



Institute  
and Faculty  
of Actuaries

# GIRO40

8 – 11 October, Edinburgh





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## Actuaries in the Underwriters' Den

Lessons for actuaries from working with underwriters

erise  
onsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
Networking  
Professional support  
Enterprise and risk  
Learned society  
Opportunity  
International profile  
Journals  
Support

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## Introduction

- Actuaries have made major inroads into the London Market pricing arena over recent decades
- Has been a bumpy ride and will continue to be so
- What can go wrong and how do we improve this?

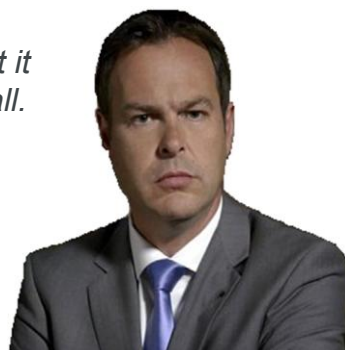
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## What do underwriters say about us?

- *“I could tell nobody understood what he was saying in that presentation. I didn’t say anything though, it just wouldn’t have been worth the bother.”*
- *“She’s spent months doing this but it doesn’t help us write business at all. Another expensive box-ticking exercise.”*



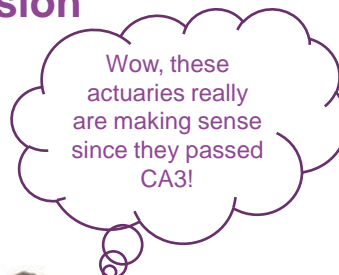
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## Response from the Profession

- Weaknesses acknowledged
  - Communication
  - Business awareness
- Are new training modules enough?



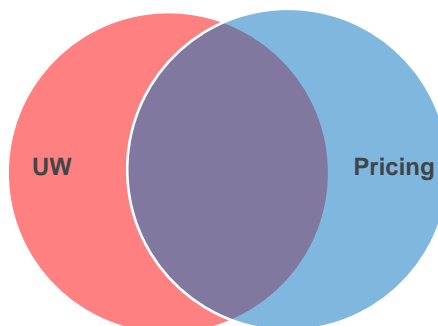
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## What can we do to make this easier?



- A slightly brighter view?
- But these criticisms are made frequently enough to recognise there is a case to answer
- So where to start?



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## In the right place?



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## You are less well understood than you think

- *“The single biggest problem with communication is the illusion that it has taken place.”*

— George Bernard Shaw

I don't know what you're talking about and frankly I don't care.



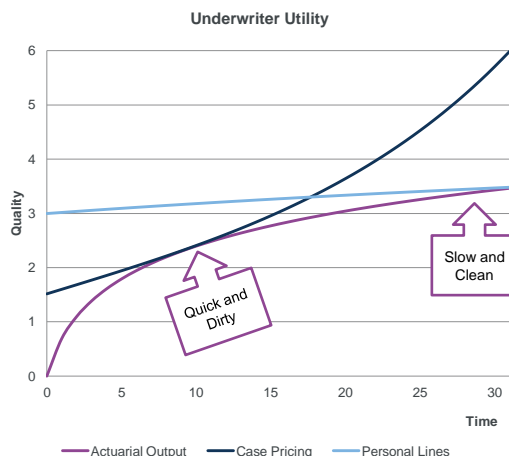
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## The underwriter utility curve

- *“She spent all that time on getting the yield curve just right when the team knows the model barely fits anyway. What a waste of money.”*

— An underwriter



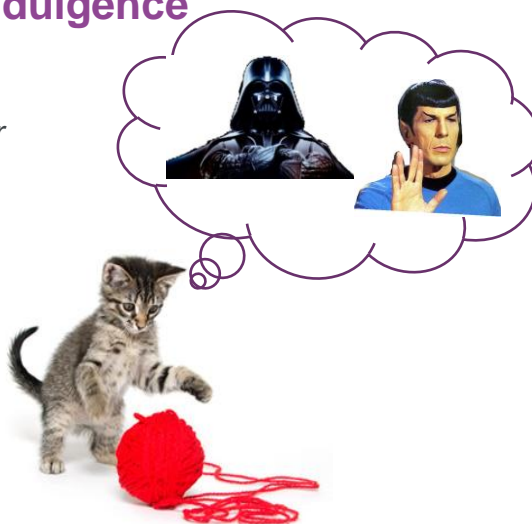
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## Actuarial self indulgence

- *“You want to keep him off our backs for a bit? Just chuck a ball of string in there!”*

— A project manager



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## Caveats

- *“Every year we get the same old boilerplate. Please just tell me what you think.”*
  - *An underwriter*



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## Data quality

- *“This analysis is WHOLLY RELIANT on data, eh? Shame it’s rubbish then!”*
  - *An underwriter*



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## You are looking at noise

- *"I can't believe they made such a fuss about what was obviously a blip. A large claim early in the year shouldn't mean we close the class down."*

— An underwriter



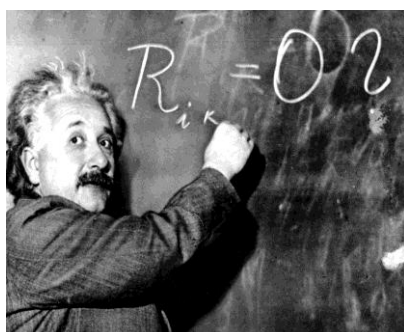
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## Mounting effective underwriter challenge

- *"You do not understand my class, it's so much more subtle than that, more of an art than a science"*

— An underwriter



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## Are there any common threads here?

- Communication again
- Confidence?
- A natural tendency to focus on what we can do rather than the grey areas where it gets difficult

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## This doesn't happen:



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## Successes and failures

Signs of success:

- Involved in the process from an early stage to a late stage.
- Frequent dialogue. Underwriters requesting your view where they don't have to. Intelligent "push-back".
- Underwriters wanting more of your time. Not less.

Possible warning signs:

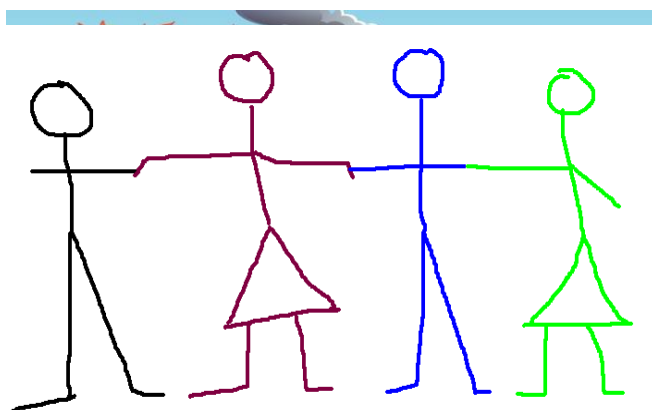
- Interaction and communication very transactional.
- Work disappears into a black hole.
- Either side hiding behind the other.

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## In summary



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## Golden rules

1. Don't be lazy and assume you are understood. Check. *Nicely*.
2. Is the complexity you are building in really important? Parsimonious models better for business too.
3. Don't assume the data is perfect because that makes less work. Check it properly.
4. Be suspicious of your model if the underwriters don't relate to it at all. Discrepancies shouldn't be that large.
5. Give underwriters some credit. They will likely have additional information.
6. Be healthily sceptical. Of everyone. Note incentives.
7. Have the confidence to be wrong on occasion. Credibility is built over the longer term.

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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

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