

THE ACTUARY IN GENERAL INSURANCE

The discussion on this subject will be divided into two parts:
firstly, what is the role of the actuary in general insurance;
and secondly, what more should we in the General Insurance Study
Group be doing to help the profession achieve this role?

Roger Davies has prepared a few notes on this subject and I hope
that you will give some thought, between now and Hythe, to prepare
for what I believe is an important discussion in this year when
general insurance is entering the actuarial syllabus.

H. H. Scurfield.

Where next ?

In the past few years, the interest of British actuaries in non-life work has expanded rapidly, leading to the setting up of GIRO at Norwich in 1974, and subsequent yearly seminars at Windemere and York. At these meetings, and at other times, papers have been presented setting out the authors' views on various topics, and often outlining a particular approach to solving a problem.

Currently, preparations are under way for setting the first Institute examinations covering general insurance, and the preparation of a text book is in hand.

I believe very strongly that the time has now come when we as a profession, must sit back and look carefully at what we have done in this field, what we want to do in the future, and how we can best achieve it.

What have we done ?

1. We have decided that the actuary has a contribution to make in the general insurance field.
2. We have organised those of us with an active interest into an informal group.
3. We have agreed that in future all our students should be trained in the principles of general insurance, and have taken steps to put this into practice.
4. We have produced a large volume of papers, which appears to fall largely into three distinct categories.
 - a) Papers which describe an area of interest, defining terms and outlining current practices.
 - b) Papers which describe the approach used by a particular individual or company in tackling a particular problem.
 - c) Papers which outline theoretical approaches which could enable us to tackle problems more effectively, but which are not generally accepted or have not been put to practical use.

What do we want to do ?

I believe we must first define the ultimate objective of the work we are doing in the non-life field as a profession, and personally I see it as -

"The establishment of the actuarial profession as a body of individuals trained by examination in the principles and practice of general insurance, and uniquely capable both as a body and as individuals through experience to contribute to the continual improvement of the standards of scientific management of non-life insurance".

How do we do it ?

It is apparent to me that if this is our goal we cannot carry on indefinitely in the way we are at present. Whilst papers of types (a) and (b) are always instructive and welcome, we cannot go on presenting type (c) papers, containing ideas ranging from sensible extensions of present practices in widely accepted ways to speculative theories which would command only a small degree of acceptance among the profession, with no indication to the reader as to where in this range the papers lie.

I think we must first try to "sort out" the ideas that have so far been published in some way, to isolate a small selection of papers, or parts of papers, which outline widely accepted principles in the non-life field, and bring these together to form the beginnings of a definitive "Principles of General Insurance". The criterion for inclusion should not be absolute or general acceptance (look at NPV and BRV in Life for example) but rather acceptance by a wide cross-section of the profession that the ideas embodied in the paper represent a "principle". It may be that very little of what has been published so far meets this standard, but even so I am sure we must make a start.

The next step must surely be to try and inject some order and direction into our future output of type (c) research. Looking back on past papers, they seem mainly to consist of either detailed statistical reserve calculations, which rely on statistics available only from the very largest and most stable portfolios or specifications for the complete overhaul of management accounting as we know it, involving changes which the profession with its current limited influence has no hope of seeing effected in anything but the very distant future.

Surely what we need at this stage is a series of short practical

papers outlining generally acceptable ideas which could be applied with little controversy, but which would enable individual actuaries to build up their reputation as experts in the field. It is only in this way, I believe, that we will make any real progress towards our ultimate goal.

This is not to suggest, of course, that there is no place in the literature for the detailed statistical study or the outline of a radical approach, on the contrary, it is from these that our future principles will come, but I would like to see them segregated initially from the body of generally accepted principles and techniques which would form the basis of our "Principles".

From this gradually widening base, we can begin to educate our students in the principles of general insurance, and eventually I hope, establish the profession as a body of individuals trained in the principles and able through experience to follow, and indeed improve, the practice of the scientific management of general insurance business, as we have been established for many years in the life field.

R.W. Davies
16th June, 1977.