

Financial Services
Actuarial and Risk Services

Solutions and contact guide



Introduction

We help clients by developing a better understanding of the intersection of risk, reward, control and growth leading to smarter capital allocation, increased shareholder value and profitable growth.

PricewaterhouseCoopers (PwC) provides actuarial and risk services to financial institutions across Southern Africa through our Actuarial & Insurance Management Solutions and Financial Risk Services practices.

Our team made up of over 50 specialists, brings a broad multidisciplinary perspective to our solutions on emerging issues such as intense competition and technological changes, the new solvency and regulatory regimes, changes in the non-life insurance cycle, market-consistent valuation, the operational effectiveness of actuarial and risk functions and the ongoing challenge to provide greater value to all stakeholders.



1. Technical risk solutions

The ability to build, implement and use models effectively is one of the core competencies expected of any financial institution. The financial crisis demonstrated that many banks and insurers failed to recognise the myriad risks lurking in credit markets and the fact that liquidity can disappear overnight. Our technical risk solutions address these quantitative and qualitative shortcomings. We help financial institutions get more out of their models by identifying improvements in terms of data, methodology and assumptions. We also help institutions use their risk models more effectively. Often, this requires recognising the inherent limitations of models and improving the governance around them, designing stress-testing programmes or creating reserves to offset modelling weaknesses.

In addition to actuarial solutions, we also focus on other specialist risk areas such as credit risk, market risk, operational risk, asset and liability management, and liquidity risk.

2. Financial reporting

We have extensive capabilities to assist companies to implement new and amended financial reporting standards. Through our internal research into new techniques and our contribution to industry knowledge groups, we are able to ensure that our clients remain at the forefront of developments in both IFRS and embedded value reporting.

3. Mergers, acquisitions and capital structuring

Based on a thorough understanding of liabilities, risks, business drivers and valuation standards, we provide companies with assistance and due diligence assurance through the entire mergers and acquisition life cycle. We also assist in capital structuring, securitisation, financial reinsurance and other methods of raising efficient capital.

We advise all industries on the financial implications of long-term employee benefit liabilities and how to manage and transfer these risks, including post-deal benefit implementation.

4. Governance and risk operating frameworks

We work with companies to review, redesign and improve financial, risk and actuarial operating frameworks and governance structures. These frameworks need to be aligned with the business strategy and regulatory requirements such as King III, Basel III and Solvency Assessment and Management. This ensures accurate and timely financial reporting, efficient and effective use of resources, alignment with key drivers and the ability to deal efficiently with emerging situations within the business and external environment.

5. Strategic review and market entry

We provide financial services companies with an external perspective on their strategy, analysing the current situation against a backdrop of the local and international environment. We provide:

- Local knowledge of the workings of the industry including specific requirements of customers and regulators;
- Insight into different business models, legal structures and financing arrangements; and
- Business planning, including profit testing, capital and strategy evaluation, distribution modelling and new business forecasting.

6. Regulatory and compliance reviews

We are experienced in assisting companies to ensure compliance with current and ever-changing regulations, including Solvency Assessment and Management (SAM) and Basel III. Our review and implementation experience allows us to assist in minimising the burden of regulation and related system and process changes, and to capitalise on the opportunities created.

By working hand-in-hand with you and maintaining close communication with regulators, we can reduce uncertainty about compliance requirements, use-tests and internal model reviews.

7. Statutory Actuary

As Statutory Actuary to your company, we leverage our industry knowledge, actuarial and financial capabilities, strong governance knowledge and process skills, together with our independence and external credibility to help you build a robust, resilient business that grows wealth for both shareholders and policyholders.

8. Enterprise risk management (ERM)

Whether driven by the financial crisis or regulatory initiatives, it is clear that changes within independent risk management functions are needed across the board. We provide ERM and risk function effectiveness solutions to financial services companies and other entities that are:

- Undergoing changes in structure;
- Seeking to align risk appetite and strategy;
- Looking to improve performance and reduce costs;
- Developing new areas of business;
- Integrating and updating information and data systems; and
- Focusing on mitigating risks within the business.

9. Capital management

We assist clients with:

- Allocating capital for risk-adjusted performance measurement and identification of optimal capital use;
- Exploring business, reinsurance and investment strategy decisions;
- Managing statutory solvency requirements; and
- Asset/liability analysis and modelling.

10. Asset valuation and management

Our actuarial, financial and risk professionals can identify and map the risks within an asset portfolio, including unlisted instruments, derivatives and alternative asset classes and value the instruments in line with IFRS requirements.

Detailed capabilities list

Life insurance

- Financial reporting for IFRS and embedded value purposes;
- Capital management (economic capital, Solvency II, SAM, capital structure);
- Statutory Actuary services;
- Strategic review and advice;
- Regulatory approval and strategy;
- Due diligence and valuations for mergers and acquisitions;
- New business modelling and forecasting for business planning;
- Process redesign and improvement;
- Model development, review and quality assurance;
- Distribution management;
- Enterprise risk management;
- Setting of risk appetite and alignment with corporate strategy;
- Risk function effectiveness benchmarking and design;
- Governance framework benchmarking and design;
- Revenue growth; and
- Operational risk management advice and quantification.

Banking and capital markets

- Pricing validation and independent pricing of financial instruments;
- Credit impairment modelling for Basel and IAS39 purposes;
- Credit scorecard building and validation;
- Hedge effectiveness modelling and review;
- Risk modelling and quantification, including process and model validation;
- Treasury reviews;
- Regulatory processes review and implementation;
- Enterprise risk management;
- Setting of risk appetite and alignment with corporate strategy;
- Risk function effectiveness benchmarking and design; and
- Operational risk management advice and quantification.

Employee benefits

- Benefit design and review;
- Advice on conversion from defined benefit to defined contribution schemes;
- IAS 19 technical advice (including IAS 19 compliant valuations);
- Financial due diligence;
- HR due diligence;
- Post-deal benefit implementation;
- Actuarial advice to trustees and / or employers;
- Determination of defined contribution interest rate declarations;

- Impact of new legislation on retirement funds;
- Valuation of share option plans under IFRS 2;
- Development of share option plans to meet clients' specific needs;
- Risk assessments (PF 97) for corporate clients;
- Advice on corporate benefits for life insurers;
- Assistance with selection of fund administrator and investment managers;
- Estimation of replacement ratios based on different investment scenarios; and
- Investment advice, including asset/liability modelling.

Short-term insurance

- Capital management (economic capital, Solvency II, SAM, capital structure);
- Dynamic financial analysis and reinsurance optimisation;
- Analysis of outstanding claims/reserving;
- Pricing and product design;
- Financial modelling, business planning and strategic advice;
- Due diligence and valuations for mergers and acquisitions;
- Internal model implementation assistance and validation; and
- Experience investigation for pricing, management information and reserving.

Health care and HIV/Aids

- Experience investigations: demographic experience and claims experience;
- Generalised linear modelling;
- Incurred but not reported (IBNR) reserving and modelling;
- HIV/Aids assessments and financial impact analyses;
- Advice on amendments to regulations and legislation;
- Developing dynamic activity-based costing and demand models;
- Advising on risk sharing arrangements;
- Advising on appropriate alternative reimbursement arrangements; and
- Post-retirement medical assistance liability assessments under IAS19

Financial modelling

- Ability to model using a range of different modelling software, including Excel, Matlab, MoSes, Prophet and SAS;
- Building both deterministic and stochastic models;
- Outsourced modelling from high-cost territories;
- Modelling for risk, capital, accounting, business planning, pricing, asset and liability management, and mergers and acquisition purposes; and
- Valuation of share option schemes, financial instruments, structured transactions and portfolios.

Contact



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