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Actuaries in Audit / Aktuare im Audit

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Poll

Question: What is your opinion of Internal Audit in your company?

- ☐ 1 – Good – they really help the organization to improve
- ☐ 2 – It depends – sometimes ok, sometimes I do not see added value
- ☐ 3 – Not so good – they do not add value to the organization
- ☐ 4 – No opinion – I am not interested in what the colleagues do
- ☐ 5 – I do not know what you are talking about

Internal Audit is boring box-ticking...



...really...is it?

What is Internal Audit?

Internal Audit as the “Third Line of Defence”...

- Is an **independent and objective function** established by the AMSB¹ **to examine and evaluate the adequacy, effectiveness and efficiency of the Internal Control System and all other elements of the system of governance**, through **assurance** and **advisory** activities for the benefit of the AMSB, Senior Management and all stakeholders.
- Has the **purpose to protect the reputation** of the company and its **credibility with all stakeholders**.
- Supports the organization’s successful **achievement of its strategic objectives** and its ability to create, protect and sustain value.
- Supports the AMSB in **identifying the strategies and guidelines on internal controls and risk management**, also in a long-term perspective, providing analyses, appraisals and recommendations concerning the activities reviewed.
- Is typically evaluated by the problems it failed to detect, therefore completeness considerations are crucial.

Internal Audit is not...

- External Audit, or the “Second Line of Defence” (Risk Management, Compliance, Actuarial Function), or the “Internal Police”.
- Responsible for the implementation of the Internal Control System - Internal Audit evaluates it.

¹Administrative, Management or Supervisory Body

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Group Audit: a trusted independent Business Partner

BE RELEVANT FOR THE ORGANIZATION WITHIN OUR MANDATE

Serving as an independent trusted business partner in safeguarding the reputation, integrity and resilience of Generali Group by delivering proactively effective, data-driven & risk-based audit assurance and advice efficiently, supporting sustainable growth of the business and enhancing stakeholder confidence

Audit Assurance

Deliver independent, objective assurance and advisory services that add value and improve the organization



**Globally connected,
professional & qualified
Audit Community**

Audit Operations

Foster operational effectiveness, efficiency, agility and innovation, in response to global challenges, evolving risks and regulatory expectations

Group Audit is present, where Generali Group is present



**Group Oversight and
Coordination**



**Strong global alignment
considering local needs**



**Effectiveness and
efficiency of audit work**

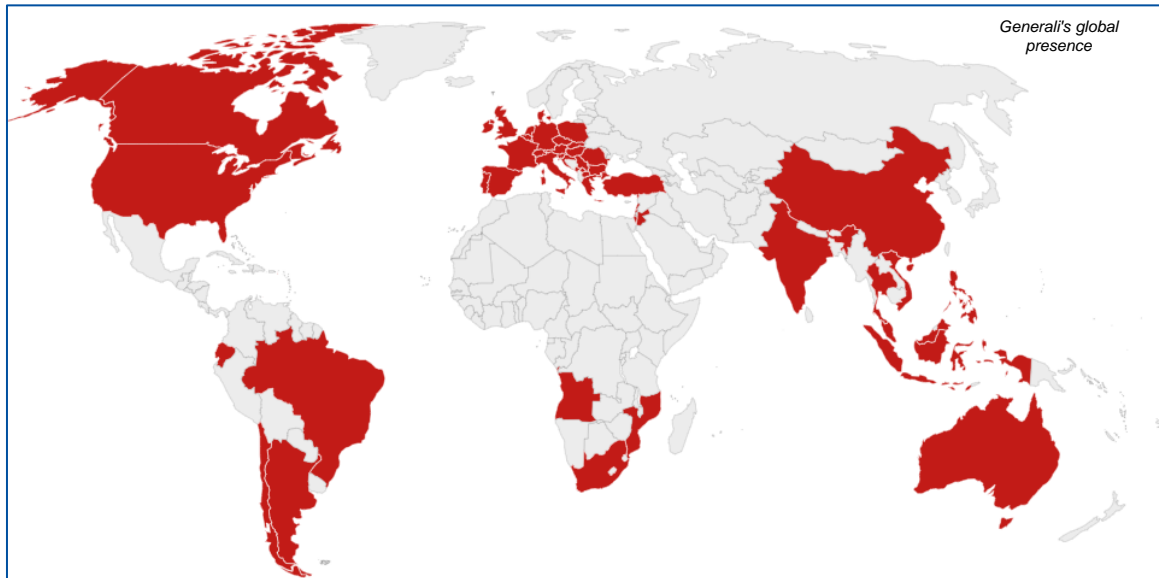
**> 300
Legal Entities**

**> 450
Auditors**

**> 35
Countries**

**Different
types of business**

**Multiple
Regulations**



1

Community

1

Methodology

1

Operation

Global Audit operations in line with market best practice



UNIQUE AUDIT POLICY & AUDIT METHODOLOGY

clear governance, coordination mechanisms and information flows



CLEAR DEFINITION OF THE AUDIT UNIVERSE

via structured and recurring analyses of Legal Entities and Business Processes



STRUCTURED & DOCUMENTED AUDIT RISK ASSESSMENT

executed at process level and differentiated by risk category



FOCUSED RISK-BASED AUDIT PLAN, ITS EXECUTION & REPORTING

enhanced by specialized Competence Centers and digital technology



GLOBAL AUDIT OPERATIONS & DIGITAL SOLUTIONS

to support audit assurance and ensure operational effectiveness & efficiency



CENTRAL STEERING AND A STRONG GLOBAL AUDIT COMMUNITY

fostering collaboration and upskilling via comprehensive training programs



What matters in a modern Internal Audit Function?

Current Global Challenges

Geopolitical Instability

Evolving Regulation and expectations from Regulators

Growing complexity in the Insurance sector

Cybersecurity threat potential

Digitalization of processes

Artificial Intelligence – the new industrial revolution



Resulting Requirements for Internal Audit

Internal Audit work is highly interdisciplinary and must collectively demonstrate:

- Business knowledge (insurance, investment) and audit skills;
- A mixture of different professional competencies (economic, legal, IT, technical, analytical);
- Communication skills (clear, concise description of a situation and root causes);
- Soft skills (problem solving, critical thinking, teamwork, emotional intelligence, conflict management, negotiation, resilience, integrity).

Stakeholders become increasingly demanding:

- Auditees, who are experts in their discipline, expect Internal Auditors to have the same level of expertise, to take them seriously;
- The AMSB expects “No bad surprises”, i.e., that gaps are identified and fixed at an early stage before they start to cause problems;
- Regulators often take Internal Audit reports as a starting point for inspections.

The main criterion for evaluating the quality of Internal Audit is what was missed.
Therefore:

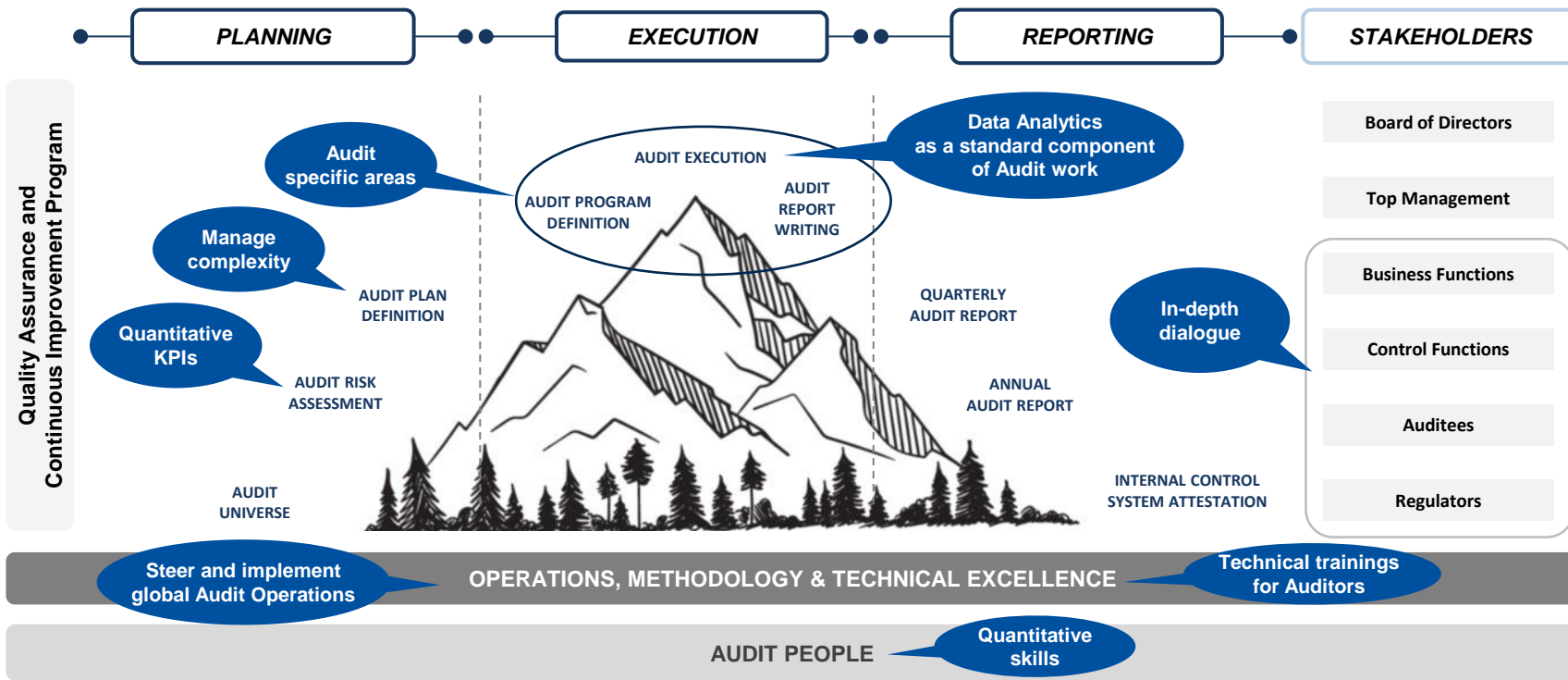
- Ask the right questions in the right moment;
- Completeness matters, and the right priorities are important;
- The Audit Plan must address the main risks at the right time.

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SUPERVISION AND TONE AT THE TOP

AUDIT POLICY



Areas where Actuaries add value in Audit (1/2)

Core Insurance Business	Finance & Risk Management	IT, ESG and further Areas
Products and Clients <ul style="list-style-type: none"> Product Development and Pricing Product Oversight and Governance (POG) Insurance Distribution Directive (IDD) 	Cash Flow Modelling	IT <ul style="list-style-type: none"> IT Infrastructure and Applications Cybersecurity and DORA Data Quality
Underwriting <ul style="list-style-type: none"> Underwriting Guidelines Contract clauses 	Technical Reserving	
	IFRS 17	
	Solvency II <ul style="list-style-type: none"> SII Balance Sheet Calculation SCR calculation Pillar II (e.g., ORSA) and Pillar III 	ESG <ul style="list-style-type: none"> Implementation of the company's Sustainability Strategy Prevention of "Greenwashing" for Investments and Insurance Products Application of Regulatory Requirements (EU Taxonomy, SFRD, CSRD,)
Management of Insurance Portfolios <ul style="list-style-type: none"> In-Force Management Lapse Management 	Capital Management and Risk-oriented Profitability	
	Asset Liability Management	
Reinsurance	Classical Finance topics (Treasury, Bank Reconciliation, ...)	Financial Crime (Anti-Money Laundering, Int. Sanctions)
Claims Management	Risk Management	Administrative Processes (Procurement, Expenses, etc.)

Areas where Actuaries add value in Audit (2/2)

Core Insurance Business

Finance & Risk Management

IT, ESG and further Areas

DATA ANALYTICS IN AUDIT TESTING

Modern audit testing involves Data Analytics as a mandatory component:

- In a **context of increasing digitalization of company processes**, audit tests based on small samples selected at random are often meaningless.
- Therefore, most of the **audit tests consider entire data sets**, either to perform tests on the full population or to choose samples in a relevant manner, or both.
- “Data Analytics” tests have a variable degree of sophistication: **from basic checks** on available data, over the application of **statistical routines** to **cross-checking data sets from different sources**.
- Currently, a **relevant part of audit findings** is raised thanks to data analyses.
- The most important success factor is to **ask the right questions**, with or without Data Analytics.

AUDIT COMPETENCE CENTER – ACTUARIAL

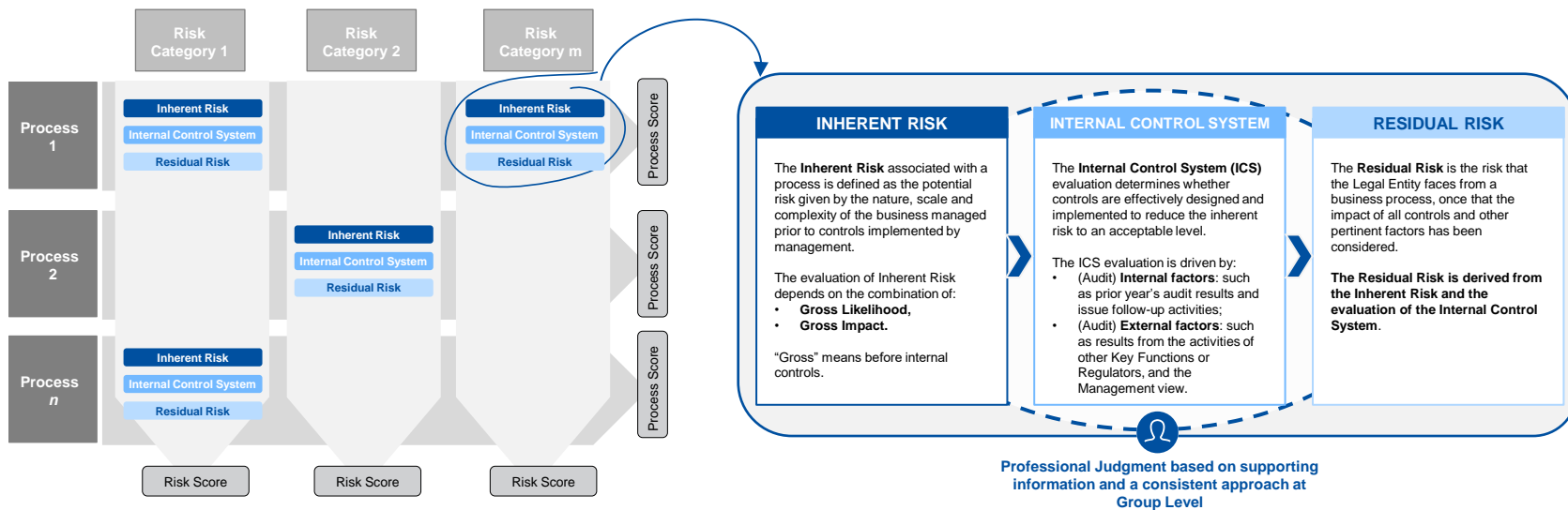
Audit Risk Assessment (1/2)

For each company, the annual **Audit Risk Assessment of the company processes** (overall and by type of risk) is at the basis of the Audit Plan definition. As such, it is the most important activity in Audit, since it determines the areas subject to audit tests.

The Risk Assessment contains a **Bottom-Up** evaluation for each process and a **Top-Down** assessment at company level.

As part of the Bottom-Up Risk Assessment, the **Residual Risk** of a process is evaluated from the combination of its **Inherent Risk** and the quality of the **Internal Control System**. For both components, the professional judgement of the **Chief Auditor** is now supported by **algorithmic baselines**.

This exercise is now implemented in a **web-based tool**; its **results** are properly analyzed and **consolidated at Group level** across all dimensions.



Audit Risk Assessment (2/2)

BASELINES
(BS)

PROCESSES

PRODUCT DEVELOPMENT

PRODUCT MONITORING

UNDERWRITING/DISTRIBUTION

PORTFOLIO MANAGEMENT

CLAIMS AND BENEFITS

COMMERCIAL NETWORK

INWARD REINSURANCE

OUTWARD REINSURANCE

RISK STRATEGY DEFINITION

CONTROL FUNCTIONS PROCESSES

TECHNICAL RESERVATION

ACTUARIAL FUNCTIONS

QUANTITATIVE INDICATORS

LIFE: PVNBP / GWP

LIFE: LAPSE PAID /
INSURANCE PROVISIONS

P&C: COMBINED RATIO

P&C: LOSS RATIO

ACQUISITION COSTS / GWP

ACCEPTED REINSURANCE / GWP

CEDED PREMIUM / GWP

SOLVENCY RATIO

LIFE: IFRS FULFILLMENT
CASH FLOWS LIFE / TP SII LIFE

CALCULATION BY LEGAL ENTITY

EXAMPLES FOR THRESHOLDS

SOLVENCY RATIO

EXAMPLE

Risk Evaluation

THRESHOLD

HIGH

$0\% < X < 120\%$

MEDIUM - HIGH

$120\% < X < 180\%$

MEDIUM

$180\% < X < 250\%$

LOW

$X > 250\%$

INWARD REINSURANCE

EXAMPLE

Risk Evaluation

THRESHOLD

HIGH

$X > 20\%$

MEDIUM - HIGH

$10\% < X < 20\%$

MEDIUM

$2\% < X < 10\%$

LOW

$0\% < X < 2\%$

LOCAL
RISK
ASSESSMENT
(LRA)

BACK TESTING

PRODUCT DEVELOPMENT

NAME	BS	LRA
Legal Entity 1	H	H
Legal Entity 2	M	H
Legal Entity 3	H	L
....		
Legal Entity n	M-H	M-H

LOCAL RISK ASSESSMENT

Early warning system to support ongoing monitoring

Risk and Internal Control Systems Monitoring (Project “AdvAnCE”)

Based on indicators and trends to support the Audit Risk Assessment



The **Legal Entity Card** shows details of all **relevant indicators and related scoring** for each Legal Entity



The **Risk & Control Heatmap** allows to **compare different Legal Entities** based on their scoring, business type, size, etc.

Key success factors for Actuaries in Audit



Prepare in a structured and **risk-based** manner on **transversal technical (and non-technical) topics**, often new, to perform the audit activities.



Keep up to date on **transversal** topics in an **evolving regulatory context** by considering information from various sources and participating in technical trainings/events, to carry out the Risk Assessment.



During an audit engagement, identify any shortcomings on a **large perimeter of processes** and **controls**, analyzing lots of new information, in a context of stringent Audit execution times.



Develop **skills other than technical/actuarial ones**, such as project management (every audit is a project), conflict management (some auditees are not keen to be audited), communication (discuss audit findings and remedial actions), report writing (technical content in clear and simple language, without neglecting the form).



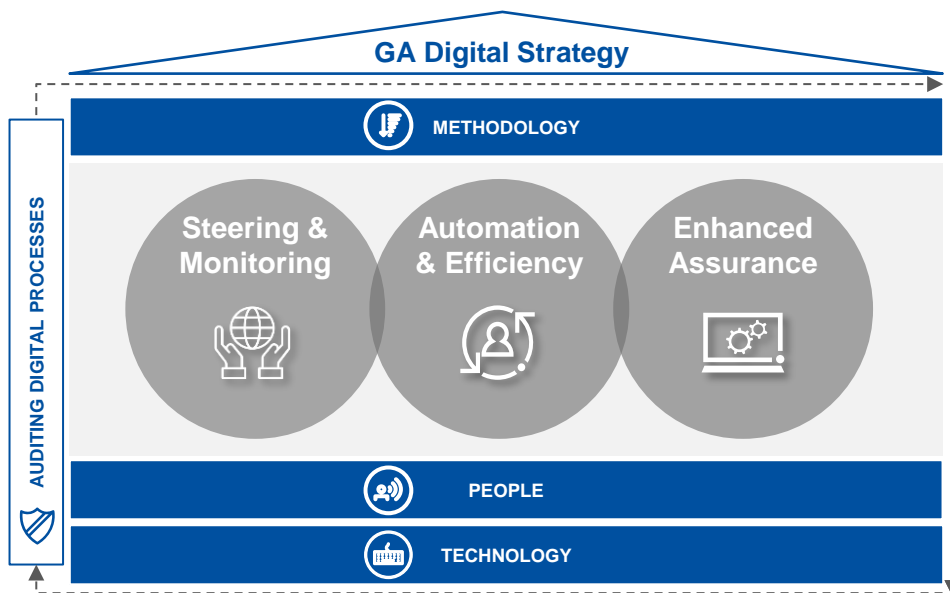
Establish a **constructive dialogue** with business functions and 2nd line Control Functions.

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The **Group Audit Digital Factory** was launched in 2020 to:

- coordinate all digital initiatives within Group Audit (GA),
- steer cross-country activities, involving talents globally.
- develop and implement digital applications globally.



Steering the global Function

Group-wide Audit Data Lab both for proprietary Audit Data and business information

Audit Automation and Artificial Intelligence

Smart Audit Engines, Robotics & Virtual Assistants to support efficient execution, now including also AI components

Auditing digital processes

Audit Frameworks on topics such as Robotics and Artificial Intelligence to assess the impact of new technologies

Data driven Audit Assurance

Data-driven Audit engagements and analytical Audit Risk Assessment

GAIA (Group Audit Intelligent Assistant) - developed in collaboration with Group IT - leverages Generative AI to support the global Audit Function with various functionalities:

- Accessible through a single front-end to seamlessly integrate multiple applications.
- Robust, scalable, and secured within Generali Group's IT network.
- Flexible selection of the Generative AI model underneath, providing intelligent functionalities of the platform.



GROUP AUDIT INTELLIGENT ASSISTANT

integrated in a Generali secured environment



**Quick
Knowledge
Insight**



**Smart
Document
Analysis**



**Enhanced
Audit
Writing**



**Seamless
Control
Check**



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What's in for me as a young Actuary?

GLOBAL FUNCTION

- ✓ A **STRONG INTERNATIONAL COMMUNITY**
- ✓ **SHARING OF EXPERIENCES** AND PARTICIPATION IN **GLOBAL EVENTS**
- ✓ **INTERNATIONAL WORKING GROUPS** ON VARIOUS AUDIT TOPICS

INNOVATION

- ✓ **ANTICIPATION OF TRENDS** IN THE INDUSTRY
- ✓ **ADVANCED AUDIT OPERATIONS** (DATA ANALYTICS, ROBOTICS, AUTOMATION)
- ✓ **MANY AI PROJECTS** UNDER DEVELOPMENT

BROAD VIEW

- ✓ A **360° VIEW** ON THE COMPANY AND THE GROUP
- ✓ **UNDERSTANDING OF MATTERS** THAT HAVE AN IMPACT ON THE BUSINESS
- ✓ HELPING THE COMPANY **IMPROVE OPERATIONAL PROCESSES**

PERSONAL DEVELOPMENT

- ✓ **STRUCTURED TRAINING PROGRAMS**
- ✓ **STRONG LEARNING** ON THE JOB
- ✓ DEVELOP **STRUCTURED REASONING** AND **PROFESSIONAL JUDGEMENT**



Takeaways for Actuaries in Audit



Actuaries have vast **possibilities for professional growth in Internal Audit** in view of the digital evolution that will increase the quantitative component of all insurance processes.



Audit verifications with a **technical/actuarial contribution can significantly help colleagues in business functions** to evolve their processes, providing added value.



Audit allows actuaries to operate **across all technical/actuarial areas without losing their technical skills** – on the contrary, it allows to further enrich them.



Possibility of constantly learning something new, of **developing managerial skills and a professional network** that are required for managerial positions in insurance companies.



Ask the right questions – preferably those that no one else has asked before.

**Vielen Dank
für Ihre
Aufmerksamkeit.**

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