



Institute
and Faculty
of Actuaries

GIROC Survey Findings

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GIROC Survey 2013/14

- GRIT 2004 to 2006
 - Range of recommendations
- Aim of 2013 study:
 - what has changed since GRIT?
 - are there any barriers (if any) that may have prevented the development or uptake of new techniques

So who did we talk to?

Practitioners

- Personal lines Reserving Actuaries
- London Market Reserving Actuaries

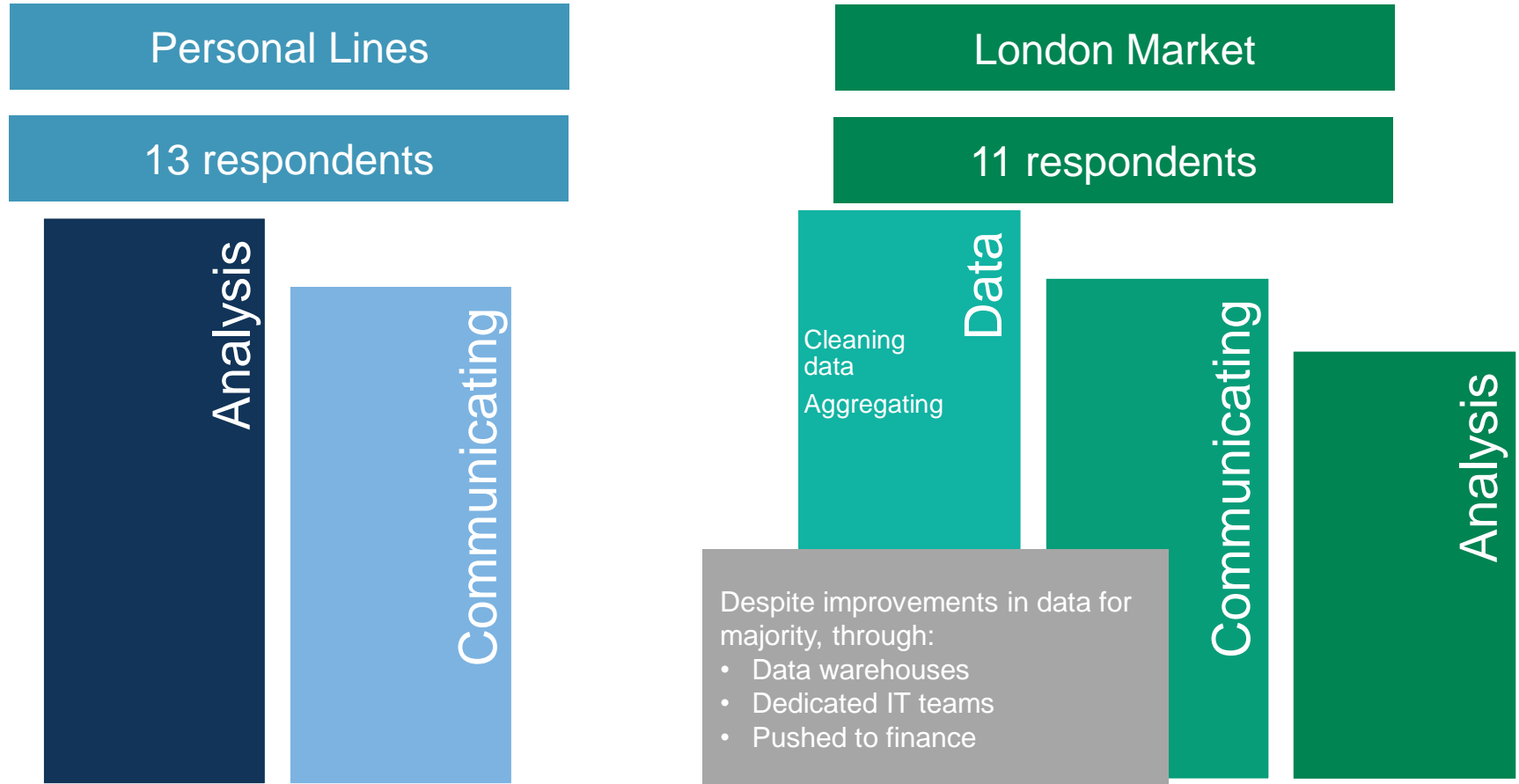
Stakeholders

- Ratings agencies
- Regulatory bodies
- Other Stakeholder Groups (CRO Forum, CFO forum etc.)
- Investment analysts
- Executive and non-executive directors/Senior management

GIROC Survey

- High level findings
 - How have we moved on since GRIT?
- Stakeholder views
- Topics for debate

Where is most of the actuarial effort spent?

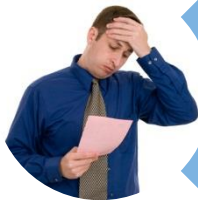


Where should the effort be spent?

Personal Lines



Analysis



Communicating

London Market

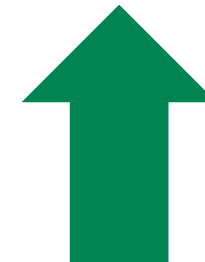


Less time on data

- Even those who have automated, still have improvements to make



More time on analysis



Communication

- ☹ too many splits
- ☹ diverse business demands
- ☹ parent requirements

☺ some glad of more time for this

Key constraints

Personal Lines

Time

Resources

Granularity

London Market

Time

Data

SII

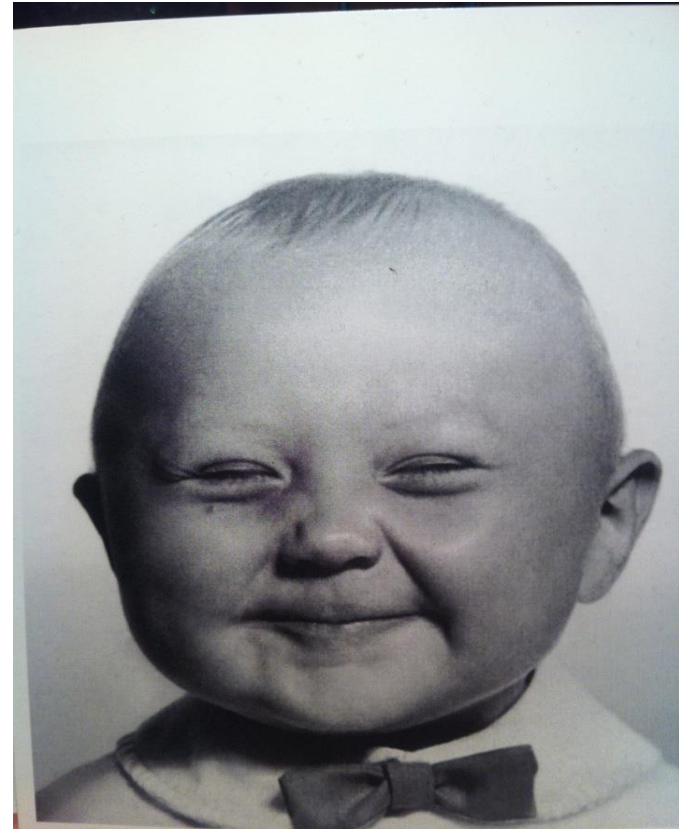
Resources

Nothing

Understanding the business better

Personal lines

- Virtually all said good or very good
- Issue driven
 - Demand from business
- The rise of diagnostics



Understanding the business better

London Market

Qualitative data

Prior loss ratios

– most involve interaction with business plan but in different ways

- from plan
- to feed into plan
- are knowingly different

Rate changes

-but are either

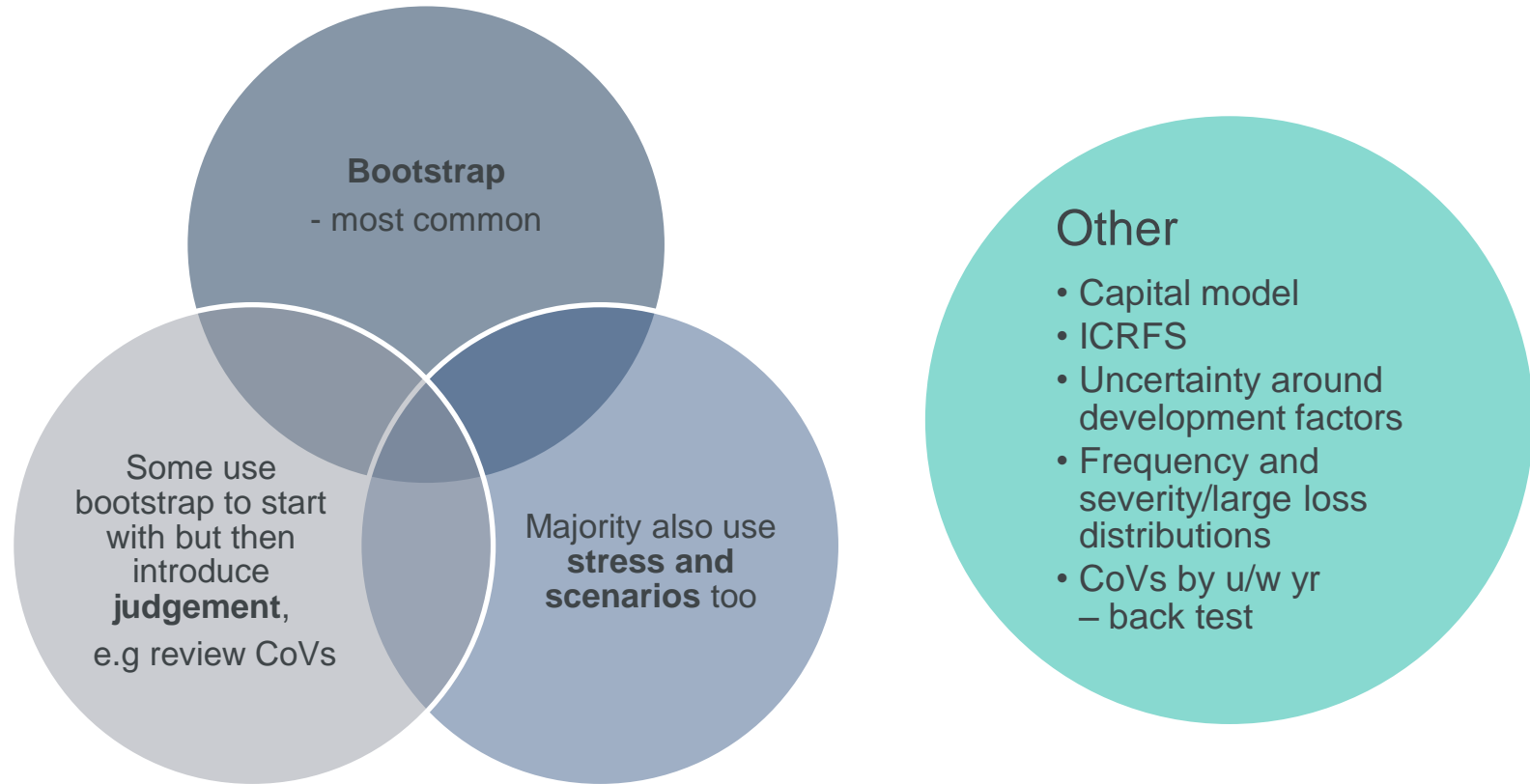
- not well filled in, or
- part of reliable model for monitoring adequacy

Discussions with underwriters

- Metrics
- SOX
- Embedded actuaries
 - pricing and reserving role

All doing but in different ways

Uncertainty

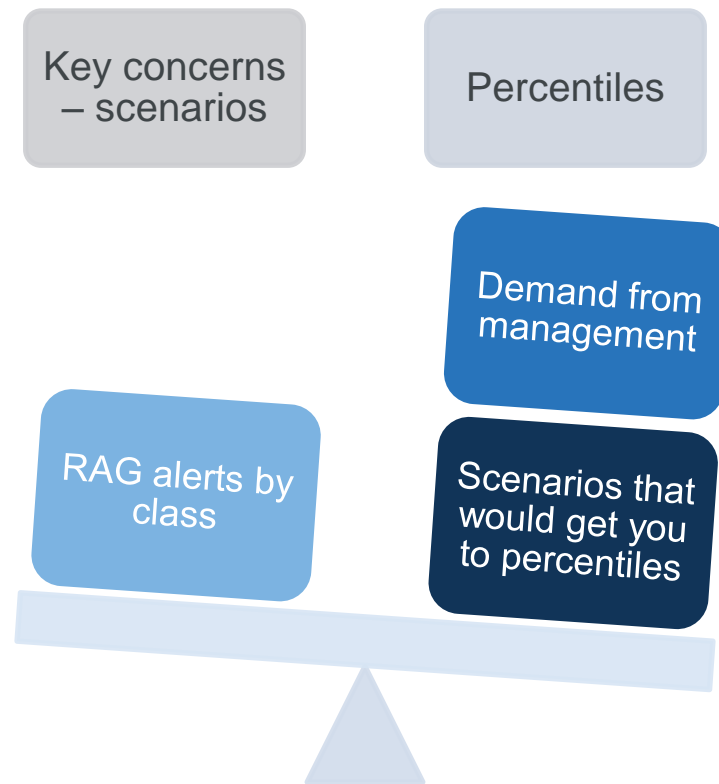


Sizeable minority actively do not bootstrap at all

25%

20%

Communicating uncertainty



Still more work to be done

Methodology

Chain Ladder and Bornhuetter Ferguson still king

- Average cost per claim
- Bespoke e.g. asbestos/PPOs/exposure based – needs driven



Personal lines

- Diagnostics
- Large claims modelling
- Granular reserving

Question of resources to try out - balance with how much value is it going to add

Want proven and pragmatic methods - no use sitting in a theoretical box

No desire for new methods

GIROC Survey

- High level findings
 - How have we moved on since GRIT?
- **Stakeholder views**
- Topics for debate

What we've asked to stakeholders

1. How do you use actuarial reserving estimates?
 2. What do you look for from actuaries/how do you see the reserving role?
 3. How well are actuaries delivering this?
 4. Do you have any examples of good and/or bad practice you have encountered (specify how recent this is).
 5. Have you seen any changes in reserve reporting in the last seven years or so?
 6. Would you like to see more investment in reserve research?
-

How do you use actuarial reserving estimates?

- Direct users find them useful to manage the business
 - Pricing
 - Capital management
 - Strategy

 - Indirect users find them useful for:
 - Statutory accounts
 - Portfolio management
 - Profitability/sustainability study
-

Actuaries role and delivery (1)

For all participants, actuaries are...

- Core to the business...

...but not the only ones

- Independent & transparent
- High quality/standards technical experts
- Whistleblowers

But...

Actuaries role and delivery (2)

For nearly all participants, development could be achieved in

- Being challenging and challengeable
- Communicating uncertainty
- Being forward looking (e.g. BMA skills)

Divergence of participants' views on...

... how structurally independent actuaries should be!

Improvements in in the last 7 years?

Yes!!

... Better data drives better estimate

... Better modelling in some sectors

... Better communication but still to perfect

... Better training

But spending time on research is not consensual!

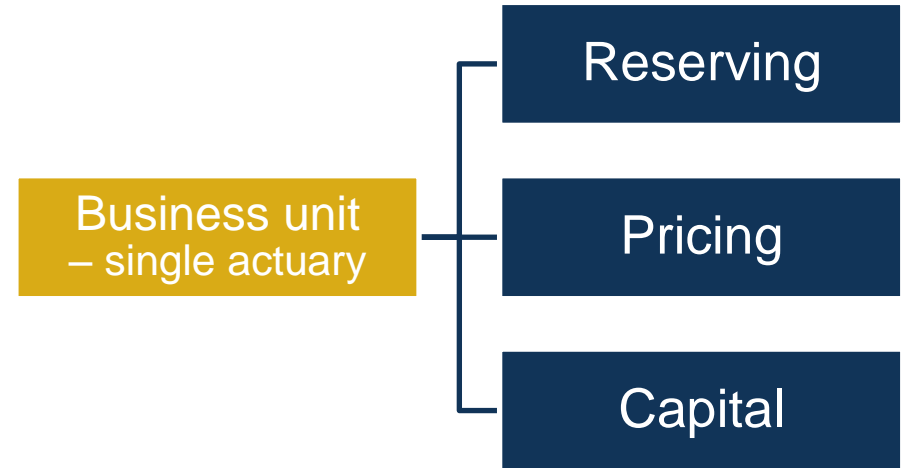
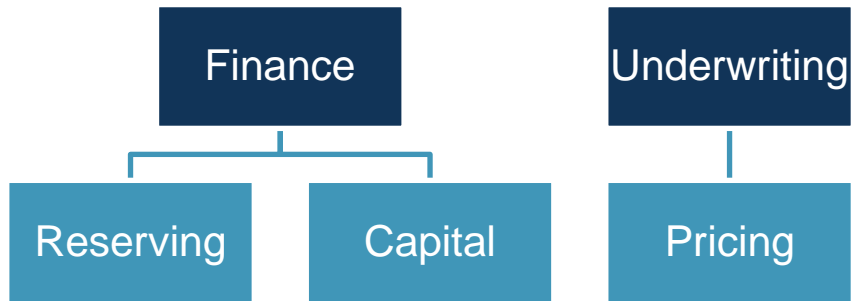
Summary

- Some questions remain, as participants' view diverge:
 - How practically independent?
 - Do we need to spend more time on research?
 - But being forward looking and improving communication could be the next step according to nearly all participants!
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GIROC Survey

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Actuarial structure



- Understanding the data
- Ensures best estimate
- Independence?
- Feed into business

Should reserving actuaries be more forward looking?

see things
early

feed
business
planning

Low
engagement in
strategy

Motor market experience

Booking reserves



- Investment markets
- Impact of Lloyds' benchmarks
- SII – measure of risk margin?

So where are we now?

Developments in data
(and communication)

GRIT recommendations have had
an influence

London market practice varies
considerably

Little appetite for new methods

And where are we going?

London Market:
Data

Personal Lines:
Individual claims
reserving

Uncertainty

Forward
looking role?

Reporting



Questions



Comments

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.