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## 如何善用**ERM**強化 保險公司核保與業務策略

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### 討論大綱



- 核保、理賠、策略、風險與ERM的關係
- 核保利潤如何影響保險公司的償付能力
- 從風險資本的角度考量核保策略的制定
- 用ERM強化業務管理之建議

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## 核保策略、業務、風險ERM的關係

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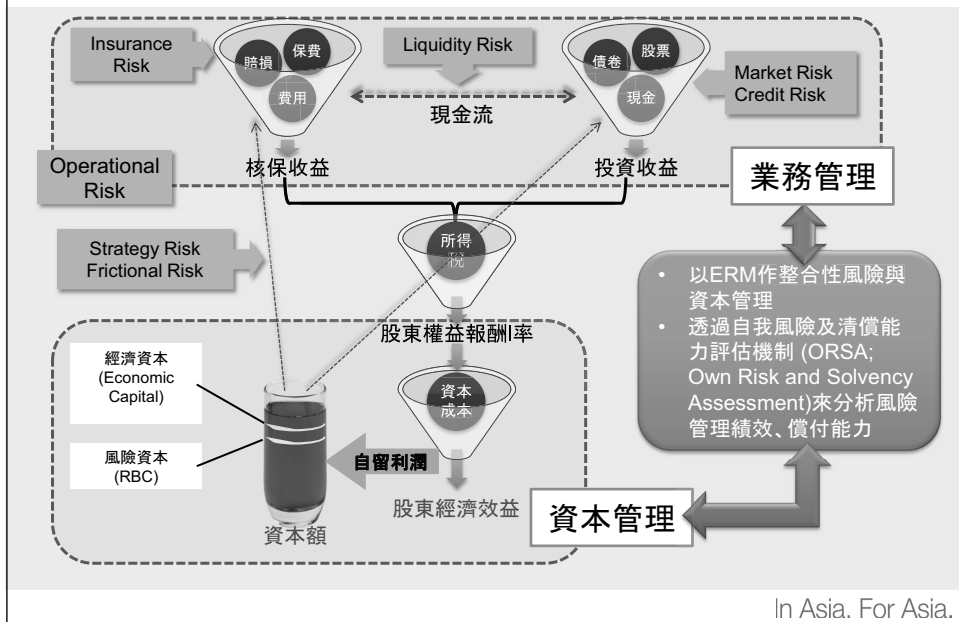
## The Convergence of Global Insurance Regulations

- Solvency focused
- Rule based
- Risk based capital solvency standard
- Use of internal or economic capital model (ECM)
- Own Risk and Solvency Assessment (ORSA)
- Enterprise Risk Management (ERM) requirement  
(But why?)

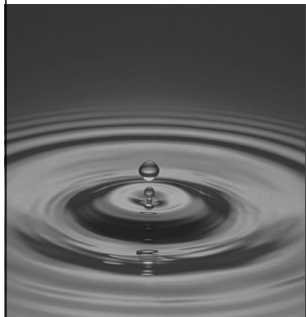
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## 策略、核保和理賠業務、風險與ERM的關係

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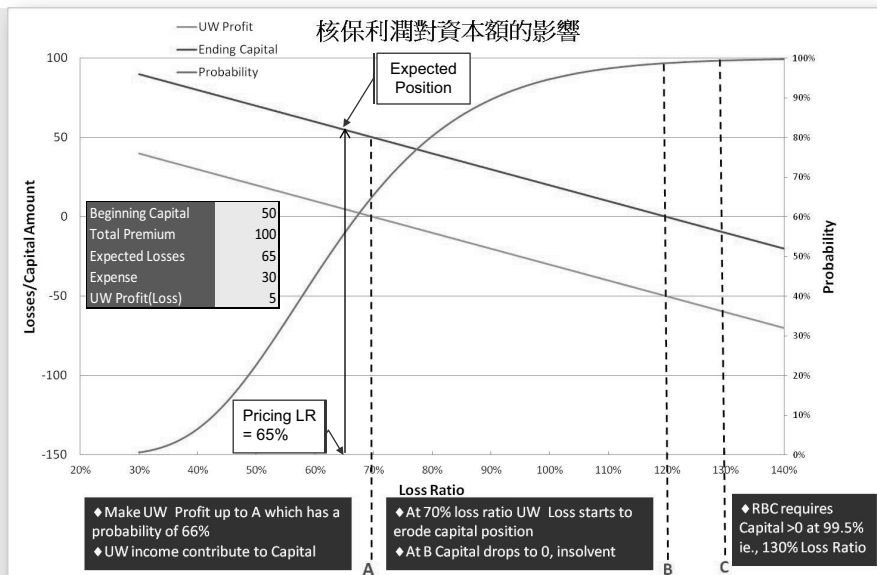
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## 核保利潤如何影響保險公司的償付能力

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## 核保利潤如何影響保險公司的償付能力



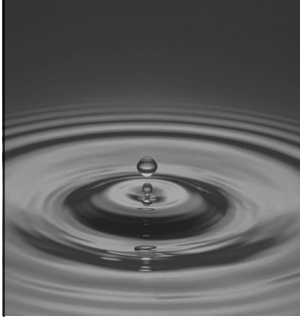
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## 常用的資本減壓策略



- Raise additional or use contingent capital (Capital Management)
  - Shift the capital line or a segment of it upward
  - Not always easy or possible, costly, time consuming
- Write business with lower loss ratio
  - Shift the loss ratio distribution to the left
  - Hence, shift RBC (C) by the same % point
  - Not easy in a competitive market such as Taiwan
- Compress/truncate the “green curve”-UW Strategy & Risk Management (核保策略制定與風險管理)

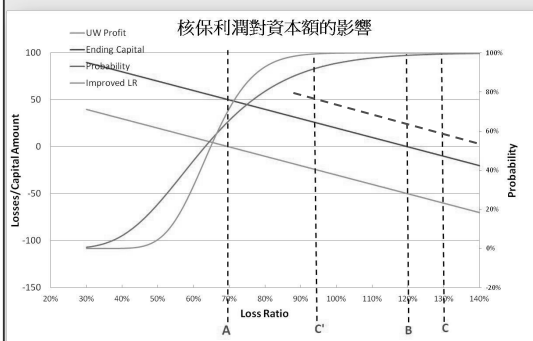
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## 從風險資本的角度考量 核保策略的制定

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## 從風險資本的角度考量核保策略的制定



- Optimize capital allocation (優化資本額分配)
- Buy reinsurance (用再保轉移風險)
- Improve UW quality and claims management (核保業務與理賠風險管理)
- Hence reduce RBC from C to C'

### Strategy 1

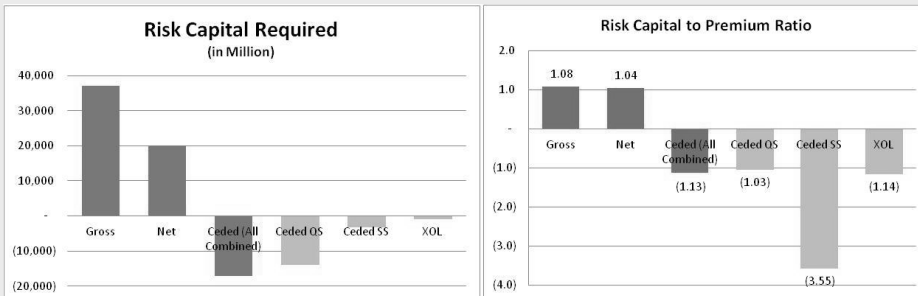
LOB	Premium	Loss Ratio	Std Dev (Risk)	Risk Capital
Line A	200	60.0%	30%	361
Line B	100	70.0%	10%	100
Line C	100	55.0%	15%	106
Total	400	61.3%		567

### Strategy 2

	Premium	Loss Ratio	Std Dev (Risk)	Risk Capital
Line A	100	60.0%	30%	181
Line B	135	70.0%	10%	135
Line C	165	55.0%	15%	174
Total	400	61.3%		490
Reduction in Required RBC				(77)
				-14%

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## Reinsurance Reduces Risk Capital Requirement (Example)

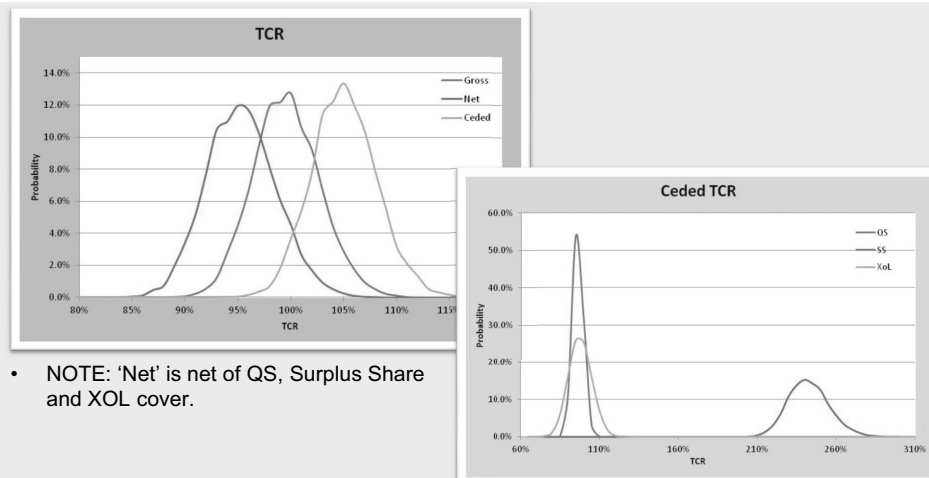


- Negative figures represents reduction in amount of risk capital required to support the portfolio.
- Reinsurance is an efficient tool to relief capital pressure.
- QS is most effective in creating large amount of capital relief and capacity by ceding a large portion of the portfolio to reinsurer.
- Reinsurance can help to reduce risk capital required to support each unit of premium (from 1.08 for gross to 1.04 for net in our example.)
- Negative value means the amount of savings in risk capital for each unit of premium reduction. In our example for each unit of reinsurance premium paid, the cedant can reduce its risk capital by 1.13 units.
- Generally speaking the more volatile/unbalance a portfolio is, the more efficient it is to transfer the risk exposure to reinsurer.

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## 再保可有效的減輕資本額的壓力



- NOTE: 'Net' is net of QS, Surplus Share and XOL cover.

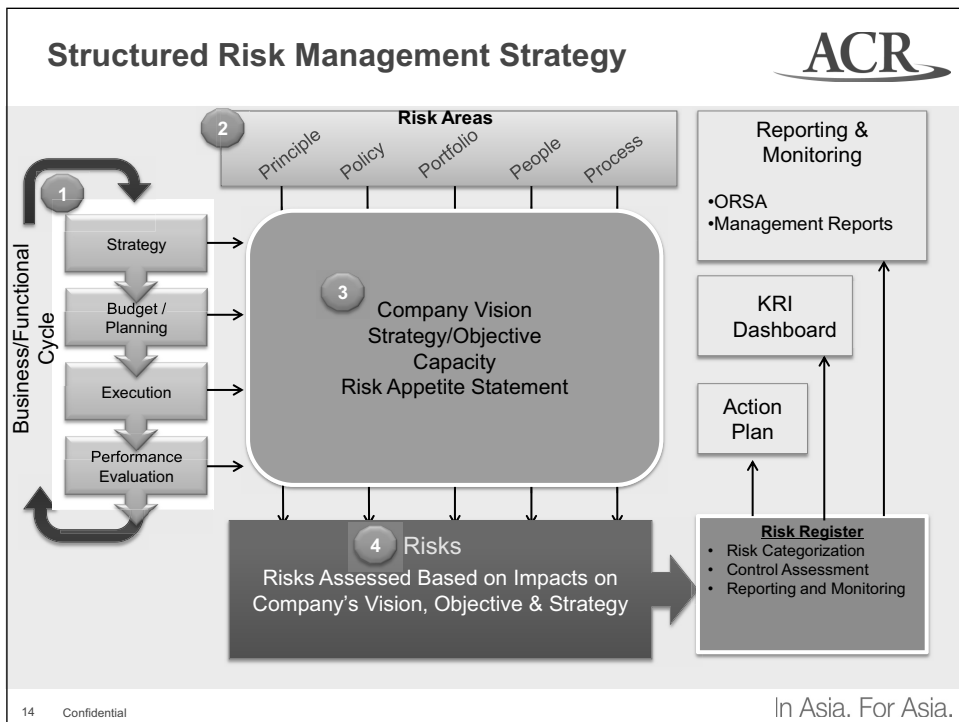
- NOTE: TCR for ceded QS, Surplus Share and XOL treaties.

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# 核保的風險管理

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## Significant Underwriting Operational Risks



Business Phase	Review Focus	Risk
Planning	Process, Portfolio	Inadequate risk capture – not complete, accurate and timely (i.e. risk recording system, declarations and endorsements / long term contracts / aggregates)
Execution	Policy, People,	Breach of underwriting authority / signatures & stamps controlled
Execution	Policy, People	Failed referral process / reporting lines and authority limits inappropriate
Execution	Policy, People, Process	Underwriting guidelines not followed or inadequate
Strategy	Principle, People	Underwriting objectives unclear or inappropriate
Execution	People, Process	Lack of detailed, inexperienced or untimely peer review
Strategy	All	Failed product development
Evaluation	Policy, People	Inadequate supervision and performance review of underwriters
Evaluation	Process, Portfolio	performance against plan not reviewed (eg., premium income, UW results, large claims)
Evaluation	Process	Underwriting operation not reviewed or inadequate

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## Significant Operational Claims Risks



Business Cycle	Review Focus	Risk
Execution	Process	Board / management uninformed of significant claims / disputes / complaints
Execution	Policy, People	Lack of referral or unclear authority level
Plan	Process, Portfolio	Lack of regular reconciliation between changing and the reserves
Evaluation	Process, Portfolio	Lack of monitoring the progression of claims advice or reserves
Strategy	Policy, People, Process	Administrative delays in processing claims
Plan	Policy, People, Process,	Payments and reporting to reinsurers delayed / omitted collection note issue / reinsurance recoveries
Strategy	Policy, Process	Lack of chasing outstanding salvage/subrogation
Plan	People	Unresolved outstanding issues with Actuarial or Finance

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## ERM Enhances Communication and Risk Culture



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## Conclusion



- ERM is not just a “box-ticking” exercise but unfortunately it is not always clear what is ERM and why insurance company needs it.
- A sound ERM framework and effective risk management practice can improve solvency position (policyholder protection) and increase shareholder value.
- Risk management is the same as “normal” management but with a focus on material and relevant risks.
- UW profitability can be improved by more accurate pricing/reserving (actuarial), better risk selection and adherence to guidelines/policies (U/W), and effective claims management.
- The volatility of UW result reflects UW and claims management quality.
- The higher the risk (std. dev.) the poorer the UW/claims quality even when the mean loss ratio remains constant.
- Company needs to hold more risk capital which increases capital cost and earnings pressure.
- Proper UW/Claims operational risk management can improve UW quality.
- Risk culture with open communication on risk issues is the key to successful ERM.

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**Thank You**

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