

Statutory Reserve Reports and Opinions

Shortly before the 1995 GISG Convention the General Insurance Board formed a steering group, under the chairmanship of Fred Duncan, to prepare material that would be relevant in circumstances in which there was a statutory requirement for actuarial reports and opinions on technical reserves for general insurance. The intention was to form working parties, each of which would deal with defined aspects of the assignment and report periodically to the steering group. The working parties would be composed of volunteers drawn from the participants in the 1995 convention.

Besides Fred Duncan, the members of the steering group were Mark Trayhorn, Colin Czapiewski, Stewart Coutts, Nigel Hooker and Peter Johnson. The working parties were as follows:

Leader

Scope and general	Mark Trayhorn
Data	Colin Czapiewski
Technical	Stewart Coutts
Outward reinsurance	Nigel Hooker

In January 1996 Fred Duncan resigned from the steering group owing to pressure of work and his place as chairman was taken by John Ryan.

The steering group adopted the following terms of reference:

- (a) Draft a guidance note that could be issued to actuaries if some form of formal certification of reserves were to be introduced in the UK, presumably by legislation.
- (b) Suggest possible wordings for such certificates.
- (c) Consider other professional issues that might need to be tackled as a result of such legislation, eg:
 - (i) whether practising certificates should be required;
 - (ii) the qualifications and experience that should be required of those involved;
 - (iii) whether full documentation of reports should be required;
 - (iv) the extent of the need to discuss issues with directors and others.

It soon became evident that the scale of the project was such that it would not be feasible to prepare a comprehensive report for consideration at this year's convention. Sufficient progress has been made in the "outward reinsurance" and "technical" areas to present workshops on these topics at the convention.

In addition, a number of key issues have been identified. Those on which we would like to focus discussion at the convention are listed in the attached Appendix.

Some of the material under discussion may be regarded as suitable for inclusion in a text book rather than in a guidance note. We would welcome views on the principles that should be followed in this respect.

It is intended that the steering group and its working parties will continue with their work up to and beyond the convention. Plenary Session H will include a more detailed presentation of the points highlighted in the Appendix, with the aim of obtaining the views of participants on the nature and scope of the material that should be prepared as the next phase of our work. The views expressed in that discussion will be taken into account in preparing a formal report which should include a draft of a possible guidance note.

Appendix

Some key issues

1. *Disclosure and documentation*

- Terms of reference
- Wording of the opinion
- Disclosure of uncertainty
- Form of documentation

2. *Reliances and access to personnel*

- Who will rely on the actuary's opinion?
- What information will the actuary rely on?
- With whom should the actuary communicate?

3. *Caveats and scope of opinion*

- Where are caveats needed?
- What caveats could be required?

4. *Accounting issues*

- Prudence
- Cross-funding
- Varying practice

5. *Professional issues*

- Required experience
- Need for understanding
- Practising certificates