

The Actuarial Profession

making financial sense of the future

Professional Guidance

An update from the GN Working Party

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Current Position

Four Guidance Notes:

| GN | | Last Amended |
|----|--|--------------|
| 12 | Actuarial Reports | 01.09.99 |
| 18 | UK Companies Writing US Business | 01.12.02 |
| 20 | Lloyd's Reporting | 01.12.04 |
| 33 | Lloyd's Syndicates Writing US Business | 01.01.03 |

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Current Position

Three Advisory Notes to supplement GN18/20/33, incorporating Technical Papers:

| Paper | Date | Incorporated in advisory note for GN |
|--|-------|--------------------------------------|
| | | 182033 |
| Unallocated loss adjustment expense provisions | 09/99 | ✓✓ |
| Reinsurance bad debt provisions | 12/99 | ✓✓✓ |
| World Trade Centre (WTC) Working Party paper and covering note | 12/02 | ✓✓✓ |
| Data Reasonableness | 11/02 | ✓✓ |

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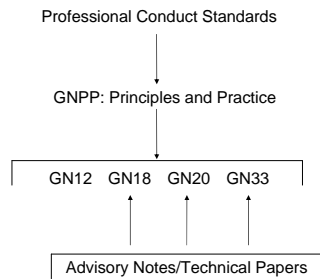
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Proposal

- Five Guidance Notes
 - Existing four revised
 - New GNPP “Principles and Practice”
 - FAQ for each GN to help with interpretation
- No change to current advisory notes

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Hierarchy



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Why Review?

- Uneven interpretation
- Reserving bias
- Classification as “Recommended Practice”
- Recognise wider professional involvement
- Housekeeping

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Process

- Input from WP members
- Draw on work of other actuarial bodies:
 - CAS
 - Institute of Actuaries of Australia
 - Singapore Actuarial Society
- GRIT interim reports
- Feedback from PSGC, SC, and GIB

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Why GNPP?

- Formal reports only a part of what we do
- Paves the way for a more flexible structure
- GNPP should need infrequent revisions

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“Should Normally” (PCS v 2.2 *Definitions*)

PCS uses the term “should normally” to indicate that *members* must comply with a particular requirement or prohibition, unless the circumstances are such that the requirement or prohibition is inappropriate and non-compliance is consistent with the standards of behaviour, integrity, competence and professional judgement which other *members* or the public might reasonably expect of a *member*.

‘That’s a great deal to make one word mean,’ Alice said in a thoughtful tone.

‘When I make a word do a lot of work like that,’ said Humpty Dumpty, ‘I always pay it extra.’

Through the Looking Glass by Lewis Carroll

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Focus for this session

- GNPP and GN12
- GN18/20/33 discussed at the Lloyd's Workshop
- GNPP - Alex Marcuson
- GN12 – Nigel Carpenter

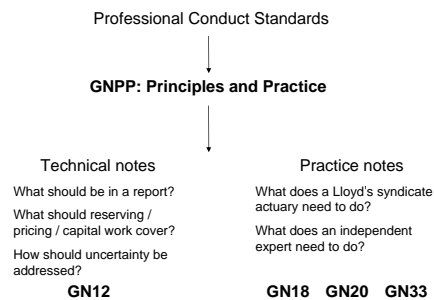
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GNPP – Principles and Practice

- Context for other GI guidance notes
- Matters covered
- “Always-on”
- Codifying things that speak for themselves

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GNPP - Context



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GNPP – Matters covered

- If it walks like it and talks like it...
- Do not mislead other members
- Details
 - Data and information
 - Clear scope and purpose, tailor work to them
 - Tailor work to audience
 - Overall choice of methodology and assumptions
 - Point estimates
 - Communication of uncertainty
 - Documentation
 - Peer review
 - Reliance on others

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GNPP – “Always-on”

- From *formal report* to *chat in the lift*
- Not just general insurance operations:
relevance to “actuarial modelling of risk beyond
traditional insurance applications”
- Intention to cover *most* professional behaviour
most of the time

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GNPP – Things that speak for themselves

- Stating the obvious?
- Common sense?
- Keeping ourselves honest?
- Framework to understand guidance?
- Introduction of new hurdles?



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GN12 (1)

- Audit trail from old to new
- Applies to any formal report, not just reserving
- Classification – Practice Standard
- Application – Formal Reports
- Introduction – Definition of “Formal Report”
- Need to define terms
- Purpose and Scope

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GN12 (2)

- Information and Data
- Analysis of Emerging Experience
- Documentation – need to be self-contained
- Results – should normally show best estimates
- Uncertainty – should normally report uncertainty
- Analysis of Emerging Experience

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Due Process

- Exposure for two months
- Meeting at Staple Inn
- Sign-off by GIB, SC, FIMC
- Target implementation for 1st February 2006
- Current GN applies to work in progress

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