

Executive Summary

Insurance Authority's Review of Actuarial Reports on Reinsurance, Investment & Solvency for Year 2024 - IA Expectations of the Board of Directors, Executive Management, Appointed Actuary, and Head of Actuarial Function

1. Reinsurance Adequacy Report 2024

The IA expects:

- The Company's management to carefully consider the treaty type most appropriate for its portfolio, and make sure it is aligned with the Company's risk appetite, financial objectives, and market conditions.
- The Board of Directors and Senior Management to actively consider the recommendations of their Appointed Actuary when making reinsurance purchase decisions, with due input from Underwriting and Reinsurance Functions.
- The Board of Directors to seek to fully understand the rationale behind the recommendations of its Appointed Actuary, including impact of any changes to actuarial models and methodologies used, and actively consider those recommendations, with due consideration of the reinsurance market conditions, and the Company's own risk appetite.
- The Management to consider the optimal treaty structure for each line of business individually so that any decision around purchasing a bouquet of treaties can be taken from an informed position.
- Each Appointed Actuary to remain abreast of the latest professional developments in the area of reinsurance optimization and continue to explore and implement more sophisticated modelling techniques.
- The Board of Directors and Senior Management to set clear goal(s) for the Appointed Actuary so that the output generated is in line with the expectations and business requirements of management.

- The Board of Directors and Senior Management to seek to understand the impact of credit rating of its reinsurers on the reinsurance contract assets under IFRS 17, and ensure that its selection of reinsurers considers the attractiveness of the terms & conditions as well as the financial strength of the reinsurer, while also complying with the relevant IA regulations in this regard.
- Companies to explore opportunities to strengthen the domestic reinsurance market and retain more business within the Kingdom, while ensuring they diversify their reinsurance book to mitigate the accumulation risk as well as counterparty default risk, and maintain a balanced approach to risk management.
- The Management to put in place robust processes for providing underwriting, risk and actuarial support in aid to the reinsurance purchase decisions, thus ensuring that placement of risks under treaty and facultative arrangements is done at optimal terms for the Company.

2. Investment and Asset Liability Management Report 2024

The IA expects:

- The Appointed Actuary to perform thorough analysis and provide clear recommendations to the investment team and Senior Management that are insightful and assist in informed decision-making in the process of making suitable investment choices.
- The investment team, Senior Management and Board of Directors to seek to understand the recommendations made by the Appointed Actuary, including implications of the current investment choices and alternatives available, on the Company's ability to meet its liabilities with sufficient confidence and in a timely manner.
- The Control Functions within the Company to assess the Company's position against the market benchmarks and where the Company is an outlier, seek justification or corrective action from the investment team, as appropriate.

3. Solvency & Capital Report 2024

The IA expects the Company's management to:

- Based on the results of the latest exercise, where required, start identifying and weighing the options for raising capital to not only meet the current risk-based capital requirements but also those associated with the Company's growth strategy and business plan for the foreseeable future.
- Inculcate a culture of 'risk v reward' within the Company for deployment in day-to-day decision-making.
- Fully understand the drivers of the latest iteration of risk-based capital calculation in liaison with its Appointed Actuary and Head of Actuarial Function.
- Use the results of the latest exercise to inform and refine long term business strategy and risk mitigation approaches.

4. Role of Internal Actuarial Function in Actuarial Reporting

The IA expects:

- The contribution of the Actuarial Function of each Insurance Company to increase over time in all areas, such that the overall contribution leading to the production of each actuarial report is deemed significant. In particular, the IA expects to see all internal Actuarial Functions playing an active role in the Analysis step, followed by an increase in their role in preparing the actuarial reports. The Insurance Authority sees this active participation as an essential tool for the professional development of the internal Actuarial Function of the Company, in particular of actuarial candidates working within those Actuarial Functions.
- The Company's management to provide adequate resources (human and technological) to the internal Actuarial Function, thus enabling it to play a significant role in producing the above statutory reports.