Ten questions you should be prepared to answer from your NEDs

Role of NEDs in insurance companies

- Dear CEO letter of Nov 14 set out PRA’s specific requirements of Boards in relation to reserving
- General duties of NEDs include both support and oversight of executive management
- PRA expects to see evidence of effective challenge
- Can’t delegate reserving oversight to specialist NED
- NEDs can call on professional advice if needed
- MI content and frequency should be actively managed by NEDs
- PRA expects NEDs to be given adequate support

18 June 2015
10 questions

1. How have estimated ultimates changed over the last few quarters/years?
2. How much did the initial draft estimates change before they were finalised?
3. What peer review process was used to sign-off reserves?
4. What component(s) of the reserves is subject to most chance of being wrong and why?
5. What is the chance of actual claims being more than x% higher than booked reserves?
6. What benchmarking has been done on the areas of key judgement?
7. What level of confidence has been sought in setting the booked reserves?
8. What exposure do we have to areas of focus for regulator?
9. What monitoring is in place to ensure that reserve development remains 'on track'?
10. Have there been any changes to the data used for reserving?