5th International Professional Meeting of Leaders of the Actuarial Profession and Actuarial Educators in Asia and the Pacific

The Actuarial Control Cycle

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Objectives

- The name
- The process
- Examples
Actuarial Practice and Control

- Outputs, not inputs
- Means
  - Actuarial Control Cycle
- Ends
  - Actuarial Practice and Control
- Process and its application
  - Management of a feedback loop
Analytic Cycle

• Central to solutions are models

• The ‘techie ‘ stuff
• Important, but not the whole game
+ Professional Cycle

• Put into business context

Who is the audience

PROFESSIONALISM ── GOVERNANCE

MONITOR

SOLVE ── SPECIFY

ENVIRONMENT ── IMPLEMENT

MODELS
= Actuarial Control Cycle

- Model
- Specify
- Solve
- Monitor
- Environment
- Professionalism
- Governance
- Implementation

Problem

Analytic Cycle

Professional Cycle
+ Apply to Financial Services

= Actuarial Control
Actuarial Capabilities

- Cognitive
- Expertise
- Actuarial Judgement
- Innovative & Flexible
- Rigour & Holistic
- Strategic
- Integrity
- Personal Management
- Influence and interpersonal Skills
- Communication
- Business Acumen
Actuarial Practice

Identify the Problem
Models
+ Analytic Cycle
+ Professional Cycle
= Actuarial Control Cycle
+ Application to Financial Services
= Actuarial Control
+ Actuarial Capabilities
= Actuarial Practice
How Actuaries Add Value

- Analytic Cycle
  - Identify, Solve, Monitor

- Professional Cycle
  - Standards, Governance, Implement, Environment

- Apply in business team environment
  - Actuarial Capabilities

- Actuarial Practice and Control (Cycle)
  - Add value
Examples

- Financial Condition Reports
  - Sub-cycles – eg experience analyses
- IAAust Part III
  - New subject – syllabus structure
- Product design and management
- Capital Management
  - Target Surplus
- Generally applicable
Governance

Board

Management

Staff

- Process
- Systems
- Document

Policy

People

Implement

Monitor

- Accountability
- Sign-off
- Review
- Change Control
Regulation

Regulator

Policy

Entities

Implement

Monitor

- Primacy of Board
- Competence
- Investor’s Interests
- External Reviews

- Failures
- Abuses
- Improvement

Industry

Reviews
Actuarial Education

- Australia – Part II
- Recognised in IAA syllabus
- Emerging in UK, USA
IAAust Part II (18 Aims)

- **Analytic cycle**
  - Specify: 7, 12
  - Solve: 8, 9, 10, 11, 13
  - Monitor: 14, 15, 16, 17, 18

- **Professional cycle**
  - Professionalism: 1, 2
  - Governance: 6 (Risk)
  - Implementation:
  - Environment: 3, 4, 5
IAA Summary Syllabus (2007)

- Analytic cycle
  - Specify: 8
  - Solve: 1, 2, 5, 6, 7
  - Monitor: 7, 8

- Professional cycle
  - Professionalism: 10
  - Governance: 9
  - Implementation:
  - Environment: 3, 4

No mention of inherent cyclic paradigm
Summary

- Cyclic, not linear process
  - Repetitive, not ‘set and forget’

- Application a key actuarial paradigm
  - Differentiator – long term future

- An attitude of mind
  - Means to a (business) end

- Broadly applicable
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