

Session 059 L - Integrated Financial Planning and Stress Testing

Moderator:

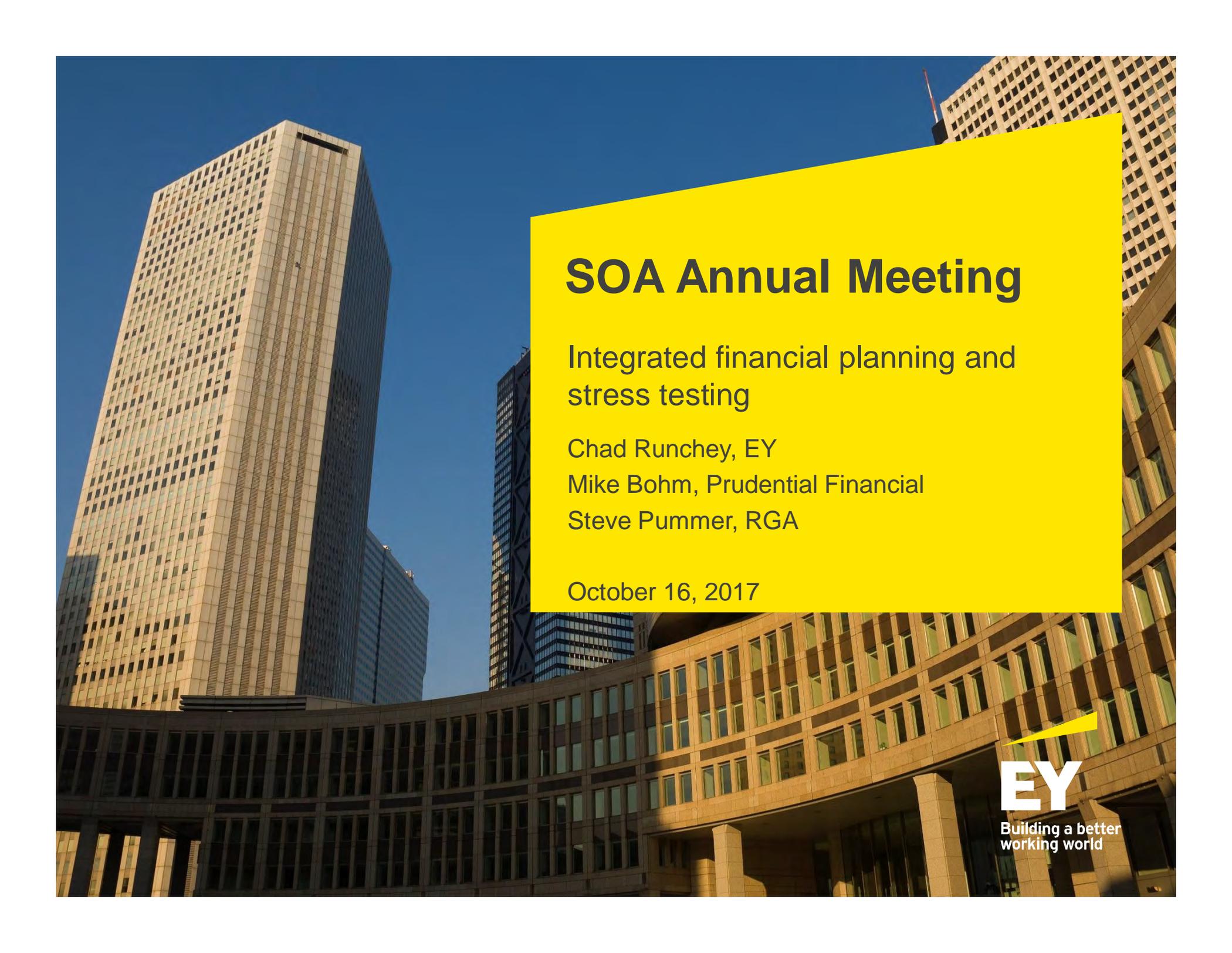
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Presenters:

Michael Bohm

Steven J. Pummer, FSA, MAAA

Chad R. Runchey, FSA, MAAA

The background of the slide is a photograph of a modern city skyline with several tall skyscrapers under a clear blue sky. A large yellow rectangular box is overlaid on the right side of the image, containing the text for the meeting.

SOA Annual Meeting

Integrated financial planning and
stress testing

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October 16, 2017



Agenda

1

What is forecasting now in the industry (current state)

2

Vision and expectations (future state)

3

Current challenges (gaps)

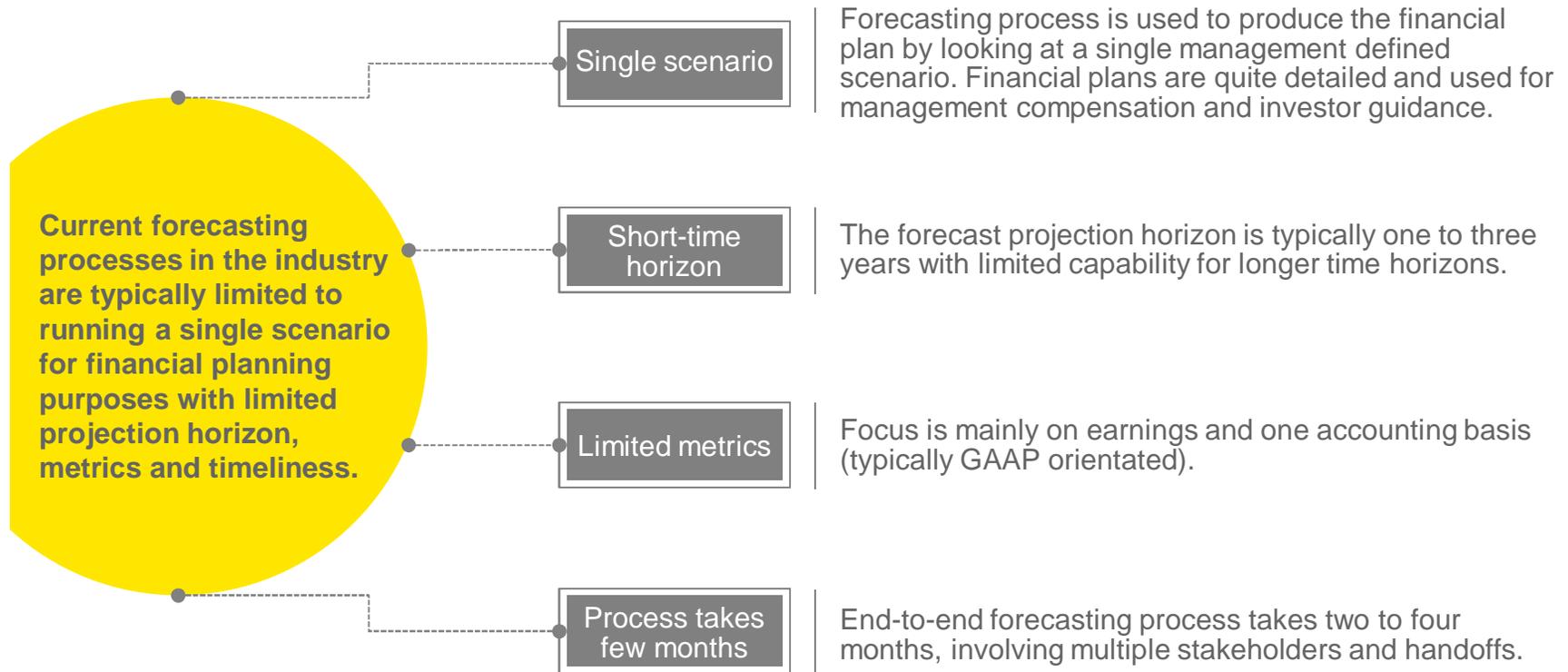
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How to make it better (integrated forecasting framework/road map)

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1. Forecasting in the industry

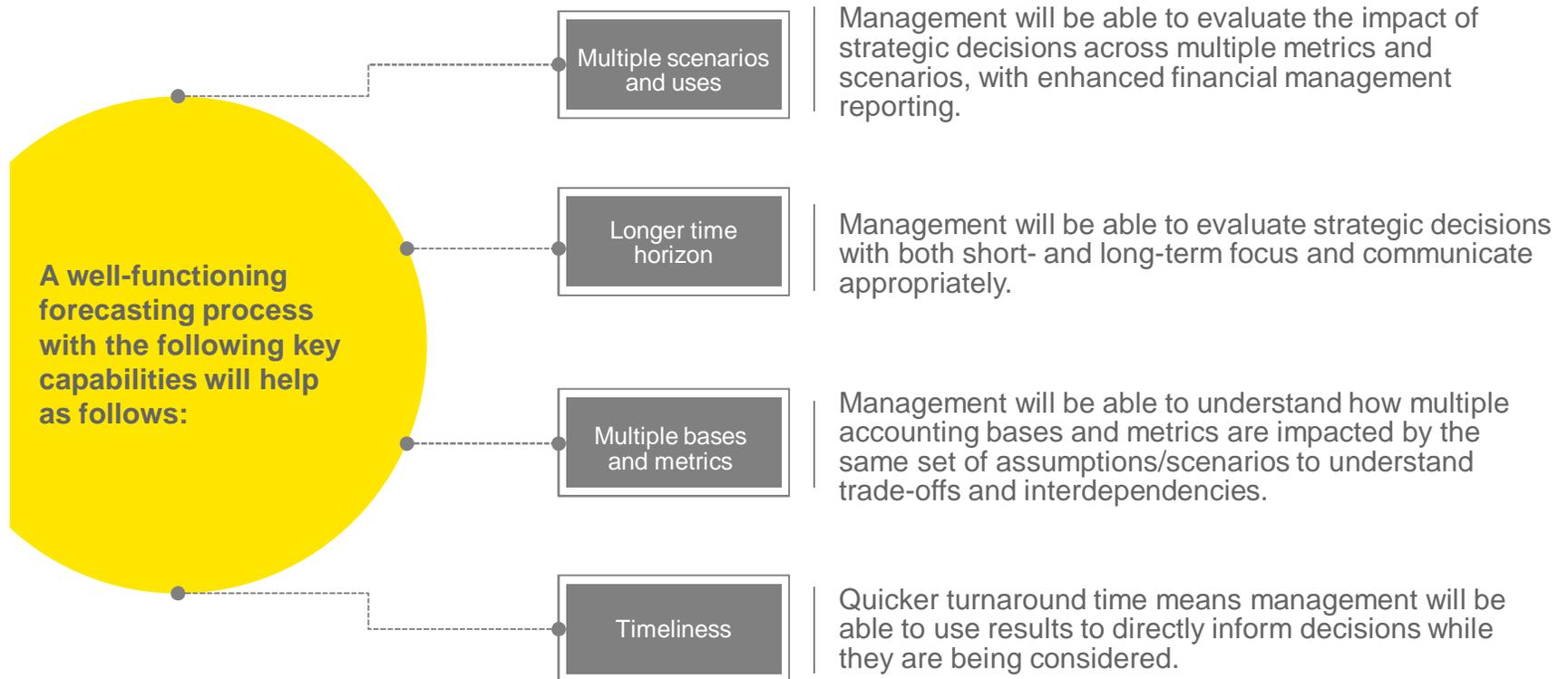
Current state



2. Vision and expectations

Future state

Insurers are operating in an increasingly uncertain environment that is requiring quicker decisions to stay competitive. Forward-looking projections have gained increased importance at life insurers, driven by increased demands from a range of business purposes.



3. Current challenges and gaps

Common observed challenges of forecasting can be categorized into three main categories:

Process

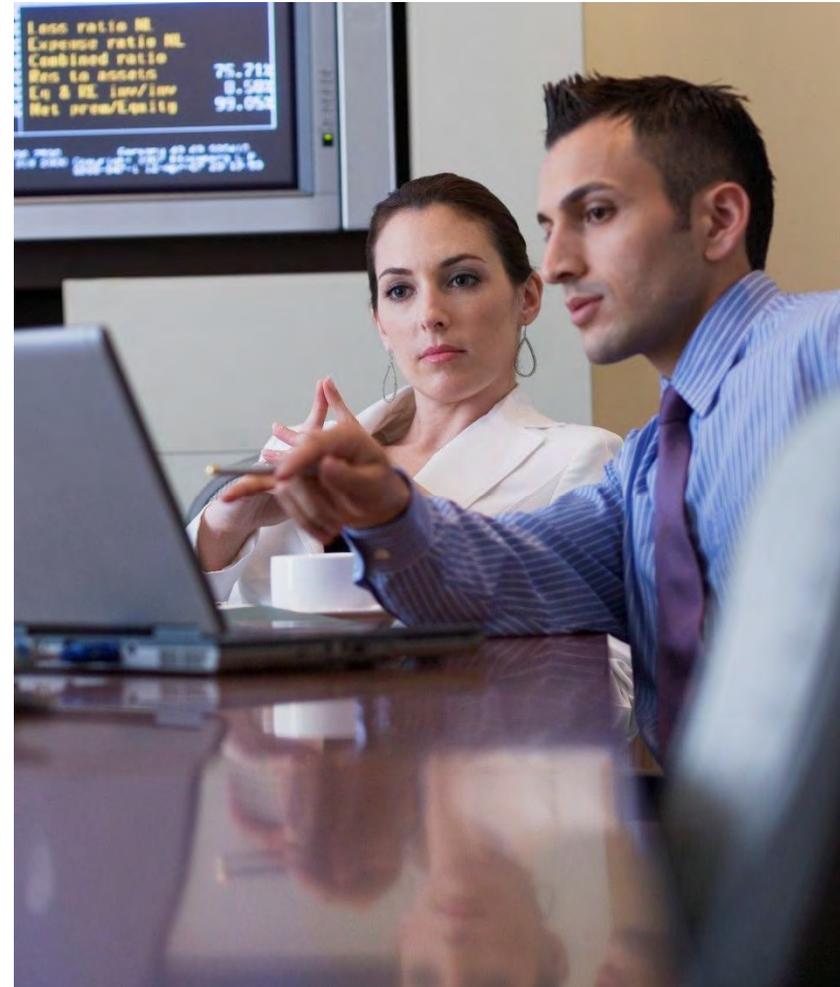
- ▶ Multiple stakeholders and functions (e.g., finance, treasury, actuarial, tax, investments)
- ▶ Multiple spreadsheets and manual handoffs
- ▶ Lack of an end-to-end process
- ▶ Resubmissions
- ▶ Sequential (rather than parallel) production of multiple accounting bases

Methodology/modeling approach

- ▶ Complexity of calculations involving interaction of assets and liabilities
- ▶ Interdependencies between various components (e.g., asset purchases/sales driven by tax and capital cash flows and vice versa)

Cultural challenges

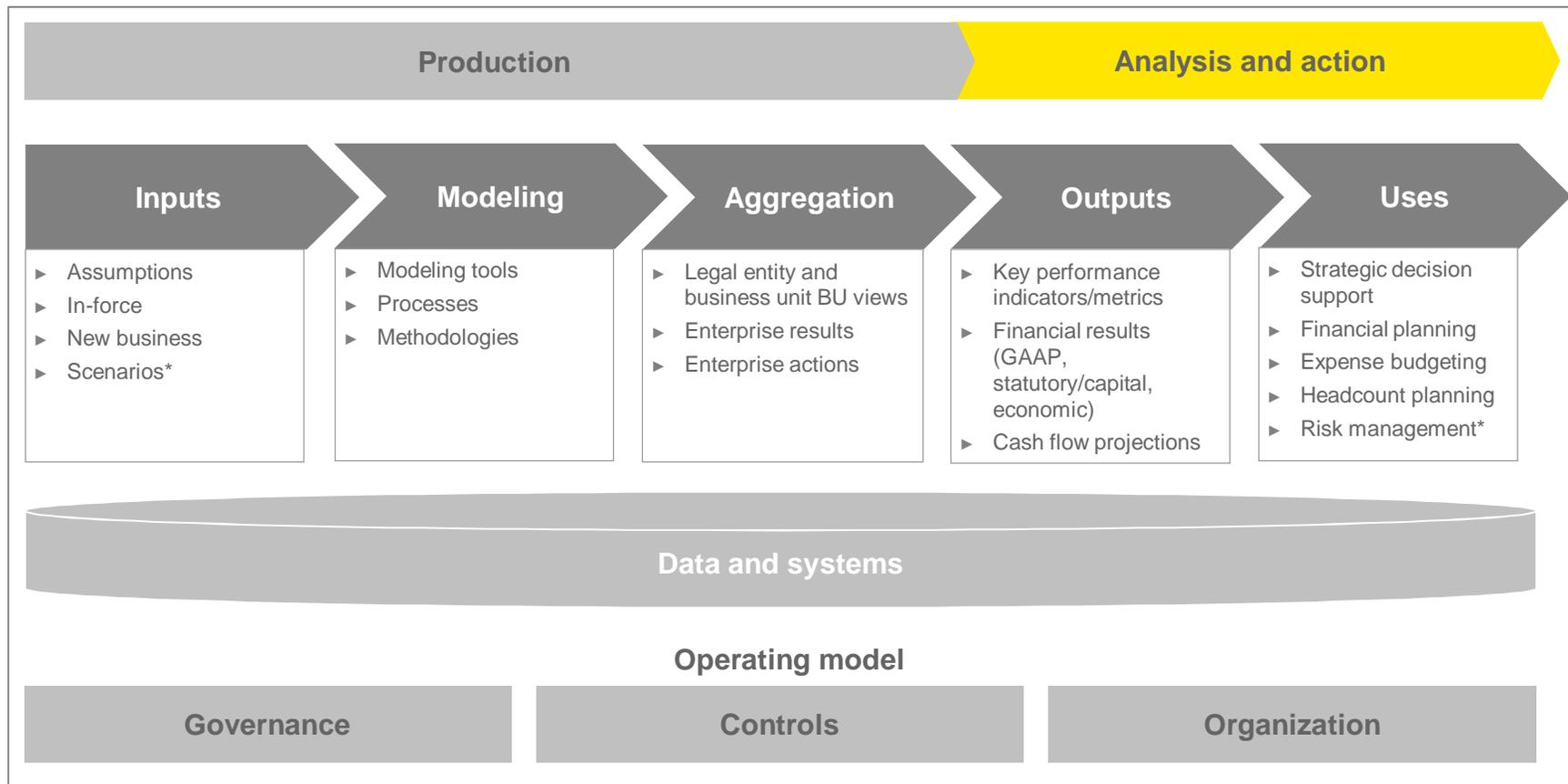
- ▶ Stakeholders and functions operating in silos
- ▶ Focus on getting things 100% perfect



4. Integrated forecasting process

Illustrative framework/road map

The illustration below outlines a framework for integrated forecasting and stress testing



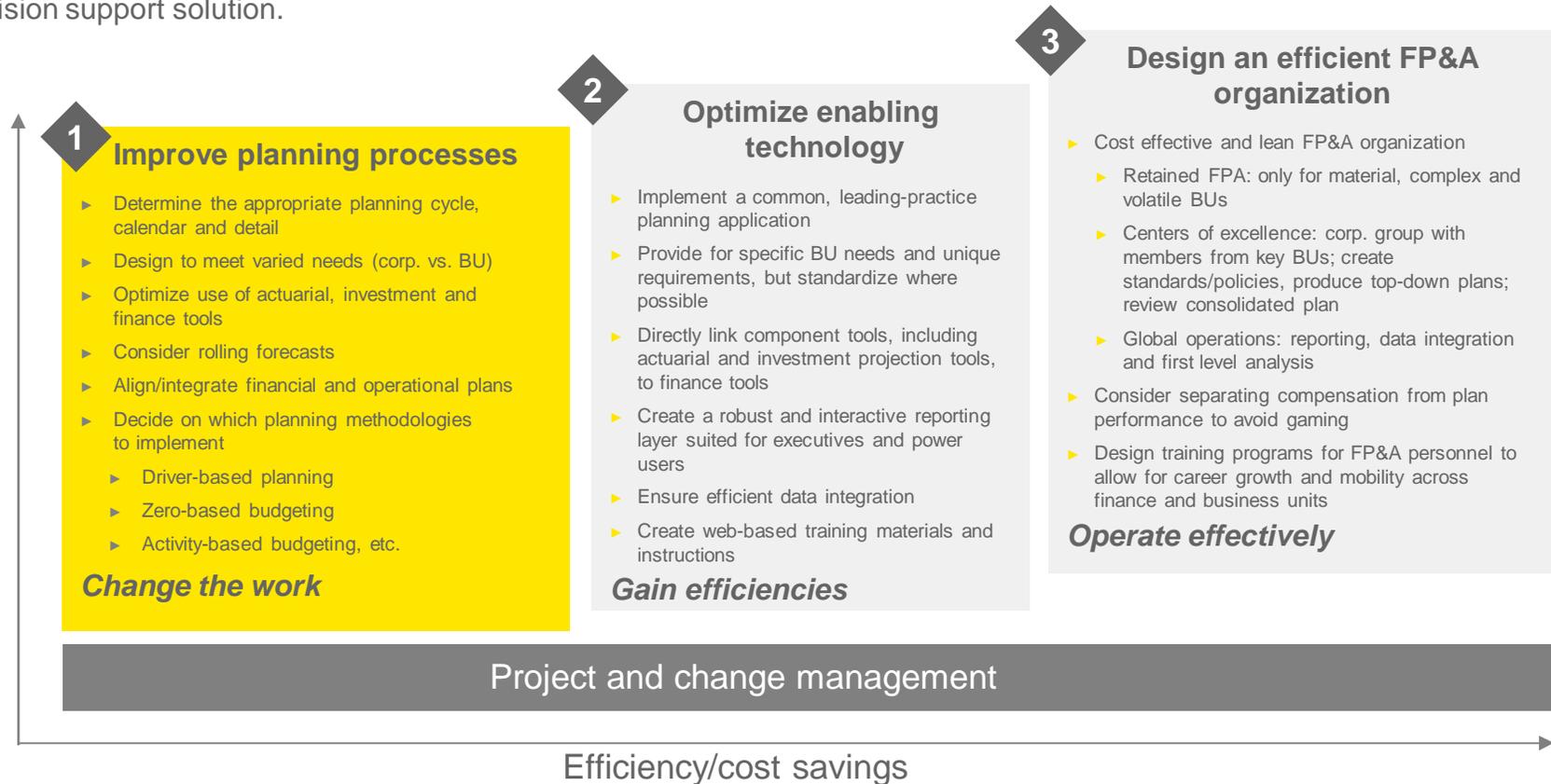
*Additional components if stress testing capabilities are included in the process

4. Integrated forecasting process

Three pillars of success

Forecasting process should integrate all components of strategic, operational and financial planning using key business drivers that link to strategy and are supported by fact-based historical and market analytics.

All three pillars are important to achieve effectiveness and efficiency while providing management with a world-class decision support solution.



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