



31 May - 03 June 2016
at
ISEG- Lisbon School of Economics
and Management

If you intend to submit a paper for the ASTIN COLLOQUIUM LISBOA 2016, you need to provide a **Synopsis** (using the template on the next page), complete this **Submission Form** and submit both to astincolloquium2016@gmail.com by **Saturday 7 May 2016**. Synopses and submission forms must be sent as MSWord attachments, please do not supply them in the body of an email. You will be advised of the outcome and, if accepted, your abstract will be uploaded to the website.

SUBMISSION FORM

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Title of Paper / Presentation / Session to appear in program:

Insurance ERM and Advanced Uses of Internal Models in a Post Solvency II World

Author/s:

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3. 4.

What will your final submission be? Presentation and Paper Presentation Only

If selected, what level of knowledge will delegates attending your session require? (please select only one)
 No prior knowledge General industry knowledge assumed Technical/specific industry knowledge assumed

Note: If you are asked to present at ASTIN COLLOQUIUM LISBOA 2016, it will still be necessary for you to register and pay to attend the Colloquium. IAP does not subsidize, discount, pay for, or extend special registration offers for presenters or delegates.

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ABSTRACT

Insurance ERM and Advanced Uses of Internal Models in a Post Solvency II World

Yuriy Krvavych

Key words: Economics of Insurance, Enterprise Risk Management, Risk Appetite and Enterprise Utility Function, Dynamic Programming

Purpose of your paper: Monetising Solvency II, Making Use of Internal Models in Shareholder Value Creation.

Abstract: Many insurers have invested a significant amount of resources into developing and fine-tuning their Internal Capital Models (ICMs) for the purposes of determining capital requirements and being compliant with Solvency II standards. However, even though Solvency II is still in its perinatal phase, there are already indications that very few players across the industry are ready or know how to unlock the full potential of their ICMs via using them to provide insightful Risk MI and make better informed business decisions.

This presentation argues that integrating ICM into company's enterprise risk management processes could actually bring many competitive advantages in addition to model's value in just meeting regulatory requirements. In particular, it focuses on the following aspects of the use of internal models in providing insightful high quality Risk MI:

- Model stability/robustness: understanding limitations of modelling platforms used in developing ICMs and their impact on the quality of Risk MI (its 'resolution') in general and the modelled results at 1-in-200 level of capital requirements in particular, e.g. limited flexibility in modelling infrequent extreme eventualities (cat risk) and quantitative impact of modelling uncertainty.
- Model agility/efficiency: model design intelligence and what makes a good ICM; is your ICM fast enough and able to handle complex optimisation routines?
- Further/advanced uses of ICMs: optimisation routines over a set of pre-defined risk strategies (local optimisation) using only simulated/modelled components of enterprise risk profile; ability to run global risk optimisation routines like *dynamic optimal (risk) control* or *dynamic programming of levers of risk control*.
- Efficient use and communication of Risk MI: key areas of focus in supporting company's Risk Appetite and navigating towards efficient use of capital and enhanced enterprise value; parapsychology of efficient communication – 'thinking fast and slow', 'illusions and fallacies'.

Note: If you are not presenting a paper for this Colloquium, please include as much detail as possible in your Abstract (maximum three pages) to enable delegates to prepare for your session.

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