

**ACTUARIES AND AUDITORS**

**THE DRUNK AND THE LAMPPOST  
(or the Auditor and the Actuary)**

**ANDREW HUBBARD**

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*".....more for support than illumination?"*

**1        Terms of reference**

Is "best estimate" compatible with "true and fair"?

**2        Roles and relationships**

Can open relationships be maintained in a litigious climate?

Necessity for clear definition of roles of both auditor and actuary

Clarification of roles where inter-relationships exist or may exist

**3        Living with uncertainty**

How conservative is prudent?

How likely is probable?

The need to specify one amount compared with a range?

Quantifying the unquantifiable such as pollution

**4        Who is responsible?**

Data integrity

\*        what exactly does an auditor do?

\*        can the actuary rely on the auditor?

#### Reinsurance security

- \* how much does the actuary make allowances?

#### Large losses

- \* assessment before and after excess loss reinsurance

#### Reinsurance shortfall

- \* determining the ultimate retention

#### Coverage

- \* who checks whether reinsurance will respond (especially in disputes)?

#### Alternative reinsurance

- \* who examines them and for what?

#### Ultimate premium

- \* who determines the ultimate premium, including the effects of reinstatements in and out?

### 5 Here we go round the mulberry bush

The auditor needs the estimate of ultimate claims to sign off

The actuary needs data verified before he finalises his projections

Chicken or egg?