability or Financial Guarantee business

Reinsurance Undertakings

- The requirement for an annual actuarial Opinion applies in principle to all reinsurance undertakings supervised by the Central Bank. Central Bank may grant exemptions in a few specified low risk areas.



Who can sign an SAO

- Fellow of the Society of Actuaries in Ireland
- Holder of a current appropriate Practising Certificate issued by the Society of Actuaries in Ireland
- Can be an employee of the Company, Parent or another group company or external consulting actuary
- Approval for a Practising Certificate
 - Written Application
 - Appropriate qualification
 - Appropriate experience and CPD
 - Appropriate Irish CPD



Guidance for Signing Actuaries

- Central Bank
 - Act independently and professionally
 - Disclose all material concerns (data, integrity and sufficiency)
 - Inform immediately on any qualified Opinion
 - Opinion to be based on a comprehensive Actuarial Report
 - Report available on request

Central Bank Guidance

 - Guidelines on the Actuarial Certification of Non-Life Technical Reserves 2008
 - Requirements for Non-Life Reinsurance Undertakings 2011
 - Requirements for Life Reinsurance Undertakings 2011
- Society of Actuaries in Ireland
 - Code of Professional Conduct
 - Actuarial Standards of Practice (ASP') stipulate work and report standards (ASP GI-1 - GI actuarial reports, ASP GI-2 - SAO non-life technical reserves, ASP GI-3 - SAO non-life reinsurance business, ASP LA-11 - SAO Life Reinsurance Business, ASP LA-12 - Life Reinsurance: Actuarial Reports, General Insurance Practice Note 2)



What does the SAO process cover

- Encompass all classes of business written by the company
 - Apply to the company's technical reserves, both gross and net of reinsurance
 - Cover the following components of the technical reserves:
 - outstanding claim reserves
 - unearned premium reserves
 - additional amounts to cover unexpired risks
 - future claims-handling expense reserves
 - MIBI reserve and any equivalent reserve in other jurisdictions
- But **exclude**:
- future reinsurance bad debt reserves
 - claims equalisation reserves

Directors Role in the SAO



Directors Compliance Certificate certifies

- No relevant information withheld
- Data is accurate and complete
- Data reconciled with company and regulatory accounts
- Certifying actuary advised of all known method or procedural changes
- Claims development data is reconciled with company and regulatory accounts
- All professional advice the Directors deem appropriate has been taken

Data Accuracy Statement to Signing Actuary

Note :

- *The Directors are responsible for setting the level of Technical Provisions*

The SAO Certificate



Defined format by the Central Bank covers

- Identification of the Signing Actuary
- Qualification
- Scope

- Opinions
 - Comply with Irish legislation
 - Greater than the sum of expected future liabilities
- Qualifications on Opinion
- Signed

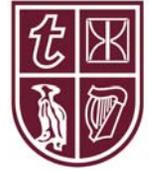
- Incomplete without an SAO Report (2 months following signing of SAO)

The SAO Report



-
- SAO Certificate is invalid without a follow up report
 - Issued within 2 months of SAO
 - Signing Actuary's record of analysis and conclusions
 - Introduction and compliance
 - Executive Summary
 - Data
 - Methods
 - Overview of Business
 - Analysis of movements
 - Uncertainty of estimates * *Expanded Scope by CBI*
 - Definitions
 - Appendices

Additional Comments on the SAO Report



Should be viewed as a useful addition in the management of the company rather than just a regulatory requirement. Independent assessment of:

- Assumptions
- Methods used
- Best estimate and Uncertainty
- Impact of reinsurance changes
- Interpretation of Development patterns

The Future of the SAO



- A few changes are expected before the advent of Solvency II.
- Actuarial Function → Pre-Approval Controlled Function (PCF)?
→ Controlled Function (CF)?
- Solvency II requires sign and evidence of many aspects of SAO process
 - Independent review of reserves
 - Data Quality
 - Risk Assessment and ranges
 - ORSA
- Actuarial certificate requirement? Not in legislation but.....