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Death by actuarial reports

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21 November 2017



Motivation

Breaking the stereotype

Reading other people's reports

Day 1 Actuarial Function Report

What we should do seems obvious

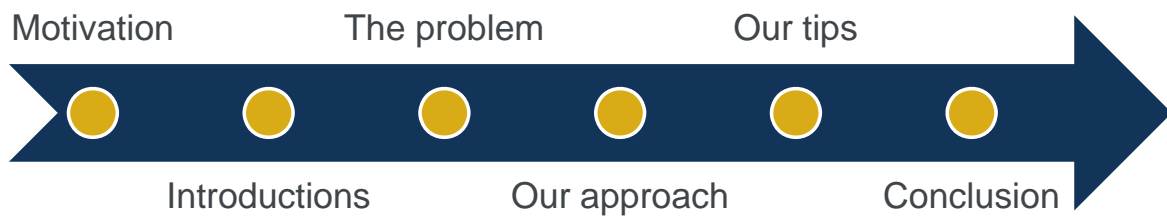


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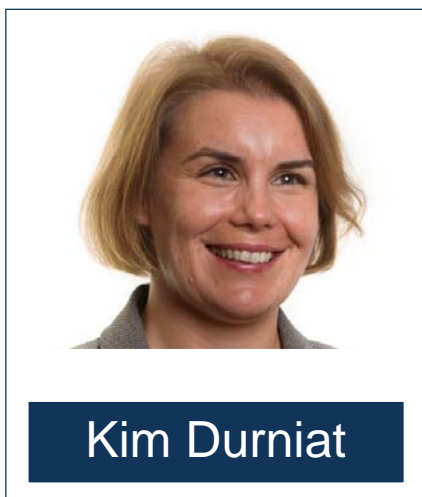
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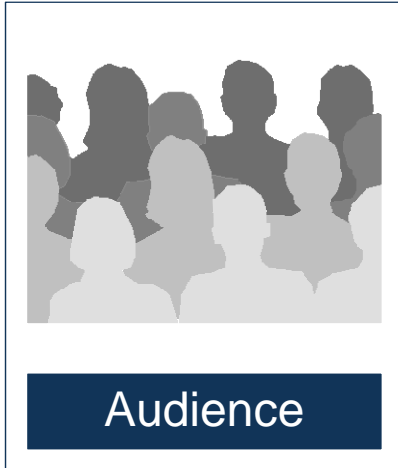
Agenda



Introductions



Introductions



What do you do with reports?

Where do you work?

How many years experience
do you have?

When did you last receive
formal report writing training?



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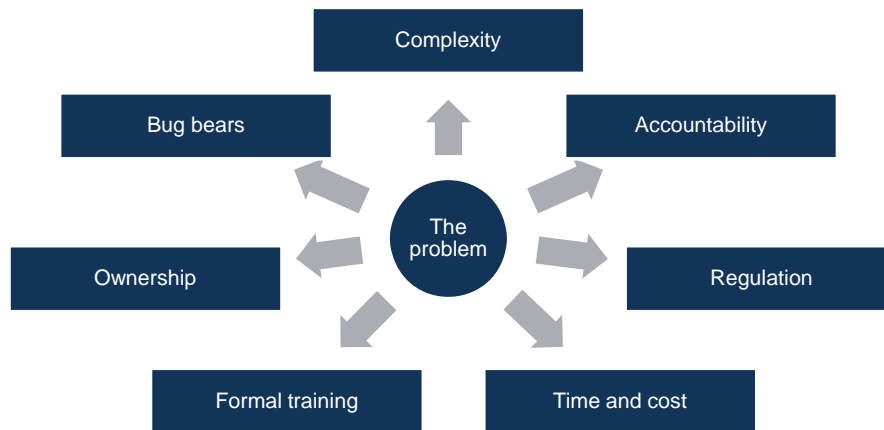
The problem

“If you are unable to understand the cause of a problem, it is impossible to solve it.”

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Why does poor report writing exist?



Why does poor report writing exist?



What are your bug bears?

- Too many acronyms and abbreviations
- Typos
- Too much waffle
- One sentence paragraphs
- Materiality not explained
- Every Word Capitalised
- Unexplained jargon
- Inaccurate
- Inconsistent formatting
- Executive summaries that are too long
- Executive summaries that are too short

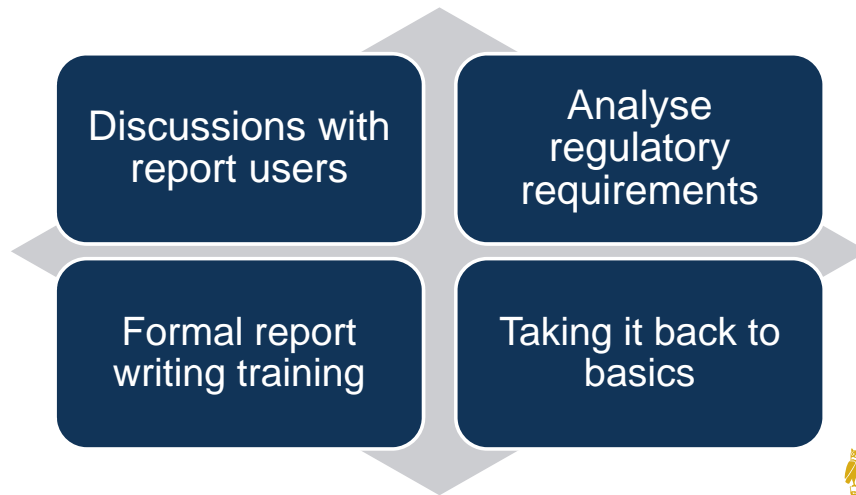
What does the problem mean?



Our approach

“Stop looking for solutions to problems and start looking for the right path.”

Our approach to developing our solutions



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Our tips

“In a tailor-made service, you fit the cloth according to the size and taste of the customer; not just the taste and strength of the designer.”

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Writing better reports

- Report writing framework
- Key areas for bespoke thinking:
 - Report presentation
 - Identifying expert time
 - Executive summary
 - Visualisation
 - Is a report the best tool?
 - Highlighting key points
 - Checklists and templates



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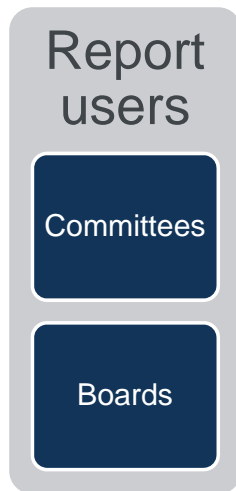
Report writing framework

Planning	Why and who?
	Collect and select content
	Structure
Writing	Initial draft
	Focus on being clear and concise
	Focus on being compelling
Polishing	Spelling, grammar and punctuation
	Layout and presentation
	Proof-read



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How will reports be presented to which users?



- Time available at meetings?
- Walk-through or discussion?
- What decisions and actions need to be made or taken?
- Example – M&A paper
 - Executive summary
 - Cover note
- Is a report the right tool?

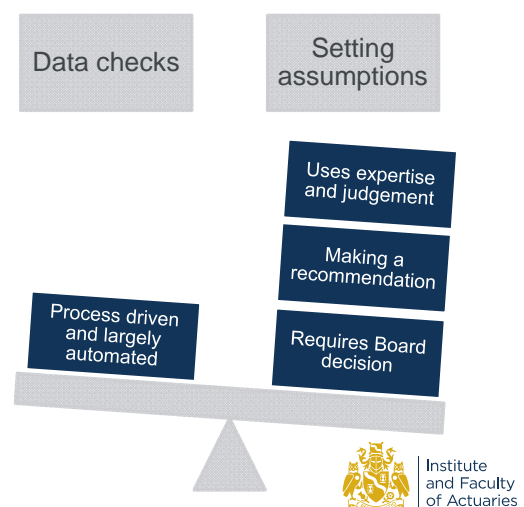


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Identify what took most expert time

- Expertise and technical ability adds value and needs to be conveyed in reports
- Example – valuation report
- How should regular reports reflect changes over time?



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Executive Summary is paramount



Do you read
more than the
Executive
summary?

Do you read all
of the main
body?

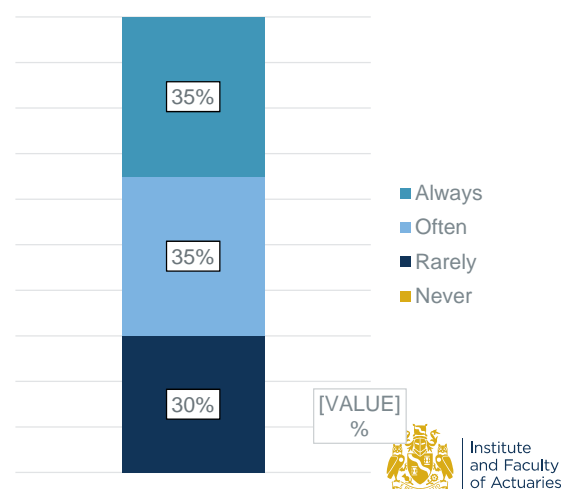
Do you read all
of the
appendices?

What influences
how much of the
report you read?

Executive summary is paramount

**How often will you read
more than the Executive
Summary?**

Source: The Good Actuarial Report
Working Party – Interim Report (2014)



Executive summary is paramount

Closest scrutiny as most read part of report

- Must highlight:
 - Decision and action points
 - Key points
 - Key changes
- Signposting?
- Write first? Or last?
- Optimum length?

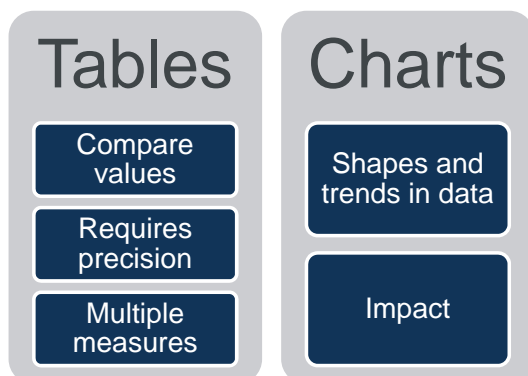


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Sometimes a picture speaks a thousand words

- Guidelines – not rules
- Use as a tool
- Formatting and structure



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...but not always

Capital (£000) held against various risks

Ref	Risk Type	LOB1	LOB2	LOB3	LOB4A	LOB4B	Counterparty	Operational	Total	
001	Market 1	123	234	56	67	89	N/a	N/a	400	
002	Market 2						N/a		100	
003	Market 3						N/a		69	
004	Insurance1	23	60	42	N/a	N/a	N/a	N/a	190	
005	Insurance2	54			11			N/a		N/a
006	Insurance3							N/a		N/a
007	Counterparty1	N/a	N/a	N/a	N/a	N/a	412	N/a	412	
008	Counterparty2	N/a	N/a	N/a	N/a	N/a				
016	Counterparty3	N/a	N/a	N/a	N/a	N/a				
017	Operational1	N/a	N/a	N/a	N/a	N/a	N/a	213	213	
025	Operational2	N/a	N/a	N/a	N/a	N/a				
026	Operational3	N/a	N/a	N/a	N/a	N/a				
TOTAL	(no diversification)	200	305	98	156		412	213	1,384	



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Tables and charts aren't always good!



What do you like?

What don't you like?

What would you change?

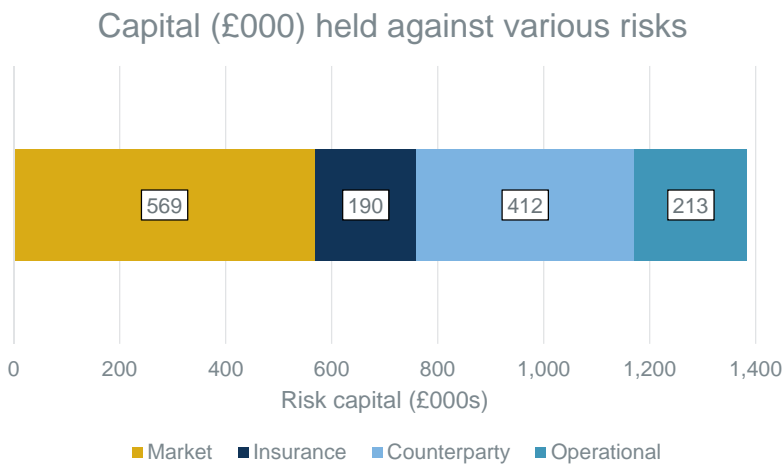


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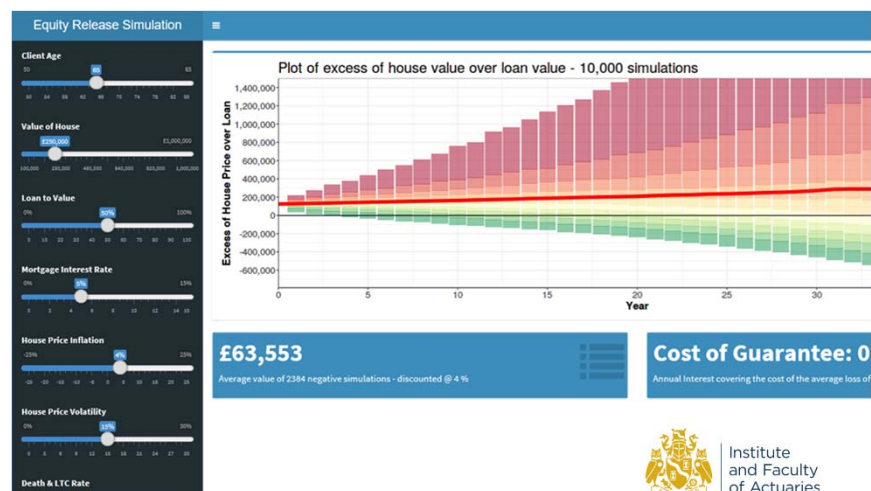
A better way...?



- What is the best way to show line of business breakdown?

Is a report the best tool?

- MI and dashboards
- “What if” scenario analysis
- Example – cost of non-negative equity guarantee on equity release



Highlighting key points

- Top-down approach
- Main point first
- Easy to navigate
- Reader only reads what they need



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Highlighting key messages - example

- Lorem ipsum dolor sit amet, consectetur adipiscing elit. Donec pulvinar porta ornare. Vivamus vitae posuere diam, quis mollis arcu. Duis nec dignissim ante. In aliquam semper mi, sit amet faucibus velit tempus non. Vivamus eros dui, interdum eget cursus vitae, volutpat at mi. Phasellus non pellentesque nibh, in sollicitudin enim. Nulla laoreet turpis justo, eget bibendum ipsum ornare non. Donec varius vulputate mi quis tincidunt. Integer volutpat tortor risus, vel facilisis purus gravida non. Suspendisse odio mi, efficitur ut tristique et, tincidunt vitae velit. Etiam hendrerit, felis quis eleifend viverra, nibh est pulvinar est, eleifend scelerisque lacus lacus ut ex.
- Sed venenatis elementum eros id imperdiet. Sed nec sagittis erat. Proin varius vestibulum tristique. Suspendisse lacinia massa ipsum, nec dignissim lacus elementum a. Donec porttitor felis at mauris vulputate, et tincidunt orci maximus. Nunc blandit elementum consequat. Donec id felis maximus, luctus ex at, tristique ipsum. Proin commodo sem id dolor euismod sodales nec id justo. Etiam sit amet nibh in augue aliquam bibendum id nec nisl. Proin tortor nisl, egestas at quam sed, vulputate tempor turpis. Vivamus dignissim cursus sapien ac tincidunt. Nam lorem magna, dignissim nec eleifend vitae, tristique sit amet elit. Nulla ultricies maximus magna, eget lobortis dolor. Nunc et augue semper, ullamcorper nisi nec, tincidunt magna. Proin eleifend massa vel viverra ullamcorper.
- Nulla facilisi. Donec non ex quis massa rhoncus interdum. Vestibulum vitae ligula cursus neque malesuada aliquam. Vivamus at cursus erat. Donec eu ex porta, venenatis justo eget, ultrices tellus. Nam gravida justo risus, nec ullamcorper purus rhoncus quis. Curabitur vestibulum quis tortor ut convallis. Nulla bibendum faucibus condimentum. Maecenas risus neque, vehicula non consequat ac, gravida sit amet orci.



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Highlighting key messages - example

- **Lorem ipsum dolor sit amet, consectetur adipiscing elit. Donec pulvinar porta ornare.** Vivamus vitae posuere diam, quis mollis arcu. Duis nec dignissim ante. In aliquam semper mi, sit amet faucibus velit tempus non. Vivamus eros dui, interdum eget cursus vitae, volutpat at mi. Phasellus non pellentesque nibh, in sollicitudin enim. Nulla eget turpis justo, eget bibendum ipsum ornare non. Donec varius vulputate mi quis tincidunt. Integer volutpat tortor risus, vel malesuada purus gravida non. Suspendisse odio mi, efficitur ut tristique et. Tincidunt vitae velit. Etiam hendrerit, felis quis eleifend viverra, nibh est pulvinar est, eleifend scelerisque lacus lacus ut ex.
- **Sed venenatis elementum eros id imperdiet. Sed nec sagittis erat.** Proin varius vestibulum tristique. Suspendisse lacinia massa ipsum, nec dignissim lacus elementum a. Donec porttitor felis at mauris vulputate, et tincidunt orci maximus. Nunc blandit elementum consequat. Donec id felis maximus, luctus ex at, tristique ipsum. Proin commodo sem id dolor euismod sodales nec id justo. Etiam blandit nibh in augue aliquam bibendum id nec nisl. Proin tortor nisi, egestas at quam sed, vulputate tempor turpis. Vivamus dignissim cursus sapien ac tincidunt. Nam lorem magna, dignissim nec eleifend vitae, tristique sit amet elit. Nulla ultricies maximus magna, eget lobortis dolor. Nunc et augue semper, ullamcorper nisi nec, tincidunt magna. Proin eleifend massa vel viverra ullamcorper.
- **Nulla facilisi. Donec non ex quis massa rhoncus interdum. Vestibulum vitae ligula cursus neque malesuada aliquam.** Vivamus at cursus erat. Donec eu ex porta, venenatis justo eget, ultrices tellus. Nam gravida justo risus, nec ullamcorper purus rhoncus quis. Curabitur vestibulum quis tortor ut convallis. Nulla bibendum faucibus condimentum. Maecenas risus neque, vehicula non consequat ac, gravida sit amet orci.



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Highlighting key messages - example

“The Company’s assets mainly comprise of liquid cash funds and short term deposits. The liabilities are mostly long duration annuities. This is a mismatch and makes the portfolio very sensitive to changes in interest rate. The capital held against this risk is also very high. **We recommend that the Company better matches its assets and liabilities.**”

“We recommend that the Company invests in longer dated assets to better match its long duration annuities. This will make the portfolio less sensitive to changes in interest rates, and will reduce the amount of risk capital that needs to be held. The existing risk arises as the Company is currently backing its annuities with liquid cash funds and short term deposits.”



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Checklists

- Checklists save lives – literally
- Prompts overfull brains and helps avoid ‘silly’ mistakes
- Does not replace experts
- Allows creativity
- Better teamwork
- Powerful tool... but only works if embedded

Checklists



What would you put on your checklist?

Checklists – example items



Formatting, client name,
font/style, headers/footers,
numbers



Changes over the year set
out and explained?



What are the key
messages? Is this clear?



Anything detracting from key
message?



Are the recommendations
and actions clear?



Other suggestions...?



Are scope and regulatory
requirements set out?



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Conclusions

- Cant avoid the problem
- Every report and report user is different
- Everything sounds obvious....
 - ...but easy to forget and...
 - ...can be difficult to implement...
 - ...in the time available
- Continually improve and challenge the status quo



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Questions

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