mbe consulting

CASE STUDY

Successfully Aligning Risk Adjustment Calculations with Regulatory Updates

CLIENT

The actuarial modelling and reporting team of a leading insurance, pension & financial group.

CHALLENGE

- Regulatory Updates: The local market insurance regulator introduced additional guidance on the IFRS 17 Risk Adjustment (RA) calculations. This included a requirement to increase the confidence level of the RA, particularly for long-term care (LTC) portfolios. These changes posed a significant challenge for the client, necessitating adjustments to their existing risk management processes.
- Client Request for Support: In response to these regulatory updates, the client asked the MBE team to assess both the technical and practical implications of the new guidelines. This included evaluating their current RA framework and determining the necessary adjustments to comply with the updated standards for LTC portfolios.

APPROACH

Discovery

- Identified the specific LTC portfolios requiring recalibration to meet the new 90% confidence level for the RA.

Analyse

- Performed a comprehensive end-to-end analysis of the existing Excel-based RA scenario creation process, evaluating for both accuracy and efficiency.
- Applied the current process to recalibrate the LTC RA scenario in line with the 90% confidence level requirement.
- Explored opportunities for enhancing the current process by leveraging Power Query and VBA macros to increase automation and streamline workflows.

Recommendations

- Proposed key changes to the process and methodology to improve documentation, auditability and result accuracy.
- Delivered three options to the client, outlining how Power Query and VBA could enhance automation, improve auditability and ensure greater accuracy in the RA calculations.

RESULTS

- Successfully calibrated the RA calculations to meet the updated regulatory requirements, ensuring compliance and accuracy in the LTC portfolios.
- Identified key areas for process enhancement, highlighting opportunities to improve efficiency, accuracy and automation in the RA calculation process.

AT A GLANCE

Challenges

- New regulator led guidance on IFRS 17 Risk Adjustment (RA) calculations necessitated adjustments to the existing RA calculations.
- Client required help to assess the implications of these updates and ensure compliance in their RA framework.

Results

- Calibrated the RA calculations for compliance with updated regulatory requirements in long-term care (LTC) portfolios.
- Identified process enhancements to improve efficiency, accuracy and automation in RA calculations.

> ***We were extremely pleased with the support provided throughout this project. The MBE team demonstrated a deep understanding of our needs and the regulatory updates. We look forward to future collaborations.***
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> Actuarial Manager