

GIB Mail

The General Insurance Board Newsletter
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March 2006

Professional Guidance – GNs 20, 33 and new GN 50 (Principles and Practice)

Work on these three GNs is complete and the new GN 50 and revised GNs 20 and 33 will come into force on 1 April with members being advised through the MAP e-alert and despatch.

The main features are summarised below:

GN 50: General Insurance Principles and Practice (New - Practice Standard)

Our existing guidance relates either to standards expected of formal reports (GN 12) or behaviour required in fulfilling specific roles (GN 18, GN 20, GN 33). For many, these activities comprise only a part of their professional activities. With this in mind, GN 50 has been devised to give guidance regarding activities falling outside the scope of this existing guidance. GN 50 is relevant for members working in GI regardless of the applicability of other, more specific, general insurance guidance. The text of the GN is at:

<http://www.actuaries.org.uk/files/pdf/map/GN50V1-0.pdf>

GN 20: Actuarial Reporting under the Lloyd's Valuation of Liabilities Rules

Many of the changes to GN 20 are structural or involve a change in terminology, e.g. most references to "reserves" have been changed to "provisions", consistent with changes to

The Actuarial Profession making financial sense of the future

the Lloyd's Valuation of Liability Rules. Following the introduction of annual accounting at Lloyd's, a new paragraph 4.2 requires the Syndicate Actuary to highlight any material cross-funding between unearned premium provisions and claims provisions. The Statement of Actuarial Opinion (SAO) and the Data Accuracy Statement (DAS) have been removed as appendices of GN 20 as they now appear as appendices of the Lloyd's Valuation of Liability Rules which are reviewed annually. The wording of the SAO and DAS will be included in that review, ensuring consistency. The amended version of GN 20 is at:

<http://www.actuaries.org.uk/files/pdf/map/GN20V7-0.pdf>

GN 33: Actuarial Reporting for Lloyd's Syndicates writing US Business

The proposed changes to GN 33 largely follow the changes to GN 20. Appendices to GN 33 now appear as appendices to the Lloyd's Valuation of Liability Rules. The amended version of GN 33 is at:

<http://www.actuaries.org.uk/files/pdf/map/GN33V4-0.pdf>

GN 12: General Insurance Business

I thank those who attended the consultation meeting at Staple Inn on 18 January or who forwarded written comments on the Exposure Draft. The working party reviewing this Guidance Note has carefully considered all the feedback and has made appropriate amendments. Subject to a smooth passage through the profession's approval process, it is intended that the new GN 12, incorporating those changes, will come into effect from 1 June 2006, with members being advised of the proposed changes as soon as possible.

Professional Conduct Standards (PCS)

As many will be aware, the results of the recent PCS survey, as conducted by the Professional Affairs Board, indicated a low awareness of PCS across all membership categories. The GN consultation process has highlighted a couple of points:

- that members' awareness of the distinction between the two categories of formal guidance, *Practice Standard* and *Recommended Practice* could be improved; and
- that the specific definition of the phrase 'should normally' as included in the PCS might not have received sufficient attention in the past. I would like to make clear that, in the context of professional guidance, 'should normally' is not synonymous with 'optional'.

I would urge all members to reacquaint themselves with the PCS as soon as possible.

Solvency II – update from the working party

The Board's working party, which is chaired by Kathryn Morgan, continues to contribute to both the development of Solvency II and the IASB's insurance contracts project. The main focus of late has been on how to deal with risk margins in insurance reserves. The working party has responded to the various consultation papers but has also encouraged the setting up of a GIRO working party to look at this issue in detail, possibly also producing a sessional paper on the topic. Any volunteers please contact Martin White at: martin.white@equitas.co.uk

Forthcoming CPD Events:

- **Current Issues in General Insurance – The Barbican 16 May**

If you haven't already done so, there's still time (just) to send in an application to this full-day event. In addition to updates from

the Board's main working parties (GRIT, GRIP and Guidance) the programme covers topics including Mergers & Acquisitions and the impact of Rating Agencies.

- **ICA Seminar - Staple Inn - 20 April (half day starting at 2 pm)**

Andrew Hitchcox's working party will be hosting this Technical Briefing Seminar. Entry is free to what will be a highly participative afternoon. For further details and to reserve your place, please contact Peter Stirling at: peter.stirling@actuaries.org.uk

- **Catastrophe Modelling Seminar - Staple Inn - 6 July (half day starting at 9 am)**

This event will cover the latest issues on catastrophe modelling by:

- exploring the impact of climate change;
- providing an insight into specialist areas of modelling;
- conducting a discussion forum with representatives from the main modelling companies;
- discussing rating agency views and understanding the increased emphasis catastrophe models.

Details for registering for this event can be found at:

<http://www.actuaries.org.uk/link/events/list.xml>

- **GIRO 2006 – Vienna 26-29 September**

We are planning for this year's GIRO to be even bigger and better than before, so don't delay and send your booking form in now. Getting there is simple with a number of budget airlines available including: Ryanair and Air Berlin from London Stansted (www.ryanair.com); www.airberlin.com), Easyjet from London and Luton (www.easyjet.com) and Austrian from London Heathrow (www.aa.com). So arriving at Vienna may

even be cheaper and quicker than the train to Blackpool!

GIRO Working parties and Workshops

The following working parties are all up and running:

- Energy Large Loss Analysis (ELLA);
- Aviation Pricing;
- Data Quality;
- ERM in General Insurers (Joint with CAS);
- Software Use: What & How;
- Change in the Claims Environment;
- Treating Customers Fairly;
- Reinsurance Matters!;
- Catastrophe Modelling;
- IAS Risk Margins;
- Embedding Capital Models in the Business;
- Toolkit (*aka Maths Toolkit for Actuaries*);

If you would like to contribute to the work of any these working parties, run your own working party or run a workshop at GIRO 2006 then please contact Peter Stirling at Staple Inn.

GRIT - Sessional Meeting 27 March 2006


The final recommendations of GRIT – the General insurance Reserving Issues Taskforce – will be presented at Staple Inn on Monday 27 March. After that will come the important task of turning those recommendations into something tangible. So the Board's focus for the foreseeable future will be on developing and putting into practice an implementation strategy. For this to work we will need volunteers, so don't be surprised to receive a call for help. I must at this stage record my thanks to Tony Jones and his team. They have produced an authoritative report which will be invaluable in reinforcing the important and essential work undertaken by GI actuaries.

Current Issues Newsletter

And finally, a reminder about the GI Current Issues newsletters which are available on the website at:

www.actuaries.org.uk/link/general_insurance/gen_ins-curr-issues.html

A good read.



Derek Newton
Chairman, General Insurance Board