Chief Actuary Case Study for Life Practice Modules

Background

Company Y is a UK proprietary life insurance company. Company Y has a portfolio of term assurance and immediate annuity business built up over many years. Company Y's new business levels have been falling in recent years and its market share has been declining.

Company Y's capital position has been in line with its risk appetite. However, the last regulatory solvency assessment indicated that Company Y had a much better capital position than had been expected on a regulatory basis.

Company Y's Board members have been discussing two possible options with respect to its surplus position.

- Company Y's Chief Executive Officer has stated that shareholders have been unhappy that Company Y's dividends payments as they have been below its competitors in recent years. Company Y should therefore use any excess capital to pay higher dividends.

- Some other Board members of Company Y have indicated that they would prefer that the company use any excess capital to launch a new equity release mortgage product to boost sales, as Company Y's competitors have also launched new equity release mortgage products.

You are the Chief Actuary for Company Y and have been asked by the Board of Company Y to produce a report on the proposed options. In preparation for producing the report you have been asked to answer the following questions.

1. Who are the main stakeholders that the Company Y should consider when coming to a decision on what course of action it should take, and what are their possible expectations.
2. Describe the possible investigations that should be carried out before deciding on the course of action to take.
3. Discuss the main issues that Company Y should consider when deciding on which option to take.
4. Discuss any other factors Company Y should consider before coming to a decision.
5. Describe the responsibilities of the Chief Actuary in this situation.