



The Society of Actuaries of Thailand

Industry Update and RBC Development

2013 IAA Fund Seminar
Singapore, October 14, 2013



Risk-Based Capital (RBC)

- Implemented on September 1, 2011.
- Quarterly submission with actuarial sign-off on mid-year and year-end numbers.
- Starting from January 1, 2013, the minimum Capital Adequacy Ratio (CAR) increased from 125% to 140%.



Risk-Based Capital (RBC)

- After RBC implementation:-
 - Many big life insurers increased numbers of staffing.
 - Some small life insurers choose to gamble on their current actuarial resources which may or may not have suitable level of competencies.
 - Many general insurance companies out-source to external consultants.



2011 Big Flood

- Happen during September to November 2011, mostly affected central area of Thailand and Bangkok.
- Total gross loss claimed to general insurance companies is 126 billion Baht (2011 Total Gross Written Premium is 140 billion Baht).



2011 Big Flood

- Regulator allowed to not take flood claims reserve into calculation of insurance risk charge.
- Many companies adjusted their business portfolio which is prone to flood risk.
- Lesson learned – No “AOYU” in catastrophe management.



Stress Test

- To perform the testing on insurance company's financial condition under extreme scenario shocks.
- Objective – to test to identify the key risks to which company is sensitive and their level of tolerance so that company can readily prepare for appropriate risk management.



Stress Test

- Stress Test scenario:-
 - Macroeconomic scenario
 - Financial crisis scenario
 - Pandemic/Catastrophe scenario
 - Self-selection scenario
 - Reverse stress test scenario (Stress-to-fail)



Stress Test

- What to submit:-
 - Capital ratio and its impact under each stress test scenario
 - Management actions to correct the capital ratio if fail under any scenario
 - Key risks identified from stress test
 - Managerial plan to reduce such identified risks



Stress Test

- Time frame for Life Insurance business

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 (onward) |
|-------------------------------------|---------------|------|----------------|------|---------------|
| Framework Formulation & Development | Industry Test | | Implementation | | Revision |
| Preparation | Phase I | | | | Phase II |



Stress Test

- For Life Insurance business, the first industry test submission basing on 2012 year-end data was due on July 2013.
- For General Insurance business, the framework is still under discussion, expected to implement soon.



RBC phase II

- Kicked off August 2013.
- Regulator involved external consultant to work on framework.
- The project is expected to be complete by end of 2014.
- Implementation timing is subject to discussion between regulator and industry.



RBC phase II

- Intended areas to consider under phase II:-
 - Evaluation of existing risk margins
 - Additions of new risks i.e. operational, liquidity, group risks etc.
 - Diversification of risks
 - Definition of available capital
 - Valuation of non-typical assets
 - Etc.



The Society of Actuaries of Thailand

Thank You!