

Role and Responsibilities of the Actuary

Requirements and Challenges



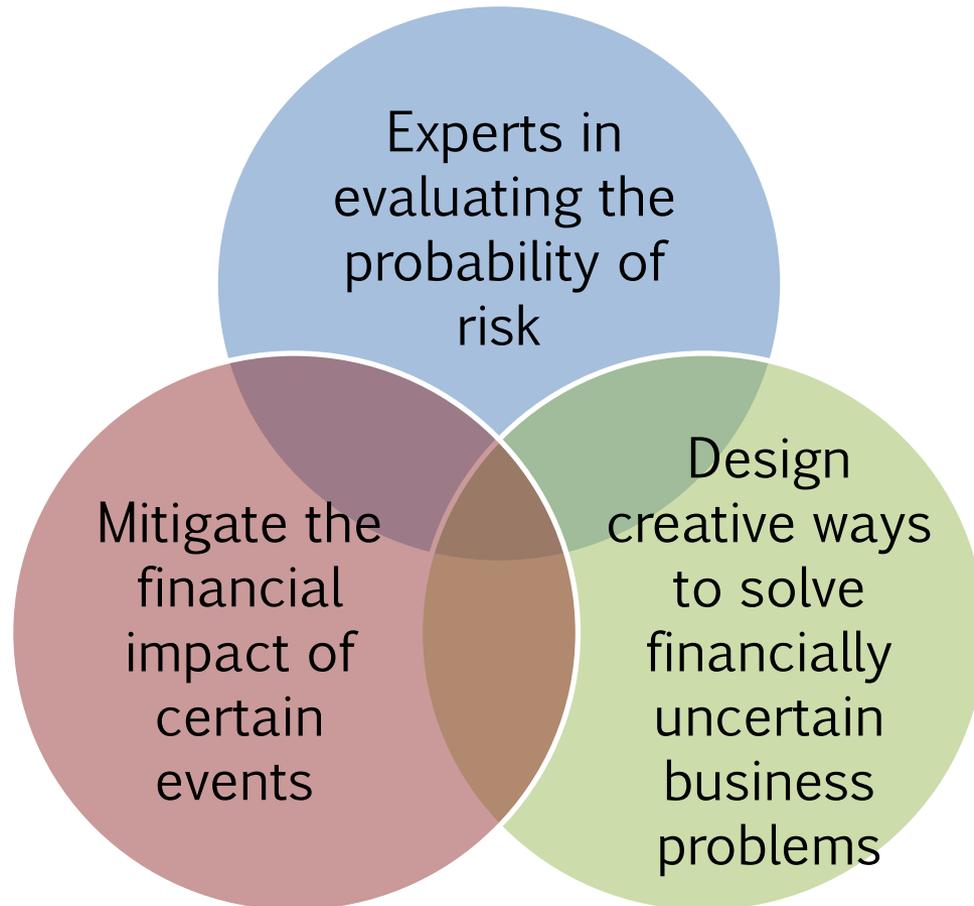
■ Agenda

1. What is an Actuary?
2. Ethical/Independence requirements
3. Statutory role of the actuary in Lebanon
4. Role of the actuary in other jurisdictions
5. Typical work performed by actuaries in the Middle East

■ What is an Actuary?

- *You're like an Accountant, Right?*
 - CPAs attest to the accuracy of disclosures of what happened in the past, while actuaries mitigate financial risk by calculating probabilities of what will likely happen in the future
- In 1762, we were officially named “actuaries” by the founder of Equitable Life
- Number 1 job in 2015 (*Forbes*)

■ What is an Actuary?



■ Ethical/Independence Requirements

- All actuaries are required to comply with professional standards. The standards can vary depending on which professional body the actuary belongs to however in general:

Integrity

- Members will act honestly and with the highest standards of integrity.

Competence and Care

- Members will perform their professional duties competently and with care.

Impartiality

- **Members will not allow bias, conflict of interest or the undue influence of others to override their professional judgement.**

Compliance

- Members will comply with all relevant legal, regulatory and professional requirements.

Communication

- Members will communicate effectively and meet of applicable reporting standards.

■ Statutory Role of the Actuary in Lebanon

- Insurance Regulation decree 9812
(4/5/1968 amended on '99)
- Internal Regulation of the Insurance Control Commission – resolution 1/203 (3/8/2006)
 - Actuarial expertise will be used to assist the supervisory work of the ICC
 - Art. 23 and 47 require the appointment of an Actuary by all Life Insurers only
 - Main duties: end-of year valuation and reporting to the ICC of the mathematical reserves as well as other types of valuations requested by the Company based on general actuarial practice.

■ Statutory Role of the Actuary in Lebanon

■ Reserves Movement Analysis

	(LBP)	Product 1	Product 2
(1)	Reserve at the end of the previous year		
(2)	Adjustment for negative reserves		
(3)=(1)+(2)	Adjusted reserve at the end of the previous year		
(4)	Written premiums		
(5)	Interest credited		
(6)	Increase in reserve on account of change in valuation assumptions		
(7)	Increase in reserve on account of change in valuation methodology		
(8)	Other increases (net)		
(9)=(4)+...+(8)	Total Increases		
(10)	Reserve release due to claims		
(11)	Reserve release due to lapses and cancellations		
(12)	Reserve release due to maturity benefits		
(13)	Explicit loading		
(14)	Cost of insurance deductions		
(15)	Decrease in reserve on account of change in valuation assumptions		
(16)=(10)+...+(15)	Total deductions		
(17)	Adjustment for negative reserves		
(18)=(3)+(9)-(16)+(17)	Reserve at the end of the current year		
(19)	Reserve for new policies issued during the year		
(20)=(18)+(19)	Total Reserves		

■ Statutory Role of the Actuary in other Jurisdictions

- KSA:
 - Sets technical reserves in Life and non-Life
 - Sets additional technical reserves as requested by the regulations in force
 - Provides rating structures and experience rating tools for motor and medical that should be used by the management
 - Prepares an annual Financial Condition Report to be submitted to the BOD and filed with the Regulator
 - Sits with the BOD at least twice a year in order to discuss FCR, pricing and other issues as may be required by the BOD or the Actuary.

■ Statutory Role of the Actuary in other Jurisdictions

- UAE (effective Feb. '15):
 - Provides opinion on adequacy of technical reserves in Life and non-Life
 - Provides opinion on adequacy of pricing strategies adopted by the management for motor, medical and life
 - Prepares an annual Financial Condition Report in which an opinion on the Company's solvency is to be provided. FCR is to be submitted to the BOD and filed with the Regulator
 - Reviews quarterly risk management reports on investments
 - Provides support in the preparation of an annual risk management report.

■ Typical work performed by actuaries in ME

■ Life & Pensions:

- Business Planning
- Experience Analysis
- Reinsurance Analysis
- Product Development
- Reserves Valuation
- Liability Adequacy Test
- Asset Liability Management
- Embedded Value
- Risk Management

■ Non-Life:

- Business Planning
- Reserving
- Rating and Experience rating for motor and medical
- Performance Monitoring for motor and medical
- Analysis of XOL reinsurance programs for motor and medical
- Risk Management

You're like an Actuary, Right?

Thank you.