



Reserving team announcement meeting

Attendees: Chief Actuary, CEO
HR Director

Date: 26 September 2019
Location: EICC, Edinburgh

This is a diary crash, please accommodate your diaries for the CEO

This meeting invite must not be forwarded.
Meeting content must not be communicated to anyone outside the attendees.

Find out more at...
Reserving: What are you getting wrong?



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Reserving: What are you getting wrong?

Keith Brown, GIROC Chair (Geo Underwriting)

Kyveli Charsouli, GIROC Member (KPMG)

Alex Marcuson, GIROC Member (Marcuson Consulting)

In this room today...

The team you work in can be best described as:

1. Primarily a reserving team
2. Strategically influencing reserving
3. (Peer) reviewing reserving
4. Not involved in reserving



Picture form : https://www.gotoquiz.com/what_kind_of_actuary_are_you

What kind of actuary are you?



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Reserving is ...

Which of the following statements do you agree with (you can vote for more than one)

1. ... a way to understand the business and enable it to run better
2. ... an internal and external reporting tool
3. ... becoming a thoughtless exercise of turning the handle
4. ... answering the wrong question.



Picture form : <http://www.grammar.zone/love-is-blind/>



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Possible issues holding us back

- Pressure to do more
- No time for creativity
- Complexity of the environment
- Dealing with uncertainty is hard; people do not like it
- Difficult to measure our own performance
- Incentives unclear





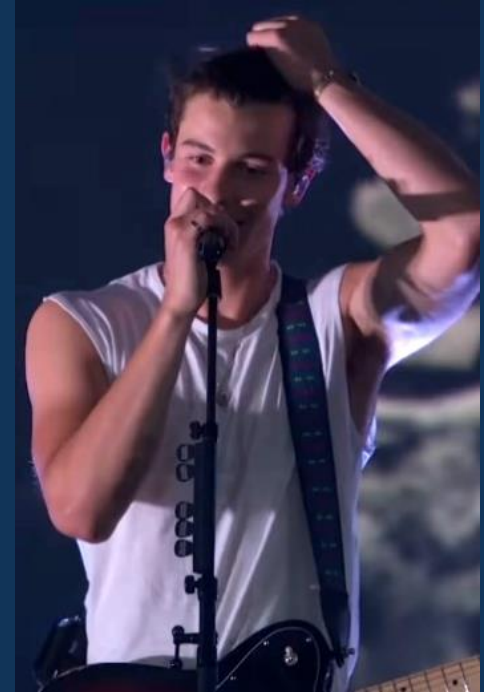
Question time!

What's holding us back?

1. I want to follow where she goes?
2. I love it when you go crazy?
3. You take me places that tear up my reputation?

(Mendes et al., 2017)

4. Or something else?



[Shawn Mendes Performs "In My Blood" MTV VMAs, MTV International, CCA 3.0](#)

Possible issues holding us back

- Pressure to do more
- No time for creativity

Innovation &
Automation

- Complexity of the environment
- Dealing with uncertainty is hard; people do not like it

Complexity &
Uncertainty

- Difficult to measure our own performance
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People



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Innovation and automation

Challenges of innovation

I think...

1. There is **no time** for innovation of reserving techniques
2. There is **no pressing need** for innovation of reserving techniques
3. There is **no incentive** for innovation of reserving techniques
4. None of the above.



Consequences of automation

Automation in reserving processes means...

1. Less actuaries needed, so fewer actuarial jobs
2. More time to focus on innovative techniques
3. More time to focus on what the business needs
4. None of the above: it is just a buzz word.



Richard Greenhill and Hugo Elias CCA 3.0



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Innovation and automation

In the context of reserving:

How do we overcome the main barriers to innovation?

Where are the greatest opportunities from automation?





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Complexity and uncertainty



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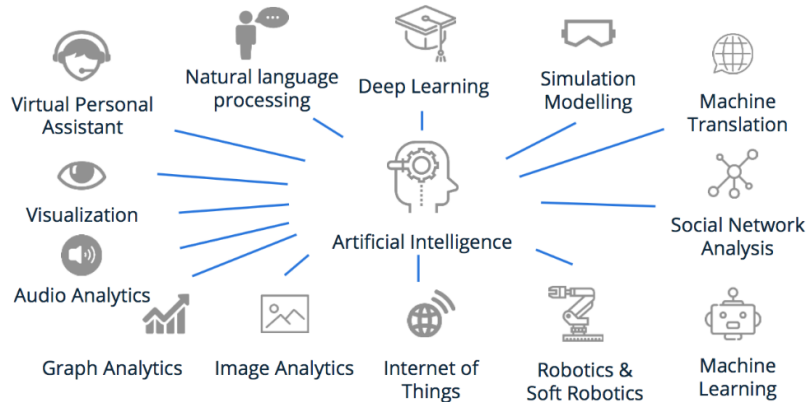
Complex, v.

to combine into a complex whole, to complicate...
(OED, 2019)



The connected world

Possible applications for Artificial Intelligence



source statista via @mikequindazzi

- We can't afford to ignore accelerating change
- Need to watch out for *jerk*: is change about to accelerate at a greater rate or even reverse in some areas?

What can we do to manage complexity?

What are the consequences of ignoring the new world?



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Uncertainty, n. (economics)

a business risk which cannot be measured and whose outcome cannot be predicted or insured against (OED, 2019)



Uncertainty

Dealing with uncertainty...

1. is the risk function's problem
2. is managed by quoting the percentiles of the reserves distribution
3. is a key role for the reserving actuary and communicating it well is a required skill in their toolkit
4. is pushing actuaries to consider non-reserving roles.



Drawing by Frits Ahlefeldt



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Pressure, n.

urgency; the demand of affairs on a person's time or energies; constraint or obligation to act quickly or to the limit of one's ability or resources (OED, 2019)



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Incentive, n.

something that arouses feeling, or incites to action;
and exciting cause or motive... provocation... (OED,
2019)

Professional incentives

- In terms of incentives, there can be performance-linked pay, immediate recognition in pricing and often strong regulation in capital modelling
- In reserving, is our key incentive professionalism itself?
- Is the incentive instead to relieve pressure from calls for efficiency, amongst having to meet growing reporting requirements?

Which comes first: the Balance Sheet or P&L?

What could be incentives for reserving actuaries to be more innovative?





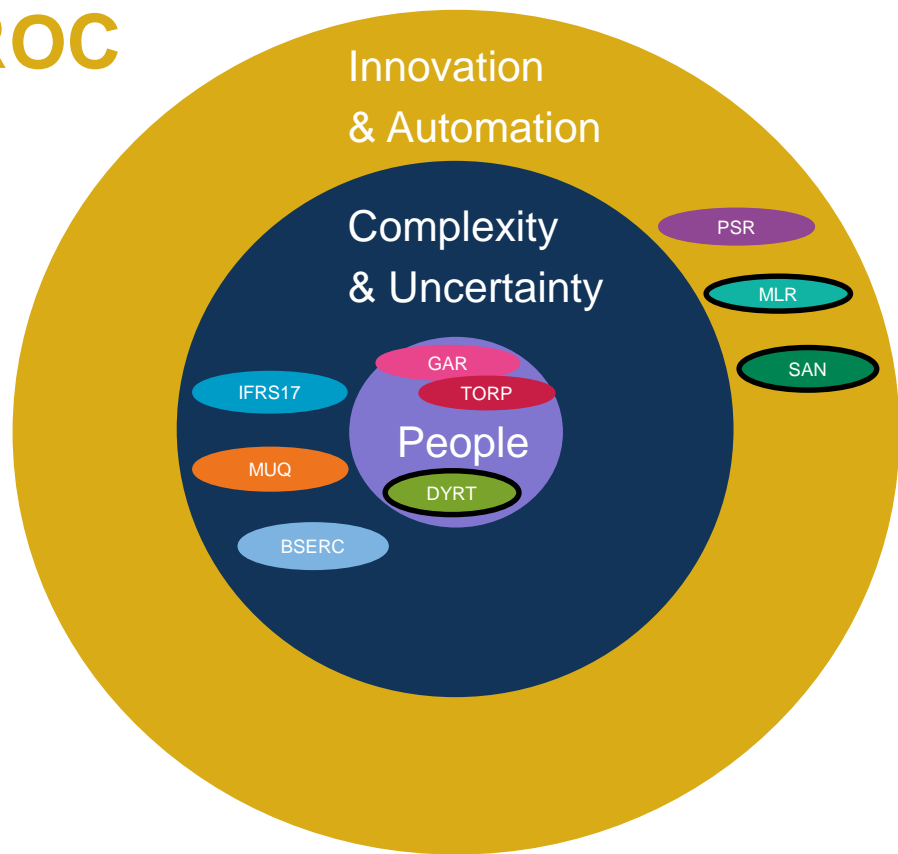
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GIROC - GI reserving oversight committee

What are we up to?

How can I get involved?

GIROC



Currently supported by six working parties across all three themes :

- Pragmatic stochastic reserving (PSR)
- IFRS 17
- Measuring uncertainty qualitatively (MUQ)
- Better sensing and responding to change (BSERC)
- Toward the optimal reserving process (TORP).
- The good actuarial report (GAR)

New working parties are being formed in each theme:

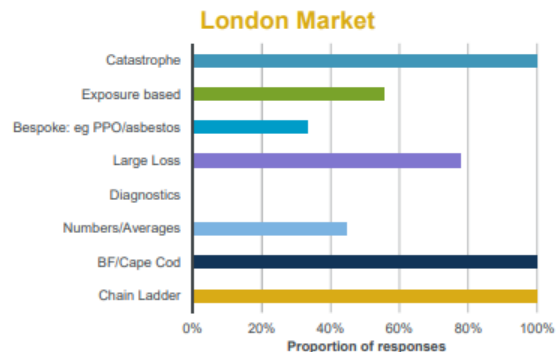
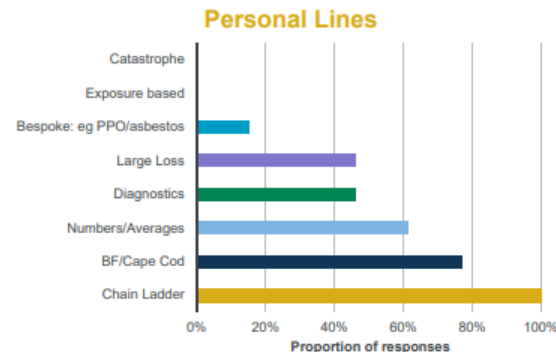
- Machine Learning in Reserving (MLR)
- Simplifying Analytics (SAN)
- Developing your reserving team (DYRT)



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Survey planned for 2020

- Reserving actuaries have been developing themselves since at least 2004, with the General Insurance Reserving Issues Taskforce or “GRIT”
- (GI)ROC emerged from GRIT’s 2006 paper
- GIROC launched a survey in 2014 and we believe that it is time for another survey to see if time and resources are still the main constraint for reserving actuaries and what reserving actuaries do now, so GIROC can serve its community well.



(IFoA, 2014)



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Questions

Comments

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References and resources

Resources

- GIROC web page (currently awaiting an update coming soon)
 - <https://www.actuaries.org.uk/about-us/governance-and-structure/other-boards-and-committees/practice-boards/general-insurance-board/general-insurance-reserving-oversight-committee-giroc>

References

- (2019), *Oxford English Dictionary*, Oxford University Press. Available at <https://www.oed.com/> (Accessed 31 July 2019)
- MacDonnell, S., Labaune, R., (2014) GIROC UK Reserving Survey 2014 [Online], IFoA. Available at <https://www.actuaries.org.uk/system/files/documents/pdf/girocreservingsurveyfinal.pdf> (Accessed 9 September 2019)
- Mendes, S., Geiger, T., Warburton, G., Harris, S. (2017) *There's Nothing Holdin' Me Back*. United States, Island Records

