



Institute
and Faculty
of Actuaries

Herd Like Behaviour Working Party

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Our working definition

"Herd-Like Behaviour (HLB) is the tendency for one's own judgement to be influenced by the apparent consensus view of assumptions, methods, processes or approaches leading to a reduction in the variety of ideas in the market."

IFoA Herd Like Behaviour Working Party, 2015

Case Studies

- Presented example:
 - Reserving methodology
- Your group case study options:
 - Operational risk
 - Peer review
 - PPO propensity assumption
 - Pricing model / Underwriting risk

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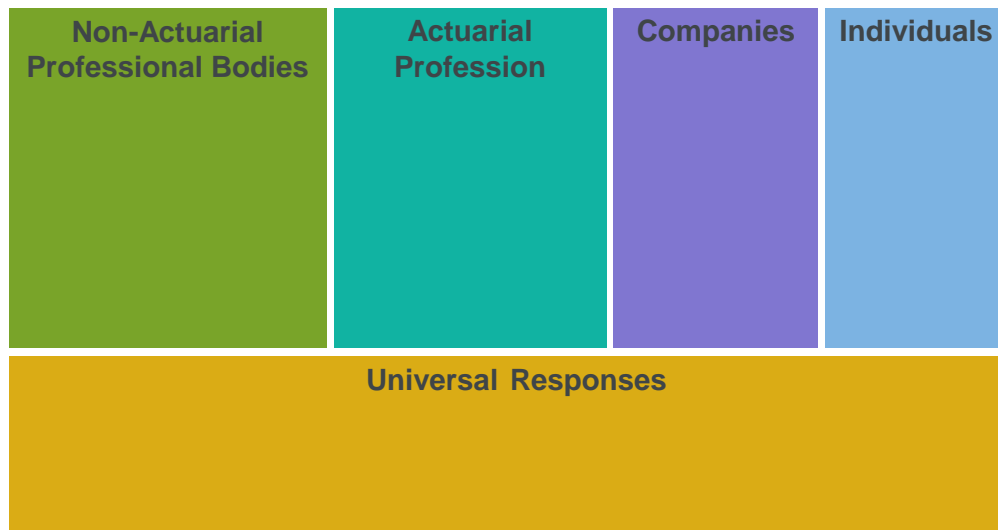
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Encouraging good and discouraging bad Herd Like Behaviour



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Encouraging good and discouraging bad Herd Like Behaviour

Non-Actuarial Professional Bodies	Actuarial Profession	Companies	Individuals
<ul style="list-style-type: none"> • Require justification of assumptions and methods even when in the herd • Require justification of benchmark use • Comment on the spread of key assumptions / methods / models / software • Enhance TAS's to address herding • Monitor compliance with mitigants • Key risk registers and forums • Research sponsorship 	<ul style="list-style-type: none"> • Raise awareness • Publicise non-actuarial events • Principle based exams • Cover herding in exams, CPD and professional skills • Principles based regulation • IFoA review working party outputs 	<ul style="list-style-type: none"> • Engage with outside experts • Redefine hierarchies • Make key risks specific and report on their impact 	<ul style="list-style-type: none"> • Self-awareness • Document extend of your herding • Working party
<h3 style="text-align: center;">Universal Responses</h3> <ul style="list-style-type: none"> • Effective resourcing • Realistic timescales • Accept limits – we can't have all the answers • Knowledge sharing • Diverse recruitment and teams • Herding champions • Ensure all views are heard • Structured brainstorming • Documented evidence • Informed use of benchmarks • Peer review • Communication 			

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Thank you!

The content here is our own and does not represent our employers' view or opinions.

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