Communicating with the Board

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Why are we all here?

Diversity
When do we think we want to communicate?

Traditionally:

- Hold regular meetings with the Board on key issues
  - Reserving
  - Pricing
  - Capital
When do we think we want to communicate?

Perhaps obviously?

• Flag new developments of interest to the Board
  – Risk measurement and management more generally
  – Changes in factors directly related to company performance
  – Department specific e.g. Office expansion (?)
  – Technology advances e.g. New software implementation
  – Regulation changes

• Explain their relevance.

But how easy is this in practice and do we have access?

If not, how do we get it?
What works and what may not work
Tables – example 1

<table>
<thead>
<tr>
<th>Class of business</th>
<th>Year</th>
<th>Number of written policies</th>
<th>Gross Written Premium</th>
<th>Earned Premium</th>
<th>Paid claims</th>
<th>Incurred claims</th>
<th>IBNR Reserves</th>
<th>Ultimate claims</th>
<th>Incurred But Not Reported Claims reserves</th>
<th>Ultimate loss ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Bodily Injury</td>
<td>2013</td>
<td>60,432</td>
<td>128,876</td>
<td>118,881</td>
<td>12,050</td>
<td>117,905</td>
<td>10,384</td>
<td>85,421</td>
<td>12,668</td>
<td>13,982</td>
</tr>
<tr>
<td>Home Catastrophe</td>
<td>2013</td>
<td>11,588</td>
<td>13,227</td>
<td>9,273</td>
<td>3,865</td>
<td>2071</td>
<td>987</td>
<td>4578</td>
<td>7,315</td>
<td>3,580</td>
</tr>
</tbody>
</table>

What works and what may not work
Tables – example 2

<table>
<thead>
<tr>
<th>Accident year</th>
<th>Earned premium</th>
<th>Incurred</th>
<th>IBNR</th>
<th>Reserves</th>
<th>Ultimate</th>
<th>Ultimate loss ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 and prior</td>
<td>52,412</td>
<td>45,875</td>
<td>2,757</td>
<td>8,643</td>
<td>48,632</td>
<td>93%</td>
</tr>
<tr>
<td>2009</td>
<td>6,437</td>
<td>5,453</td>
<td>1,370</td>
<td>2,654</td>
<td>6,823</td>
<td>106%</td>
</tr>
<tr>
<td>2010</td>
<td>8,745</td>
<td>7,442</td>
<td>443</td>
<td>1,076</td>
<td>7,885</td>
<td>90%</td>
</tr>
<tr>
<td>2011</td>
<td>7,647</td>
<td>5,368</td>
<td>1,607</td>
<td>2,865</td>
<td>6,975</td>
<td>91%</td>
</tr>
<tr>
<td>2012</td>
<td>9,845</td>
<td>7,548</td>
<td>1,497</td>
<td>3,654</td>
<td>9,045</td>
<td>92%</td>
</tr>
<tr>
<td>Total</td>
<td>85,086</td>
<td>71,686</td>
<td>7,674</td>
<td>16,892</td>
<td>79,360</td>
<td>93%</td>
</tr>
</tbody>
</table>
What works and what may not work
Graphs – example 1

![Graph 1]

What works and what may not work
Graphs – example 2

![Graph 2]
What works and what may not work
Using Slides

• This may be teaching you to suck eggs but…..

<table>
<thead>
<tr>
<th>Aim to:</th>
<th>Try to avoid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep things simple</td>
<td>Cramming large volumes of text</td>
</tr>
<tr>
<td>Take the Board through a short story</td>
<td>Too much detail at the beginning</td>
</tr>
<tr>
<td>Use consistent style throughout</td>
<td>Small number text</td>
</tr>
<tr>
<td>Use graphics to illustrate points</td>
<td>Reading the slides out</td>
</tr>
<tr>
<td>Use a conclusion slide</td>
<td></td>
</tr>
</tbody>
</table>

What works and what may not work

• Our Working Party’s five “Jules”:

  1. Why are you here?

  2. What do you want people to do following this presentation?

  3. Presentation should focus on where the money is

  4. Presentation should focus on what can kill you

  5. Proportionality
What works and what may not work
Some other obvious points

- Is the data relevant?
- Are column titles accurate?
- End results vs showing methodology
- Formatting considerations
  - Include a title
  - Use a key
  - Font size must be legible
  - Column and row width
  - Appropriate decimal places
  - Shading and borders
  - Check units

Presentations - Harold’s Handy Hints

Produce Board contributions bearing that in mind and also:
- Board packs are often very big.
- Keep your main written content short and focussed and put the rest in Appendices
- Board meetings can be very lengthy
- Make sure that when you speak it is focussed on what needs to be said.
Presentations - Harold’s Handy Hints

• Boards much prefer short focussed presentations

• If your Board has a 7 day cut off for Board papers you can assume they have been read and do not need to be gone through again, though make certain that main content is understood

• Consider how to get feedback on what you presented.

• Just because it looks simple to you doesn’t mean it’s simple to the Board

• Can you read this?

Presenting – Further Examples

• Explaining uncertainty:

1. Best estimate, booked reserves, best estimate range and distribution
Presenting – Further Examples

- Explaining uncertainty:

2. Booked Reserve as a proportion of the Best Estimate

3. Variation around the Best Estimate under different scenarios

Example: Suppose a CAT Event Occurs

Balance Sheet Considerations

Immediate Impact
- Claims
- Recovery

Future Impact
- Future recovery
- Rates

- How to articulate to the Board?
  - In a table?
    Key concern: needs to be attention-grabbing.
  - In a graph?
    Example on the next slide
Example: Suppose a CAT Event Occurs

Taken from Extreme Wind Storms Catalogue ([http://www.met.reading.ac.uk](http://www.met.reading.ac.uk))

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### Balance Sheet Considerations

**Change in composition of Assets in one year**

<table>
<thead>
<tr>
<th>Year Start</th>
<th>Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>120</td>
<td>100</td>
</tr>
<tr>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td>80</td>
<td>60</td>
</tr>
<tr>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

- **Fixed Maturity Securities** 10%
- **Common Equities** 20%
- **Preferred Stock** 20%
- **Short-Term Investments** 10%
- **Reinsurance Recoverable** 10%
- **Cash**

**Change in composition of Liabilities in one year**

<table>
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<tr>
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<td>40</td>
<td>20</td>
</tr>
<tr>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

- **Unearned premiums** 10%
- **Loss and los adjustment expense** 20%
- **Short term debt** 10%
- **Long term debt** 20%
- **Accounts payable** 10%
- **Accrued expenses** 10%
- **Other liabilities**
Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.