GIRO XXX
2003 Convention

Worldwide Actuaries… Separated by a common set of standards and practices
David Powell and Douglas Collins
14-17 October 2003
City Hall, Cardiff
Title

GN 20
• Actuarial Reporting under the Lloyd’s Valuation of Liabilities Rules

ASOP 36
• Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves
### Applicability

<table>
<thead>
<tr>
<th>GN 20</th>
<th>ASOP 36</th>
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<tbody>
<tr>
<td>• Lloyd’s syndicates writing general insurance</td>
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<td>• GN 18 provides similar guidance for US International Insurers Department opinions</td>
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<tr>
<td>• Only written statements that are needed to comply with law or regulation, or</td>
<td></td>
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<tr>
<td>• Represented by the actuary as a statement of opinion</td>
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<tr>
<td>Kinds of Opinion</td>
<td>GN 20</td>
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<tr>
<td>----------------------------</td>
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<tr>
<td></td>
<td>Opinion</td>
</tr>
<tr>
<td></td>
<td>Qualified opinion</td>
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Variability

**GN 20**
- Sample opinion contains variability section
- “… I have made what I believe to be a reasonable allowance for the risk of adverse development…”

**ASOP 36**
- No general requirement to discuss variability
- In practice most actuaries do
## Uncertainty

<table>
<thead>
<tr>
<th>GN 20</th>
<th>ASOP 36</th>
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<tbody>
<tr>
<td>• Requires comment if there are features which significantly increase uncertainty beyond which a reader would reasonably expect</td>
<td>• Requires disclosure of significant risk of material adverse deviation</td>
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</table>
Material Adverse Deviation

- Surplus close to action level
- High uncertainty coverages
- Reserve to surplus leverage
- Ceded reinsurance leverage
- Position of held reserves in range of reasonable estimates
Similarities

- Signed by an individual
- Must be qualified
- Must be backed by report
- No opinion if very bad data
- Commentary does not “qualify” opinion
- Disclosure of change in method
Title

GN 12
- General Insurance Business: Actuarial Reports

ASOP 9
- Documentation and Disclosure in Property and Casualty Insurance ratemaking, Loss Reserving and Valuations
Applicability

**GN 12**
- Formal reports
- Must state that report was prepared under GN 12, or that it was not

**ASOP 9**
- Any actuarial work product dealing with ratemaking, loss reserving or valuations
- Must state if document not prepared under ASOP 9
Criteria

**GN 12**
- The actuary should consider whether some words and expressions may be open to misinterpretation and should be defined

**ASOP 9**
- Form and content should be appropriate to needs of particular circumstance, taking account the knowledge and understanding of the users
Extent of Documentation

GN 12

- Allow another experienced actuary to form an opinion on the key judgements and together with the files be sufficient to allow any other suitably experienced actuary to reproduce the results without access to the actuary

ASOP 9

- Be sufficient to allow another actuary practicing in the same field to evaluate the work
- Appropriate records should be maintained
Changes from Prior Work

**GN 12**
- Include commentary on material difference in assumption or conclusions

**ASOP 9**
- Document material changes from last analysis, explain reasons and describe impact of changes
Misuse

ASOP 9

If material is to be used to influence actions of a third party, actuary should take reasonable steps to ensure actuarial work is presented fairly, and actuary is identified as available to answer questions
Required Content

GN 12

- Statement of purpose and scope
- Make plain whom the actuary is advising
- Indicate intended recipients
- Point out that third parties may not have background information for full understanding
- Discuss uncertainty
Main Practical Difference Loss Reserves

GN 12
- Practice mixed as to including data triangles in report

ASOP 9
- Custom and practice tends to include data triangles in report
Financial Statement Data

■ UK Accounting Classes
  ■ Accident and Health
  ■ Motor
  ■ Marine
  ■ Transport
  ■ Property
  ■ Third Party Liability
  ■ Miscellaneous and Pecuniary Loss
  ■ Non-Proportional Treaty
  ■ Proportional Treaty

(Plus company defined Risk Groups within each of the above)

■ US Lines of Business – Schedule P
  ■ Homeowners/Farmowners
  ■ PP Auto Liability
  ■ Commercial Auto Liability
  ■ Workers’ Compensation
  ■ Commercial Multiple Peril
  ■ Medical Malpractice (occurrence/CM)
  ■ Special Liability (OM, Aircraft, B&M)
  ■ Products Liability (occurrence/CM)
  ■ Other Liability (occurrence/CM)
  ■ Special Property (fire, allied, IM, EQ, B&T)
  ■ Auto Physical Damage
  ■ Fidelity/Surety
  ■ Other (including credit, A&H)
  ■ International
  ■ Nonproportional Property Reinsurance
  ■ Nonproportional Liability Reinsurance
  ■ Nonproportional Financial Reinsurance
  ■ Financial Guaranty/Mortgage Guaranty
Example of clearly written American legislation

“No-one shall carry any dangerous weapon upon the public highway except for the purpose of killing a noxious animal or a policeman in the execution of his duty.”