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# **The SRCH: Sensing and Responding to Change (Holistically) Working Party**

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And thanks to James Orr for his insightful support



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# Goal

I want you to walk out of here:

- Eager to try strategic listening,
- Empowered to set up a change process, and
- More systematic in your reserving / other actuarial method.



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# Three Level Approach:

**A. Listening and Mental Models**

**B. Change Process**

**C. Tactical Analysis**



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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*.



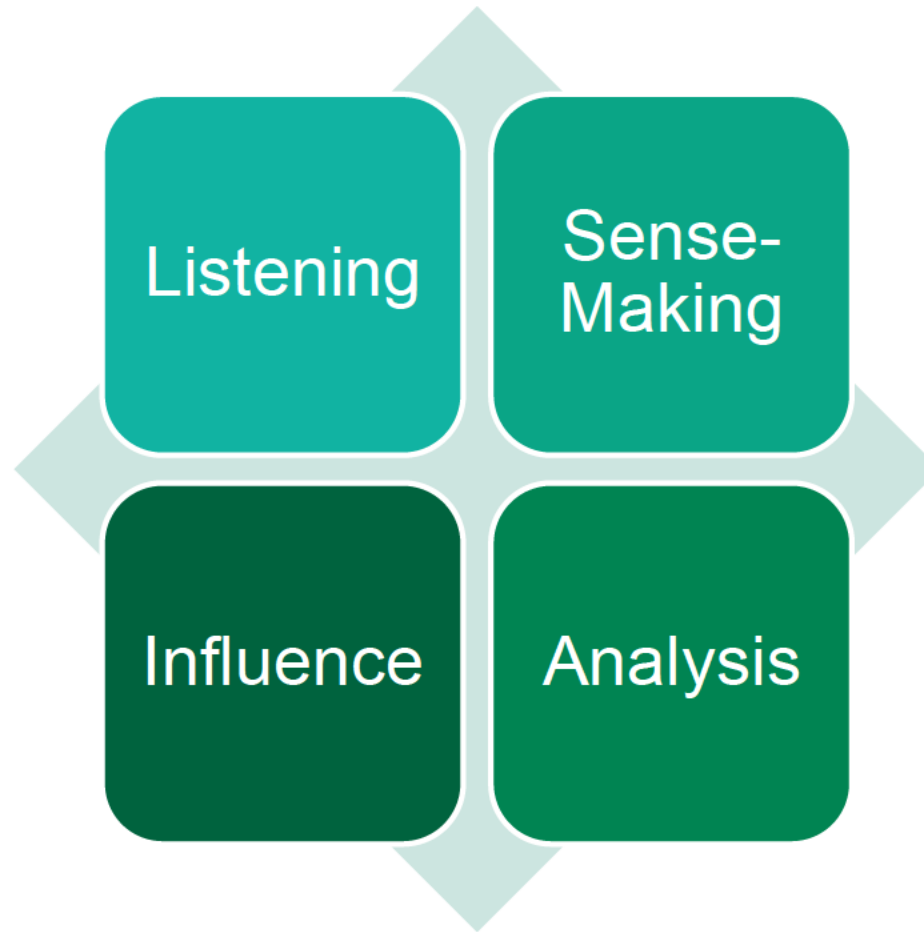
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# Listening: Mental Models

- “Voice” Follows From Mental Models
- Mental Models are the root of actuarial method:
  - We understand the business and use methods which mirror our understanding alongside statistics. This lets us GO BEYOND THE NUMBERS.
- Good listening Improves Our Mental Models



## B. Original BeSeRC Framework



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# We Failed When Brexit Came

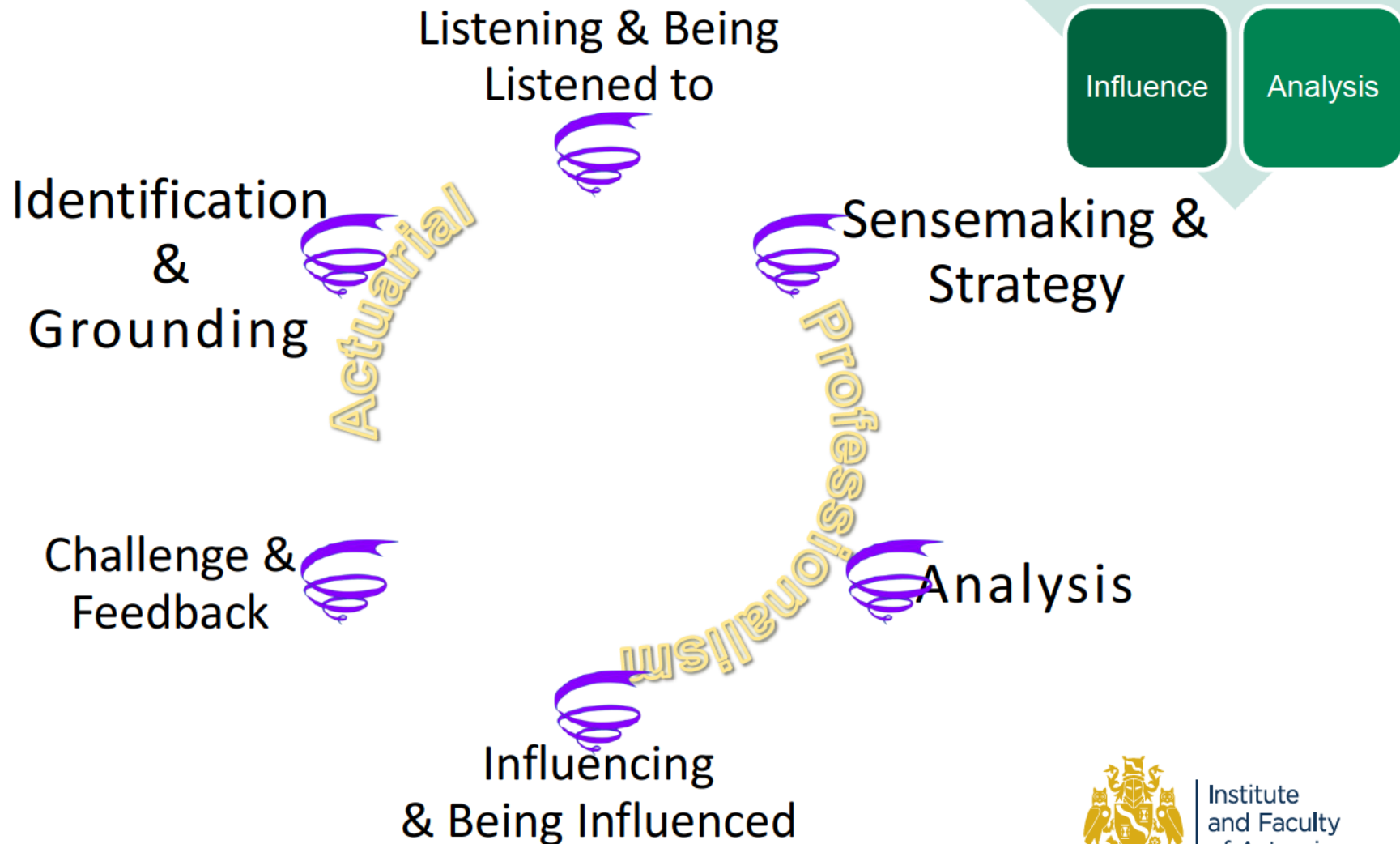
- Researching
- Reacting
- No Influence
- No Strategy



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# Change Process: SRCH Model



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# Stakeholders are Diverse

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

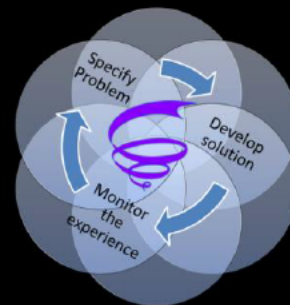


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# Sense-Making: SRCH Needs a Story

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?)

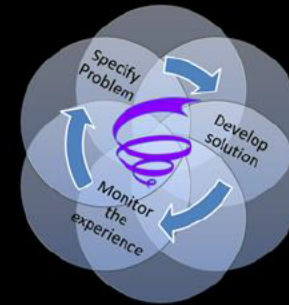
Now You Are Ready



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# Influencing And Being Influenced

- Requires Strategy
- Built on Listening
- Aid and Expand Their Cares
- Ask For Help with Yours



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

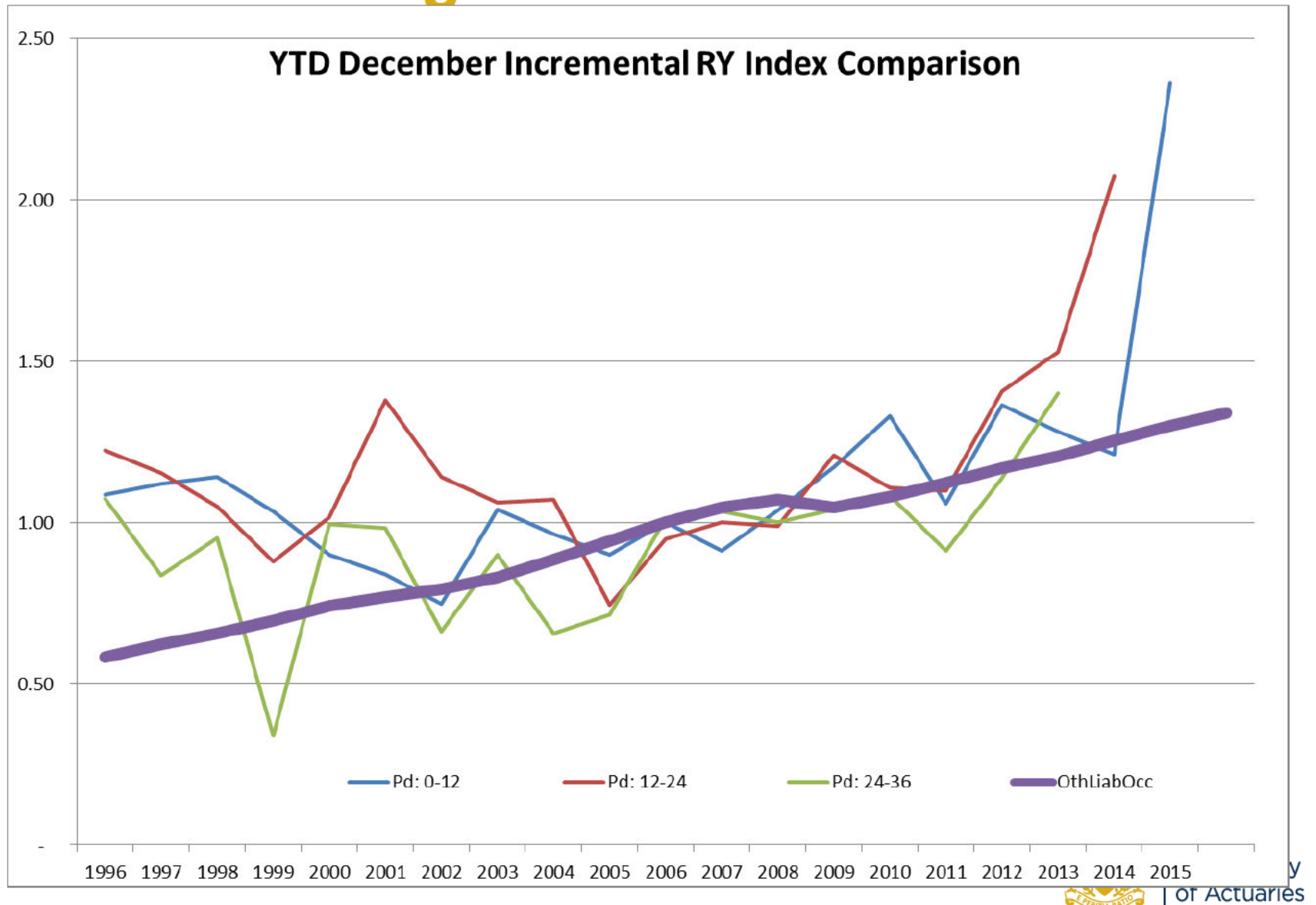
1. Model Error
2. Statistical fluctuation
3. Reference Data Bias
4. Shocks
5. Trends / Cycles / Step Changes
6. Business Process Change
7. Operational Error (“Oops”)
8. Ambiguity (“New”, Repeat Offender, Complexity, etc.)
9. Other?



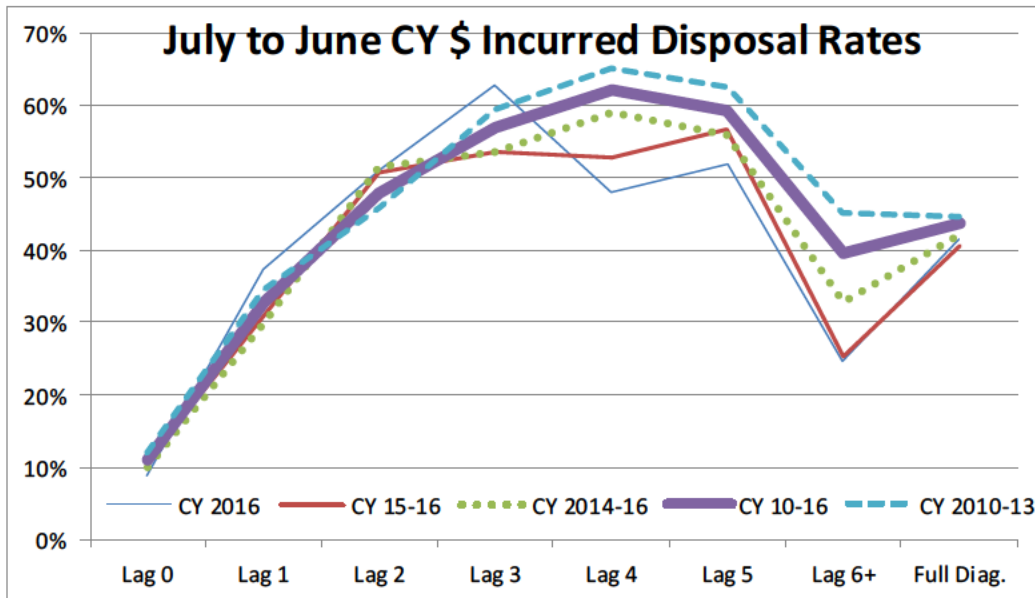
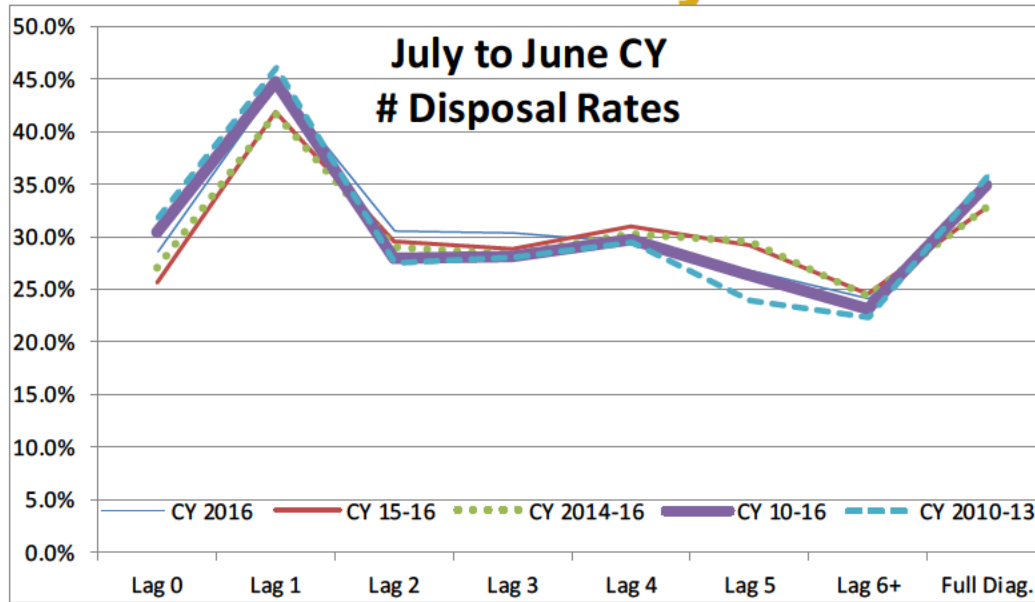
# C. Tactical Analysis: Diagnostic Grid

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: Diagnostics Need a Baseline



# Baseline in a Different Direction –Is Disposal Correlated With Payment?



**Correlation \$ Paid With # Closed:**

Age	7 Yrs	10 Yrs	Next 10	20 Yrs
Lag 0	-12%	47%	-33%	31%
Lag 1	88%	87%	-8%	44%
Lag 2	20%	28%	8%	17%
Lag 3	-9%	40%	42%	37%
Lag 4	-4%	55%	25%	35%
Lag 5	36%	-24%	26%	-13%
Lag 6+	-5%	14%	-10%	7%
Full Diag.	67%	5%	-12%	0%





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# End Thought: Change is Just The Beginning of More Change

26 September 2016

ertise  
ponsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
Networking  
Professional support  
Enterprise and risk  
Learned society  
Opportunity  
International profile  
Journals  
Support