

GIRO conference and exhibition 2010
Derek Newton and Caroline Hunter-Yeats



Don't Get Court With Your Standards Down

12-15 October 2010

Disciplinary Tribunal Panel

**Hearing into a complaint raised against Alec Trevelyan, FIA
13 October 2013**

Panel Chairman: Roger Hayne



Disciplinary hearing for Alec Trevelyan: Exhibit 1

Klebb and Partners is a financial services consultancy which was founded in the early 1960s. It provides advice on a wide range of financial services issues.

Its team of experts includes accountants, actuaries, claims specialists, and underwriters.

We aim to give you our clients the best possible service and advice.

Our staff work to the highest standards, aiming to provide you with advice based on professional excellence from which you can derive maximum benefit.

Our staff - at all levels - are actively involved hands-on in day-to-day client work, ensuring you receive the superior quality of service that you seek.

KLEBB & PARTNERS

Disciplinary hearing for Alec Trevelyan: Exhibit 2

Appendix F: gross results class by class

Class M (amounts in £000s)

| U/W Year | Premiums (net of acq costs) | Paid Losses | O/S Losses | Incurred Losses | Ultimate Losses | Ultimate Loss Ratio | IBNR |
|----------|-----------------------------|-------------|------------|-----------------|-----------------|---------------------|-------|
| 1999 | 1,265 | 921 | 11 | 932 | 936 | 74% | 4 |
| 2000 | 1,463 | 1,158 | 20 | 1,178 | 1,185 | 81% | 7 |
| 2001 | 1,896 | 1,425 | 25 | 1,450 | 1,460 | 77% | 10 |
| 2002 | 1,978 | 1,441 | 29 | 1,470 | 1,485 | 75% | 15 |
| 2003 | 2,015 | 1,506 | 47 | 1,553 | 1,586 | 79% | 33 |
| 2004 | 2,100 | 1,541 | 73 | 1,614 | 1,675 | 80% | 61 |
| 2005 | 2,341 | 1,619 | 117 | 1,736 | 1,846 | 79% | 110 |
| 2006 | 2,273 | 1,526 | 172 | 1,698 | 1,876 | 83% | 178 |
| 2007 | 2,375 | 1,580 | 283 | 1,863 | 2,186 | 92% | 323 |
| 2008 | 2,397 | 1,252 | 370 | 1,622 | 2,099 | 88% | 477 |
| 2009 | 2,414 | 944 | 490 | 1,434 | 2,191 | 91% | 757 |
| 2010 | 2,576 | 552 | 581 | 1,133 | 2,379 | 92% | 1,246 |
| 2011 | 2,602 | 121 | 402 | 523 | 2,496 | 96% | 1,973 |
| TOTAL | 25,093 | 15,465 | 2,218 | 17,683 | 20,903 | 83% | 3,220 |

The case for or against Alec Trevelyan

TAS R

B1.2 ...failure to follow the principles in this standard need not be considered a departure if it does not have a material effect.

Disciplinary hearing for Alec Trevelyan: Exhibit 3

4. Detailed results

Table 4.2: Total estimated claims reserves as at 31
December 2011
(amounts in £000s)

| | O/S Losses | IBNR | Total Claims Reserve |
|--------------|---------------|---------------|----------------------------|
| Class M | 2,564 | 5,172 | 7,736 |
| Class Q | 4,678 | 9,183 | 13,861 |
| Licenced | 3,134 | 6,122 | 9,256 |
| Drax | 1,390 | 1,268 | 2,658 |
| Case | 36 | 877 | 913 |
| Leiter | 789 | 2,397 | 3,186 |
| Class O | 1,876 | 3,599 | 5,475 |
| TOTAL | 14,431 | 27,741 | 42,172 |

The case for or against Alec Trevelyan

TAS R

B1.2 ...failure to follow the principles in this standard need not be considered a departure if it does not have a material effect.

B.1.3 Nothing in this standard should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or assignment to which it relates and the benefit that users would be expected to obtain from the work.

Disciplinary hearing for Alec Trevelyan: Exhibit 4

4. Detailed results

4.1 The ultimate cost of claims is uncertain and depends on activities and events that have yet to happen. As such any estimate of the ultimate claims costs is likely to be wrong. Our estimates have been developed using standard actuarial methods (unless stated otherwise) and make allowance for all possible outcomes.

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The case for or against Alec Trevelyan

TAS R

- B1.2 ...failure to follow the principles in this standard need not be considered a departure if it does not have a material effect.
- B1.3 Nothing in this standard should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or assignment to which it relates and the benefit that users would be expected to obtain from the work.
- C5.8 For any material calculations that have been performed an aggregate report shall explain...the methods used to achieve the calculation objective.

The case for or against Alec Trevelyan

TAS R

- B1.2 ...failure to follow the principles in this standard need not be considered a departure if it does not have a material effect.
- B1.3 Nothing in this standard should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or assignment to which it relates and the benefit that users would be expected to obtain from the work.
- C5.8 For any material calculations that have been performed an aggregate report shall explain...the methods used to achieve the calculation objective.
- C6.2 Reports will need to address the needs of, and be understandable by, all their users, recognising they may have varied levels of relevant technical knowledge.

Disciplinary hearing for Alec Trevelyan: Exhibit 5

Audit Committee Meeting 16 February 2012 Minutes of Meeting

23. Mr Trevelyan of Klebb and Partners presented his reserve report. Several questions were raised which Mr Trevelyan answered. The Committee agreed unanimously to accept the report as presented.



Stromberg Limited

Disciplinary hearing for Alec Trevelyan: Exhibit 6

Notes of Stromberg Audit Committee Meeting: 16 February 2012

The meeting started at 11am in Stromberg's board room. Those present were the Stromberg FD, the committee chairman plus three others (didn't catch their names – the one in the middle was wearing a particularly horrible tie).

We presented our report at 11:30am. We were asked about:

- Whether we thought the claims team knew their stuff
- What we had seen elsewhere in the market
- Whether there was likely to be any future bad news from these reserves

The committee then approved our report and we left the meeting at 12:30pm.

BGC/9 March 2012

KLEBB & PARTNERS

The case for or against Alec Trevelyan

TAS R

C2.6 Any material information relating to work within the scope of this standard that is conveyed in a non-permanent form shall be confirmed in a report.

Disciplinary hearing for Alec Trevelyan: Exhibit 7

To: <Bill Tanner> wtanner@stromberg.co.uk
From: <Alec Trevelyan> alec.trevelyan@klebb.com
23 November 2006

Bill

Thanks fr your hospitality last night – great evening. I've been thinking about what you said about not wanting surprises from the reseves. As you know we've always held margins in te reserves but if we were to start holding margns this year end then we could release them over time but vary the tming so that we offset underlying deterioration

Let me know what you think.

Alec

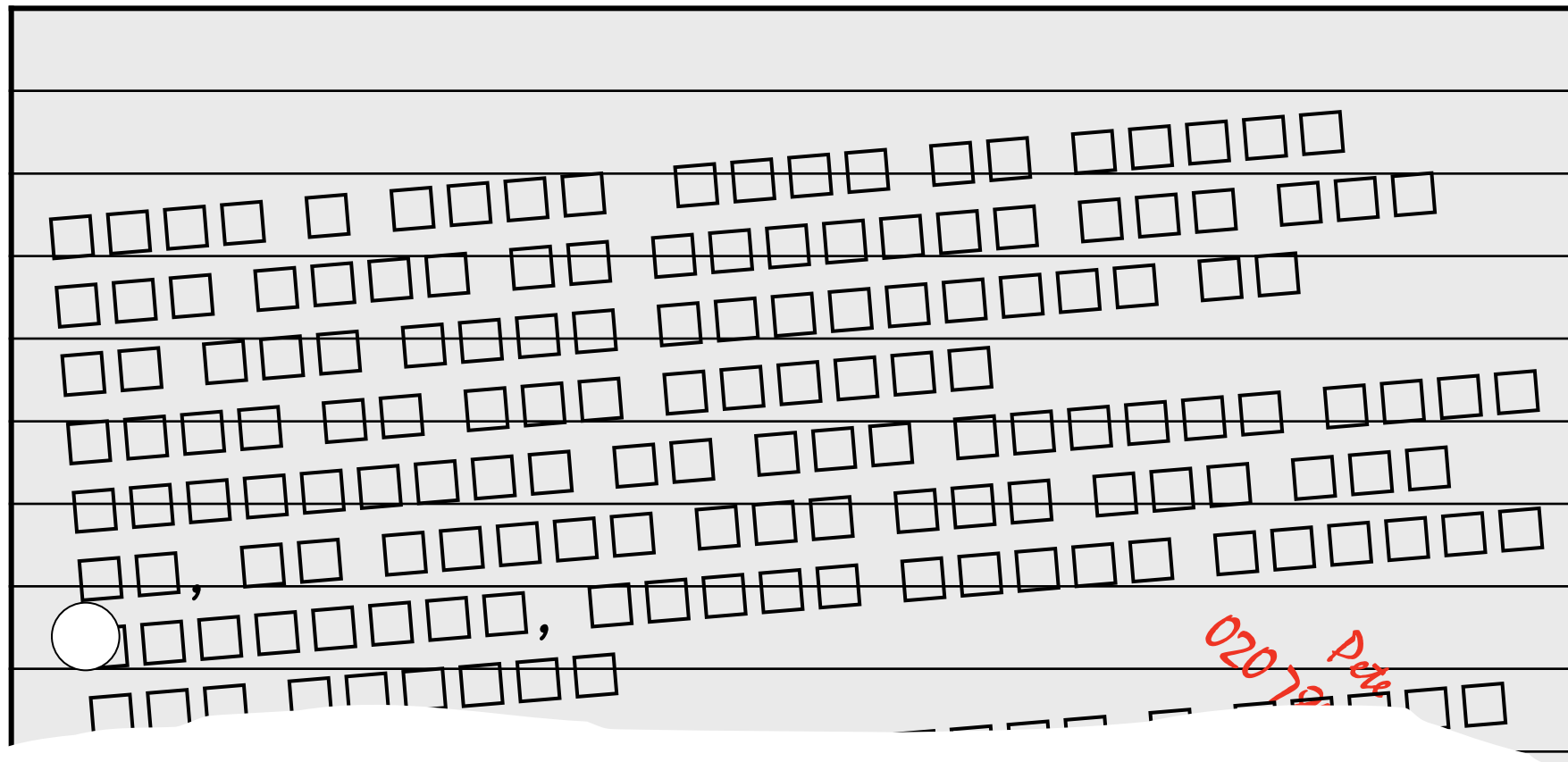
KLEBB & PARTNERS

The case for or against Alec Trevelyan

TAS R

- C2.6 Any material information relating to work within the scope of this standard that is conveyed in a non-permanent form shall be confirmed in a report.
- C2.3 The aggregate report for a decision or piece of work includes all component reports given to a user that contain material information. A component report cannot be excluded from the aggregate report if it includes material information relating to the decision or piece of work in question. An aggregate report will need to specify its component reports clearly.

Disciplinary hearing for Alec Trevelyan: Exhibit 8



The case for or against Alec Trevelyan

TAS R

- C2.6 Any material information relating to work within the scope of this standard that is conveyed in a non-permanent form shall be confirmed in a report.
- C2.3 The aggregate report for a decision or piece of work includes all component reports given to a user that contain material information. A component report cannot be excluded from the aggregate report if it includes material information relating to the decision or piece of work in question. An aggregate report will need to specify its component reports clearly.

Actuaries Code

1. Members will act honestly and with the highest standards of integrity.

Disciplinary hearing for Alec Trevelyan: Exhibit 9

Appendix B: Important Limitations

B.1 This Report has been prepared for the sole internal use of Stromberg's management in connection with the estimation of Stromberg's technical provisions as at 31 December 2010. It is not intended, nor necessarily suitable for any other purpose.

B.3 This Report must not be provided to any third party, with the exception of the FSA and International Exports plc, the parent company of Stromberg.

The case for or against Alec Trevelyan

TAS R

- C2.6 Any material information relating to work within the scope of this standard that is conveyed in a non-permanent form shall be confirmed in a report.
- C2.3 The aggregate report for a decision or piece of work includes all component reports given to a user that contain material information. A component report cannot be excluded from the aggregate report if it includes material information relating to the decision or piece of work in question. An aggregate report will need to specify its component reports clearly.

Actuaries Code

1. Members will act honestly and with the highest standards of integrity.

TAS R

- C6.6 A report shall not include information that is not material if it obscures material information.

The case for or against Alec Trevelyan

Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information.

Disciplinary hearing for Alec Trevelyan: Exhibit 10

Latent claims

4.20 Research has indicated a potential link between electronic surveillance equipment of the type covered by Stromberg under Classes M, Q and O, and cancer of the inner ear. Although to date no claims have been brought against Stromberg in relation to such cancer, we have included in our estimates of future claims costs an allowance for some such claims to emerge in the future.

The case for or against Alec Trevelyan

Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information.

TAS M

C2.5 Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

The case for or against Alec Trevelyan

Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information.

TAS M

C2.5 Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

C2.6 Examples of matters on which judgement might be needed include applicability of the model to the purpose, the suitability of the assumptions and data to be used, the materiality and relevance of the outputs and the form that indications or explanations might take.

Disciplinary Tribunal Panel

Discussion of the case against Alec Trevelyan, FIA

- Is his work okay, a bit sloppy, or in breach of TASs and/or the Code?
- Is his interpretation of the TASs flawed?



What could Alec Trevelyan have done differently?

He could have:

- Met with the International Exports to explain the purpose of his work, and some of the characteristics of reserves for a business like Stromberg.
- Opted for clarity in his work over simply acceding to the will of the FD.
- Ensured that all conversation/meeting notes were prepared promptly and documented key instruction, information and advice that was given.
- Checked the meeting notes.
- Not assumed that replacement executives at the client organisation will necessarily have been fully briefed by the rest of the team/their predecessor.
- Been up to speed with new developments.
- Been mindful of the promises made in marketing material.
- Kept “fresh” within his report important information such key limitations. It is more likely that standard, repeated wording won’t be read or be effective, especially if not up front.
- Ensured that relevant oral advice was followed up in a written form and that reference was made to that advice in his aggregate report.