

The Actuarial Profession  
making financial sense of the future

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**GRIP**

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**GRIP**  
(General Insurance Premium Rating Issues Working Party)

Duncan Anderson (Chairman)	Karl Murphy
Clive Bolton	David O'Connor
Gary Callan	James Rakow
Martin Cross	Peter Stirling
Sheree Howard	Gabriel Welsh
Grant Mitchell	

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## Timing

- Initial meeting already held
- Draft terms of reference presented today
- Initial feedback from Profession via workshops today
- Terms of reference will then be finalised with work taking place over coming months
- Interim findings and further consultation with profession during first half of 2006
- Paper to be issued mid 2006

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## Proposed terms of reference

- Role of Pricing Actuary
- Methods
- Professional Guidance
- Education
- CPD
- Communication
- Stakeholders & Customers

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## Proposed terms of reference

- Scope to be UK direct insurance
  - personal lines
  - commercial lines
  - direct London Market business
- Areas within GRIP's work relating to a wider or narrower selection of classes will be identified as such

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## Consultation

- The Profession
- "Stakeholders" (users of our advice)
- FSA
- Other actuarial bodies, including
  - Society of Actuaries in Ireland
  - CAS
  - Australian Institute
  - Continental European actuaries
- Members of the statistical community
- Plus potentially overseas regulators, ABI, auditors, consumer groups, market analysts, brokers, reserving actuaries, companies without actuaries

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## Stakeholder Interviews

### - Key themes emerging

- Positive view of contribution of actuaries
  - "It's hard to imagine pricing now without actuarial input"
- Communication skills
  - 14/17 felt this was an issue
  - related to this are persuasion / management skills
- Need to improve understanding of the market & the product / risks
- Need to work more closely with other parts of the business

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## Proposed terms of reference

### Role of pricing actuary

- Review the areas in the overall premium rating process in which UK actuaries are currently involved
- Identify any areas where actuaries might be able to improve their contribution and/or add further value.
- Consider whether there are areas in other parts of the profession where the skills of GI pricing actuaries could add value, eg
  - mortality modelling with generalised linear models
  - non-insurance industries such as the banking / retail sectors

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Proposed terms of reference

**Methods**

- Summarise current methods used
- Identify emerging techniques and areas where methods could potentially be improved
  - underwriting cycle
- Suggest potential areas for further research

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Proposed terms of reference

**Professional guidance**

- Consider whether existing professional guidance should be modified / clarified to make its application to premium rating clearer
- Consider whether there is a need for more detailed best practice guidance for pricing work

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Proposed terms of reference

**Education / CPD**

- Consider whether the content of the exam syllabus is adequate to prepare actuaries to work in the pricing area
- Consider whether more should be done to provide CPD in this area, and if so what
  - covers both "tools" and "issues"

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Proposed terms of reference  
**Communication**

- Consider whether and how improvements could be made to the way GI pricing actuaries communicate
  - with those who use their advice
  - with others involved in pricing eg underwriters
  - within the profession
  - to the public

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Proposed terms of reference  
**Stakeholders**

- Linked to Role & Communication above
- Commercial pressures
  - consider whether there are any implications for professional guidance and/or communication
  - eg distinguishing more clearly between cost and price
  - underwriting cycle

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Proposed terms of reference  
**Customers**

- Rating factors
- Treating Customers Fairly
  - consider trends in the area of TCF
  - consider what the profession might need to do in preparation for issues arising in this area

*"TCF does not indicate that we intend to become an economic regulator. It is not our role to determine firms' pricing policies"*  
FSA Paper "Treating customers fairly - building on progress" July 2005

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## Next steps

- Feedback please!
  - Workshops today
  - [grip@actuaries.org.uk](mailto:grip@actuaries.org.uk)
  - Talk to any of us
- Duncan Anderson
  - Clive Bolton
  - Gary Callan
  - Martin Cross
  - Sheree Howard
  - Grant Mitchell
  - Karl Murphy
  - David O'Connor
  - James Rakow
  - Peter Stirling
  - Gabriel Welsh

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