AIU Exam – Actuarial Consultation

Risk Management Consulting

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Content

Introduction

Actuarial consultation is defined as a professional service provided by certified actuaries who uses, statistical mathematical and Risk management techniques to advices businesses government or organizations on making informed finical decision. This paper will dive into a risk management consultation with an insurance company in Guyana on the use of IFRS 17 pricking strategy and developing a policy to assist the company to understand the profitability of the each risk taking on by the insurance company.

Actuarial Consultation can be provided in many forms such as financial advice, as mentioned above this paper will focus on IFRS 17 pricing strategy for and insurance company in Guyana. The pricing strategy will be tailored to Guyana insurance industry through the use of the company claim figure, reinsurance contract payment, broker rate and the Guyana insurance company current pricing policy. Data will be pull and studied from these section of the company to determine what the company makes on each line of business.

Case Study

Global Insurance Company Inc.

Global Insurance Company INC, an insurance company in based in Guyana. The company seeks to start to be compliant with IFRS standard and has seek Vernon Actuarial consultation on creating an IFRS policy to assist the company with understanding the profitability of the risk taking on by the company.

Data & Assumptions

As an actuarial consultant I have taken the necessary steps needed to provide the best recommended systems for Global Insurance Company Inc. After reviewing the company audited company financial for the year 2024, the following information was obtained.

1. GIC Claim percentage for the year
2. GCI Profits after taxes
3. GCI Reinsurance payments
4. GCI liability Retention
5. Broker Rates

Claim Percentage 2024

Claims Paid GYD

Bonds - 80,000,000

Marine – 0

Motor – 20,000,000

Fire – 8,000,000

PL – 1,000,000

EL – 500,000

Profits 2024

$789,000,000

Reinsurance

20% each individual Risk

Liability Retained

225,000,000

Broker rate

22.8%

Results & Finding

After review the figures above there are a few concerns and recommendation will be highlighted in the consultation report and it goes as follows:

1. Claims

The claim figure calculated by Vernon Consultation shows 109,500,000/789,000,000 * 100 =13.9%

This showing an acceptable rate of 13.9% this was a job well done by the company claims Department.

2. Profits

CGI have shown a strong profit margins

3. Reinsurance Rates

20% on each business, the reinsurance aspect of the company is currently weak and highly recommended policy and strategies will be presented to the insurance company.

4. Liability retained

The liability retained by the insurance company is extremely high and with the reinsurance contract not in the company favor this can affect future profits.

5. Brokers

Broker’s rate vary but are normally at the current rate of 22.8 %

Risk Management policy

Sum Assured – 30,000,000

Contract premium – 150,000

Reinsurance – 20%

Broker – 22.8%

Claims – 13.9%

Underwriting fee – 25%

Contract premium	150,000
Reinsurance	30,000
Broker	34,200
Claims	20,850
Underwriting fee	37,500
Earned Premium	27,450

On this risk GIC have earned $27,450

Plan Design Adjustment

The reinsurance contract for GIC Shows the company paying for layers of which the company can self-manage using the underwriting fee which is store in an investment account to fund the layer 1 of bond coverage. With the elimination of the bond layer 1 in bonds, Motor, fire and marine, the company will save $200,000 USD in reinsurance payments.

To cover the high level of Retained liability the underwriting fee investment account along with the company statutory funds are fully capable of handling the retain profit however liability must be maintain to current threshold and not surpass $300,000,000. Yes the company has the profit to cover the current liability but increasing the liability and not profits will eventually become very risky.

Broker rates is currently chipping away at the company retain profits. It is recommended that the company also seek to not rely on brokers to bring business to the company but to build customer relationship without the need for brokers.

Conclusion

After careful review of the insurance company, the company have a lot of works to be done on the reinsurance, liability retained and client direct interacting with company. As it relates to the reinsurance aspect of the company it's been noted the company has been paying high premium to their reinsurers on the first layer while the company has been self-managing themselves. The consultant have recommended dropping the first layer and self-managing the first layer using the underwriting fee of 25% to pay any claims that may arise from that layer.

A new policy was recommended to be compliant with IFRS 17 and will help the company know how much profit will be earn on each risk taken on and will help the company know how to price business more efficiently. In addition the company claim department can continue as is and keep claim figures low as is this will be beneficial for the company.

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