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making financial sense of the future


GIRO ROC Update

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Focus in the last year:


- Quantification and Reporting of Uncertainty for GI Reserving
- Working Parties
 - Uncertainty
 - Effectiveness of reserving methods
 - Changes in Terms and conditions
 - Reserving Cycle



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Getting your views.....

- Paper on the Profession's website
 - General Insurance/GI RoC/paper
- Working Party breakout sessions in Wales
- RoC morning in London – Tuesday 30 October



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Uncertainty Working Party

- Inventory of methods
- For each short listed method
 - Practical operational issues
 - Summary of theoretical issues
 - Tested on real data
- How well do methods work with perfect data
- What is judgement
- Suggested definition of 'best estimate'

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Reserving Cycle Working Party

- Impact of Rate Monitoring
- Impact of Tail Length
- Management Pressures
- Dealing with the Issues

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Effectiveness of Reserving Methods Working Party

- How to design the testing process
- Obtaining sufficient data
- Does pseudo data invalidate results?
- How to measure effectiveness
- Looking to the future – what happens next?

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Terms and Conditions Working Party

- Identified T&Cs that have changed materially in recent past
- Concluded that the contribution of these to the reserving cycle was less than expected
 - Suggests other more significant failings in rate index
- Proposed approaches to monitoring and making allowances for T&Cs in reserving.

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Quantifying and Reporting Reserving Uncertainty

- Status
 - Not formal Guidance
- Content
 - What we think GN12 means
 - How to communicate uncertainty
- Aims to help actuaries

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Quantifying and Reporting Reserving Uncertainty

- What we think GN12 means:
 - In nearly all cases....provide....a Quantitative Illustration of uncertainty.....that the actuary considers appropriate
 - Involves judgement, so there will be inconsistency
 - Uncertainty in Outcome
 - Lots of flexibility on what a Quantitative Illustration is.
 - Say what the Quantitative Illustration includes

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Quantifying and Reporting Reserving Uncertainty

- Communicating Uncertainty
 - Describe events or trends that would need to happen
 - Percentiles vs Everyday English

Quantifying and Reporting Reserving Uncertainty

- Suggested Consistent wording.
 - Does not preclude use of other additional words.

Indicative percentile	75%	90 % approx	95 % approx	99% approx
Wording 'below' percentile	Fairly likely that the outcome will lie below this estimate	Likely that the outcome will lie below this estimate	Very likely that the outcome will lie below this estimate	Extremely likely that the outcome will lie below this estimate
Wording 'above' percentile	Reasonable chance that the outcome could lie above this estimate	Possible but unlikely that the outcome will lie above this estimate	Possible but very unlikely that the outcome will lie above this estimate	There is a possibility, albeit remote, that the outcome will lie above this estimate

Quantifying and Reporting Reserving Uncertainty

- Two real(ish) examples.
- Read the paper.....

The Future

- Continue working parties
- Consult with profession for direction
- Consider further work around quantifying uncertainty
