

## Practical experience with GN12

34<sup>th</sup> Annual GIRO Convention  
2-5 October 2007  
Celtic Manor, Wales

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(Chairman, GI Professional Standards Committee)

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## Background

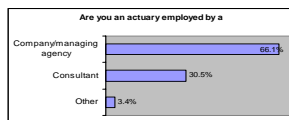
- GN12 revised 1 June 2006
- Guidance now under the control of the Board for Actuarial Standards (BAS)
- GI PSC and GI Board would like to understand practical experience
- We have also had input from FSA and Lloyd's on compliance

## Survey

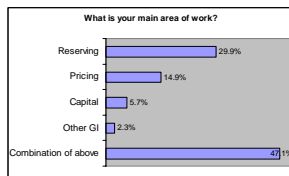
- Sent to all members with an interest in GI
- Thanks to Wendy Hawes, Alex Lee and Matthew Wheatley for comments and suggestions on survey
- Thanks to Peter Stirling and Fiona McNeil for survey implementation and analysis
- Thanks to Sally Kattan for additional analysis of results
- Thanks to all 176 people who submitted responses (133 of whom were anonymous)

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## Background on respondees



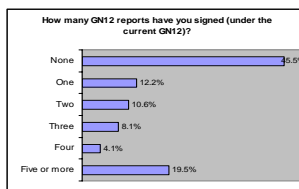
Responses: 174 / 176



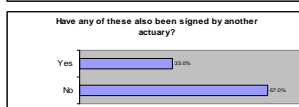
Responses: 174 / 176

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## Based on about 200 reports



Responses: 123 / 176

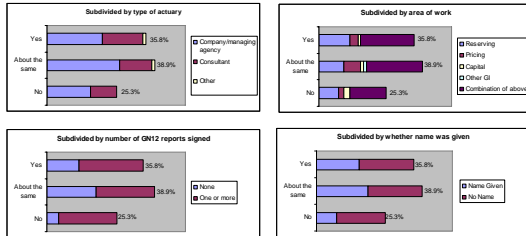


Responses: 112 / 176

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## A better report for the end-user?

In your view have the revisions to GN12 led to a better report for the end-user?

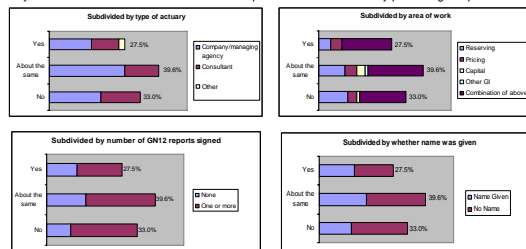


Responses: 95 / 176

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## Revisions practicable for the actuary?

In your view have the revisions to GN12 been practicable for the actuary producing a report?

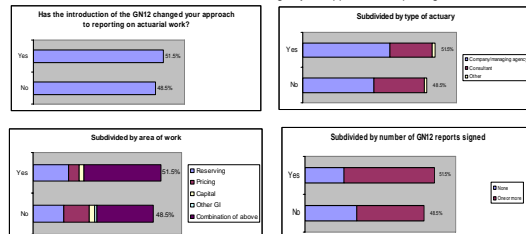


Responses: 91 / 176

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## Changed approach to reporting?

How has the introduction of the current GN12 changed your approach to reporting on actuarial work?

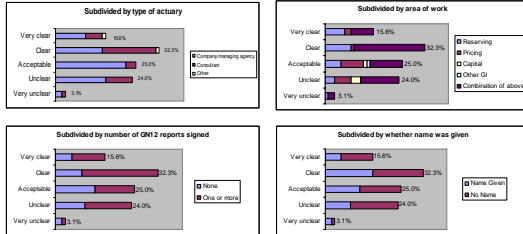


Responses: 97 / 176

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## Is GN12 clear as to whether your work needs to comply?

How clear do you feel as to whether the actuarial work you do needs to comply with GN12?

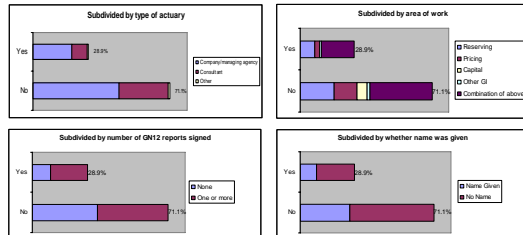


Responses: 96 / 176

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## GN12 report not prepared when might have been required?

Since 1 June 2006 have you completed a piece of actuarial work which related to one or more of the circumstances specified in GN12 Section 1.2 for when a formal report is required, but for which no GN12 report was prepared?

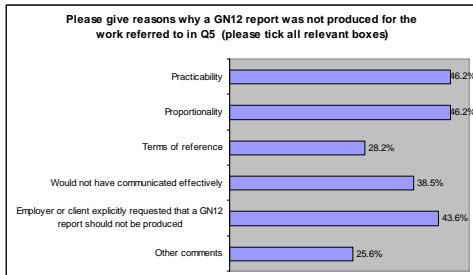


Responses: 114 / 176

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## Why was GN12 report not produced?

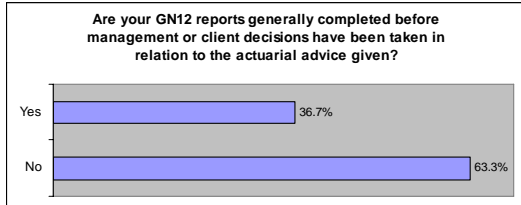
Please give reasons why a GN12 report was not produced for the work referred to in Q5 (please tick all relevant boxes)



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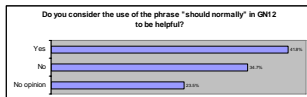
Are reports completed before decision taken?



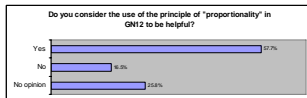
Responses: 109 / 176

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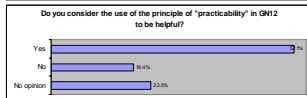
Is room for judgement helpful?



Responses: 98 / 176



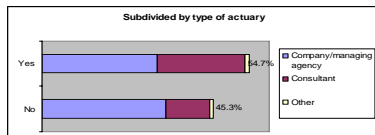
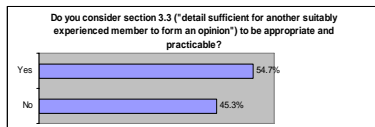
Responses: 97 / 176



Responses: 98 / 176

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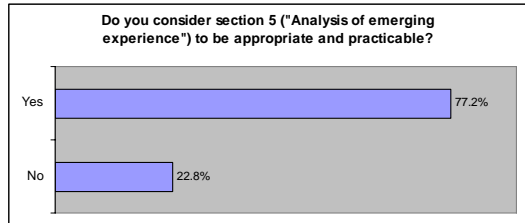
Is enabling another member to form an opinion appropriate and practicable?



Responses: 95 / 176

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Is analysis of emerging experience appropriate and practicable?



Responses: 92 / 176

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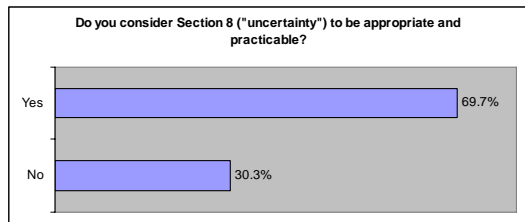
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Is the section on uncertainty appropriate and practicable?



Responses: 89 / 176

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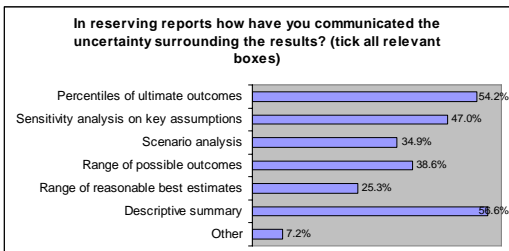
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How has reserving uncertainty been communicated?



Responses: 83 / 176

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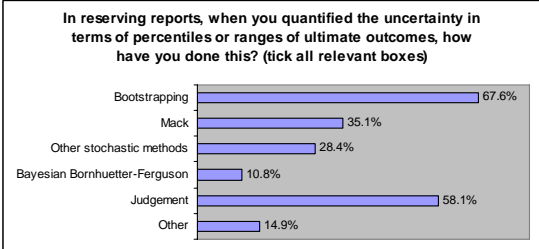
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How has quantification of ultimate reserving uncertainty been quantified?



Responses: 74 / 176

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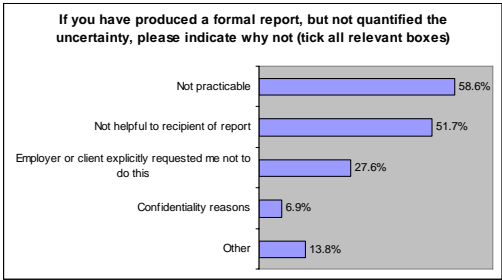
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Reasons for not quantifying uncertainty?



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Conclusions from survey

- Mixed responses to many questions
- Would be very difficult to please everybody
- Some differences between employed/consultants, between reserving/pricing/capital and between those who have produced a GN12 report and those who haven't
- 36% think revisions have led to a better quality report for end-user (25% worse)
- 67% think revisions have been practicable (or the same) for the actuary (33% not practicable)

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### Conclusions from survey (cont'd.)

- 73% think the revised GN12 is acceptably clear as to when it applies
- The majority of those who gave an opinion think that the scope for applying judgement in preparing a GN12 report is helpful
- 70% think the uncertainty section is appropriate and practicable
- Enabling another member to form an opinion is not considered to be appropriate or practical by a narrow majority of company actuaries responding

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### Some personal views

- We will never agree or even reach 90% consensus
- Why? Many different types of work and many different audiences
- Mostly not statutory
- Regulators (and auditors) need more than company management
- Consultants need to do more to protect themselves (but don't company actuaries as well?)

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### More personal views

- Reserves are largest and most judgemental item on balance sheet
- Why wouldn't you want to document the reasons for the judgement?
- But good communication and good documentation are two separate aspects

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## Options

- No change
- Principles based rather than rules based
- More guidance on how to apply judgement in reporting including examples
- Separate company/consultants
- Separate by type of work
- No guidance

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## Next steps

- Consideration by GI PSC and GI Board of survey results, GIRO feedback and FSA/Lloyd's views
- Consider whether and how to seek views of other end-users
- If appropriate, liaison with BAS

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## Your views?

Discussion

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