**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

Influencers

- External
- Cultural
- Situational
- Psychological
Influencers

**External**
- Regulators
- Auditors
- Consultants
- Software providers
- Investment Analysts
- Profession

**Cultural**
- Company structure
- Ability to challenge
- Remuneration
- How busy the teams are
- Investment in skilled team
- Size of teams / turnover in team
- Governance structure

**Situational**
- Greater complexity / opaqueness / riskiness of decision
- Lack of data
- Greater forecast horizon
- Greater market volatility / crisis

**Psychological**
- We like consistency
- We like to be safe
- Short termism
- Looking up to senior colleagues
- Some people are more likely to act in this way

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Encouraging good and discouraging bad Herd Like Behaviour

**Non-Actuarial Professional Bodies**
- 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

**Actuarial Profession**
- Raise awareness
- Publicise non-actuarial events
- Widen actuarial backgrounds
- Cover herding in exams, CPD and professional skills
- Principles based regulation
- Creative interventions
- IFoA review working party outputs

**Companies**
- Engage with outside experts
- Redefine hierarchies
- Make key risks specific and report on their impact

**Individuals**
- Self-awareness
- Document extend of your herding
- Working party

**Universal Responses**
- Ensure all views are heard
- Structured brainstorming
- Documented evidence
- Informed use of benchmarks
- Peer review
# Encouraging good and discouraging bad Herd Like Behaviour

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- Make key risks specific and report on their impact

## Individuals
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- Document extend of your herding
- Working party

## Universal Responses
- 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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**The content here is our own and does not represent our employers’ view or opinions.**