

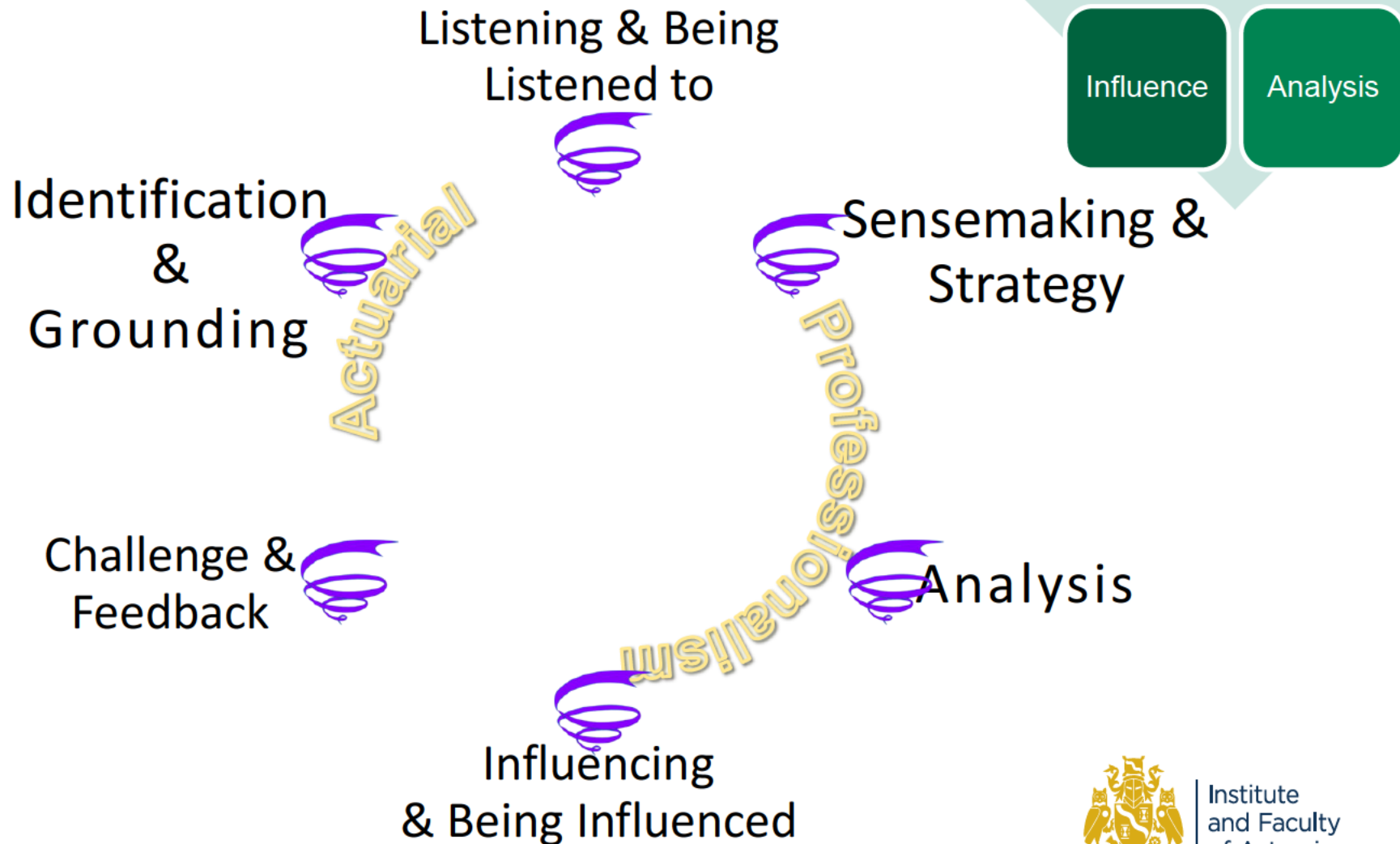


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# SRCH Workshop: Sensing and Responding to Change Here and Now

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# Change Process: SRCH Model



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# A. Strategic Listening

- Have a Purpose for Both
- Anticipate the Conversation
- Take good notes
  - Pause or Recap if Needed
  - Record Emotion

**You have listened well if**

- **You can now represent *their* voice, emotion, and facts**
- **They can represent yours.**



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# Stage 1: Listening Round

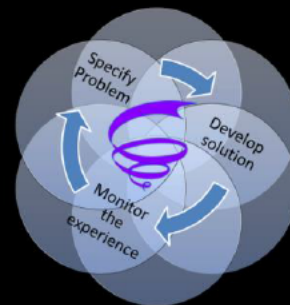
- Pair up in 2 or 3's and share 1 change issues each.
- Each take notes of another's issue
- The speaker:
  1. explains the issue
  2. how it affects their core responsibilities and
  3. what other part of the company is most affected
- Write the issues onto the central list.



# Sense-Making: SRCH Needs a Story

1. Sketch the Issue's Timeline + Milestones
2. Identify Key Stakeholders (Govt, Claimants, UW, etc.)
3. How Is Their World Affected?
4. What Might They Do?
5. How Might This Impact You (and you them?)

Now You Are Ready



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# Change Process: Getting the Story Straight

- Select within your group 1 or two key issues as having the most business impact to the group.
- Sketch the Issue's Timeline + Milestones
- Identify Key Stakeholders (Govt, Claimants, UW, etc.)
- How Is Their World Affected?
- What Might They Do?
- How Might This Impact You (and you them?)



# Stakeholders are Diverse

- Insureds
- R&D or Claims
- Management + Investments
- Underwriting
- Risk + Reg.
- Actuarial
- Regulator / Govt.
- Public
- Etc.



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# Getting Our Eye In –Needs a Story

	Public	Insureds & investments	R&D or Claims	Management + investments.	Underwriting	Risk + Reg	Actuarial
<b>Season 1</b>	<b>Initial detection. Local infection of corn to several areas</b>						
	No Knowledge	Localized crop loss but few claims	Low chance of detection	Unaware	Low chance of detection	Possibility of a scenario pre existing	Little chance of detection
<b>Season 2</b>	<b>Much larger initial infection of corn. Minor problems in other crops. - Priority scientific study but need 1 plant season to complete study. Govt. recommends certain measures. County and border inspections begin for infected plant material. Slows transport.</b>						
	Public knowledge comes with the initiation of vehicle checks near infected areas and in border crossings.	Farmers treat fields, but problem grows. Start to get crop loss claims, travel claims, business interruption claims. Sector market + commodity volatility.	First issues reported through insured notices or R&D's daily news surveys.	Aware from underwriting	Brought in to help figure out. Start reviewing wordings.	Begin to run scenarios	Asked to quantify impacts.
<b>Season 3</b>	<b>Wide variety of crops affected. Large panic. Many government control measures. Studies find unknown origin, but sloppy transportation and storage practices have hastened the spread in the UK and to other countries in the EU and beyond. Fear led controls and punitive measures by foreign governments leads to general trade disruption. Terrorism and GM modification are now suspected. Affected products rejected by consumers. Wider economic effects of travel disruption. Terrorism cause vector + government mandates towards control bring in coverage and reinsurance clause issues.</b>						
	General public panic and anger as some firms are implicated in the start and spread of disease and because their systems and processes could not cope with the outbreak's effects.	Wider first party claims. Wide variety of insureds implicated in third party liability. General jury verdicts rise (not just related ones) in reaction to "bad" corporates	reacting	Reacting + trying to see what everyone is doing. Changing strategy. Market fall worsens capital position.	Reacting + changing strategy	Trying to keep up	Start to see prior year development + deterioration In latest 2 accident years.
<b>Season 4</b>	<b>???</b>						



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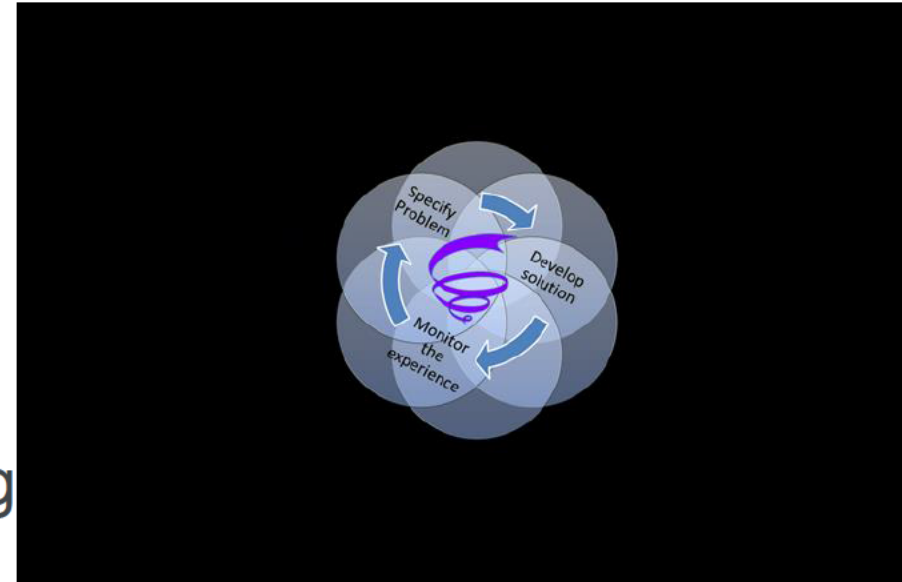
# Technical Analysis Round

- Think of them from the point of view of:
  - Losses, Underwriting, ERM
- Select Which types of Reserving Issue Best Apply
  - What is the story?
- What data might you have?
- How might you test?



# C: Tactical Analytics -Things That Lead To Reserve Changes\* (MUQ Friendly):

1. Model Error
2. Statistical fluctuation
3. Reference Data Bias
4. Shocks
5. Trends / Cycles / Step Change
6. Business Process Change
7. Operational Error (“Oops”)
8. Ambiguity (“New”, Repeat Offender, Complexity, etc.)
9. Other?



# C. Tactical Analysis: Diagnostic Grid

Sphere	Category	Example	Internal (Qual + Quant)	Ult. Based	External (Qual. + Quant.)
Loss (Reserving)	Model Risk	Use too long of an average			
	Reference Data				
	Trends				
	Ambiguity				
Exposure (UW)	Model Risk	Logic error in Pricing Models			
	Etc.				
ERM	Model Risk	Inappropriate variability model			

# Tactical Analysis: Diagnostic Grid

Sphere	Category	Example	Internal Data (Qualitative + Quantitative)	Ultimates Based Diagnostics	External Data (Qualitative + Quantitative)
<b>Loss (Reserving)</b>	A. Model Risk	Use too long of an average			
	B. Statistical fluctuation	"normal" variability effects			
	C. Reference Data	Uncorrected bias in rate change benchmark			
	D. Shocks	Cat or Large Loss Effect			
	E. Social Effects / Trends	Inflation or frequency change			
	F. Process Change	Reserve Strengthening			
	G. Operational Effect	Suspense or coding issue; fees			
	H. "New" / Poor Past	Law Change / Past High Loss Ratios			
<b>Exposure (UW)</b>	A. Model Risk	Logic error in Pricing Models			
	B. Statistical fluctuation				
	C. Reference Data	Business profile /Seasonality Change			
	D. Shocks	Large or Unusual Premium item			

