GIRO
ROC Update
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October 2007

Focus in the last year:

- Quantification and Reporting of Uncertainty for GI Reserving
- Working Parties
  - Uncertainty
  - Effectiveness of reserving methods
  - Changes in Terms and conditions
  - Reserving Cycle

Getting your views……..

- Paper on the Profession’s website
  - General Insurance/GI RoC/paper

- Working Party breakout sessions in Wales

- RoC morning in London – Tuesday 30 October
Uncertainty Working Party

- Inventory of methods
- For each short listed method
  - Practical operational issues
  - Summary of theoretical issues
  - Tested on real data
- How well do methods work with perfect data
- What is judgement
- Suggested definition of ‘best estimate’

Reserving Cycle Working Party

- Impact of Rate Monitoring
- Impact of Tail Length
- Management Pressures
- Dealing with the Issues

Effectiveness of Reserving Methods Working Party

- How to design the testing process
- Obtaining sufficient data
- Does pseudo data invalidate results?
- How to measure effectiveness
- Looking to the future – what happens next?
Terms and Conditions Working Party

- Identified T&Cs that have changed materially in recent past
- Concluded that the contribution of these to the reserving cycle was less than expected
  - Suggests other more significant failings in rate index
- Proposed approaches to monitoring and making allowances for T&Cs in reserving.

Quantifying and Reporting Reserving Uncertainty

- Status
  - Not formal Guidance
- Content
  - What we think GN12 means
  - How to communicate uncertainty
- Aims to help actuaries

Quantifying and Reporting Reserving Uncertainty

- What we think GN12 means:
  - In nearly all cases...provide...a Quantitative Illustration of uncertainty...that the actuary considers appropriate
  - Involves judgement, so there will be inconsistency
  - Uncertainty in Outcome
  - Lots of flexibility on what a Quantitative Illustration is.
  - Say what the Quantitative Illustration includes
Quantifying and Reporting Reserving Uncertainty

• Communicating Uncertainty
  - Describe events or trends that would need to happen
  - Percentiles vs Everyday English

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<table>
<thead>
<tr>
<th>Indicative percentile</th>
<th>75%</th>
<th>90% approx</th>
<th>95% approx</th>
<th>99% approx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wording ‘below’ percentile</td>
<td>Likely that the outcome will lie below this estimate</td>
<td>Very likely that the outcome will lie below this estimate</td>
<td>Extremely likely that the outcome will lie below this estimate</td>
<td></td>
</tr>
<tr>
<td>Wording ‘above’ percentile</td>
<td>Reasonable chance that the outcome could lie above this estimate</td>
<td>Possible but unlikely that the outcome will be above this estimate</td>
<td>Possible but very unlikely that the outcome will be above this estimate</td>
<td>There is a possibility, albeit remote, that the outcome will be above this estimate</td>
</tr>
</tbody>
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Quantifying and Reporting Reserving Uncertainty

- Suggested Consistent wording.
  - Does not preclude use of other additional words.

Quantifying and Reporting Reserving Uncertainty

• Two real(ish) examples.
  • Read the paper........
The Future

- Continue working parties
- Consult with profession for direction
- Consider further work around quantifying uncertainty