Professional Guidance
An update from the GN Working Party
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Current Position

Four Guidance Notes:

<table>
<thead>
<tr>
<th>GN</th>
<th>Title</th>
<th>Last Amended</th>
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</thead>
<tbody>
<tr>
<td>12</td>
<td>Actuarial Reports</td>
<td>01.09.99</td>
</tr>
<tr>
<td>16</td>
<td>UK Companies Writing US Business</td>
<td>01.12.02</td>
</tr>
<tr>
<td>20</td>
<td>Lloyd's Reporting</td>
<td>01.12.04</td>
</tr>
<tr>
<td>33</td>
<td>Lloyd's Syndicates Writing US Business</td>
<td>01.01.03</td>
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Current Position

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

<table>
<thead>
<tr>
<th>Paper</th>
<th>Date</th>
<th>18</th>
<th>20</th>
<th>33</th>
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<tbody>
<tr>
<td>Unallocated loss adjustment expense provisions</td>
<td>09/99</td>
<td>✔</td>
<td>✔</td>
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<td>Reinsurance bad debt provisions</td>
<td>12/99</td>
<td>✔</td>
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<td>World Trade Centre (WTC) Working Party paper and covering note</td>
<td>12/02</td>
<td>✔</td>
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<tr>
<td>Data Reasonableness</td>
<td>11/02</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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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

Hierarchy

Professional Conduct Standards

GNPP: Principles and Practice

GN12  GN18  GN20  GN33

Advisory Notes/Technical Papers

Why Review?

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

Why GNPP?

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

“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
Focus for this session

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

GNPP – Principles and Practice

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

GNPP - Context

Professional Conduct Standards

GNPP: Principles and Practice

Technical notes
- What should be in a report?
- What should reserving / pricing / capital work cover?
- How should uncertainty be addressed?

Practice notes
- What does a Lloyd's syndicate actuary need to do?
- What does an independent expert need to do?

GN12  GN18  GN20  GN33
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

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

GNPP – Things that speak for themselves

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

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

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