



The Actuarial Profession

making financial sense of the future

GIRO XXX 2003 Convention

Worldwide Actuaries... Separated by a common
set of standards and practices

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Title

GN 20

- Actuarial Reporting under the Lloyd's Valuation of Liabilities Rules

ASOP 36

- Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves

Applicability

GN 20

- Lloyd's syndicates writing general insurance
- GN 18 provides similar guidance for US International Insurers Department opinions

ASOP 36

- Only written statements that are needed to comply with law or regulation, or
- Represented by the actuary as a statement of opinion

Kinds of Opinion

GN 20

- Opinion
- Qualified opinion

ASOP 36

- Reasonable
- Deficient
- Redundant
- Qualified
- No opinion

Variability

GN 20

- Sample opinion contains variability section
- “... I have made what I believe to be a reasonable allowance for the risk of adverse development...”

ASOP 36

- No general requirement to discuss variability
- In practice most actuaries do

Uncertainty

GN 20

- Requires comment if there are features which significantly increase uncertainty beyond which a reader would reasonably expect

ASOP 36

- Requires disclosure of significant risk of material adverse deviation

Material Adverse Deviation

- Surplus close to action level
- High uncertainty coverages
- Reserve to surplus leverage
- Ceded reinsurance leverage
- Position of held reserves in range of reasonable estimates

Similarities

- Signed by an individual
- Must be qualified
- Must be backed by report
- No opinion if very bad data
- Commentary does not “qualify” opinion
- Disclosure of change in method

Title

■ GN 12

- General Insurance Business: Actuarial Reports

■ ASOP 9

- Documentation and Disclosure in Property and Casualty Insurance ratemaking, Loss Reserving and Valuations

Applicability

■ GN 12

- Formal reports
- Must state that report was prepared under GN 12, or that it was not

■ ASOP 9

- Any actuarial work product dealing with ratemaking, loss reserving or valuations
- Must state if document not prepared under ASOP 9

Criteria

■ GN 12

- The actuary should consider whether some words and expressions may be open to misinterpretation and should be defined

■ ASOP 9

- Form and content should be appropriate to needs of particular circumstance, taking account the knowledge and understanding of the users

Extent of Documentation

■ GN 12

- Allow another experienced actuary to form an opinion on the key judgements and together with the files be sufficient to allow any other suitably experienced actuary to reproduce the results without access to the actuary

■ ASOP 9

- Be sufficient to allow another actuary practicing in the same field to evaluate the work
- Appropriate records should be maintained

Changes from Prior Work

■ GN 12

- Include commentary on material difference in assumption or conclusions

■ ASOP 9

- Document material changes from last analysis, explain reasons and describe impact of changes

Misuse

■ ASOP 9

- If material is to be used to influence actions of a third party, actuary should take reasonable steps to ensure actuarial work is presented fairly, and actuary is identified as available to answer questions

Required Content

■ GN 12

- Statement of purpose and scope
- Make plain whom the actuary is advising
- Indicate intended recipients
- Point out that third parties may not have background information for full understanding
- Discuss uncertainty

Main Practical Difference Loss Reserves

■ GN 12

- Practice mixed as to including data triangles in report

■ ASOP 9

- Custom and practice tends to include data triangles in report

Financial Statement Data

■ UK Accounting Classes

- Accident and Health
- Motor
- Marine
- Transport
- Property
- Third Party Liability
- Miscellaneous and Pecuniary Loss
- Non-Proportional Treaty
- Proportional Treaty

(Plus company defined Risk Groups within each of the above)

■ US Lines of Business – Schedule P

- Homeowners/Farmowners
- PP Auto Liability
- Commercial Auto Liability
- Workers' Compensation
- Commercial Multiple Peril
- Medical Malpractice (occurrence/CM)
- Special Liability (OM, Aircraft, B&M)
- Products Liability (occurrence/CM)
- Other Liability (occurrence/CM)
- Special Property (fire, allied, IM, EQ, B&T)
- Auto Physical Damage
- Fidelity/Surety
- Other (including credit, A&H)
- International
- Nonproportional Property Reinsurance
- Nonproportional Liability Reinsurance
- Nonproportional Financial Reinsurance
- Financial Guaranty/Mortgage Guaranty

Example of clearly written American legislation

- “No-one shall carry any dangerous weapon upon the public highway except for the purpose of killing a noxious animal or a policeman in the execution of his duty.”