Hot Topics – Actuarial Function Reporting Roundtable Feedback

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Background and Agenda

• PRA, Lloyd’s, IFoA and FRC held 3 roundtables in June
• Over 100 attendees - AFHs and NEDs
• Issued a survey to participants
• Roundtable discussions
• Feedback: The Ugly, the Bad and the Good
• Interactive session – Slido

25 October 2018
Poll - number of pages

How to join your event

1. Open a browser on any laptop, tablet or smartphone
2. Go to slido.com
3. Enter the event code #GIRO2018AFR

How many pages long is your report (excluding appendices)?

- less than 50 pages
- 50 to 100 pages
- 100 to 200 pages
- War and Peace
The Challenge

Report of Record

- Some see as a purely regulatory report, that the timing of the report is too late for the Board to use to make decisions, that it generally doesn’t contain anything new and refers to items discussed by the Board previously.

- There were views expressed that this resulted in a document rather than a report and a record of previous decisions. Also, that a lumpy report that takes hours to complete isn’t necessarily adding value.

Living Report
5. How many pages long is your report (excluding appendices)?

6. How long do you think the report needs to be?
Who is it for – survey results

Who do you think the report is primarily for?

- The Board
- The Regulator
The Ugly

- Challenge of balancing regulator requirements and Board requirements was noted.
- To be useful the AFR should include information not only data
- It can feel as if the AFR is written for actuaries – need plain English
- Some concerns were raised on implications of not picking up something in AFR that subsequently goes wrong
- Felt like an exam and lots of time pressure.
- A lumpy report that takes hours to complete and isn’t necessarily adding value.
- AFH concern on the breadth of view expected from them
The Bad

- Several noted that there is often limited discussion of the papers at the Board.
- Too late to support decision making and largely includes matters the Board has already seen
- Insight versus evidence
- There is a challenge with other Board priorities
- The actuary isn’t getting a lot of feedback so that they can improve.
- Sometimes actuary feels that they are not able to challenge the underwriter/business.
The Good

- Independence of opinion of the actuary is valued, in relation to underwriting and reinsurance
- Flag the major issues and focus on the key elements and the need for the Board to understand the uncertainty around them
- Include more on the “why” and consider the balance between insight and evidence – want to see the insight but the evidence should be available
- The Board values the drawing together of the reserving, underwriting and reinsurance perspectives
- Focus on what is new and what is changed and be more strategic.
- Chairs can support the AFH by creating the expectation and ensuring there is proper debate and discussion
The Good

- Good Reporting Style including:
  - Executive summary
  - Focus on what’s new and what’s changed
  - Signpost to previous reports – avoid repetition
  - Specific talking points for the Board to discuss
  - An issue log for recording issues and progress to address them
  - Recommendations and follow up - could include what changes may be required in the actuarial process.
  - A period of applicability so that it’s clear what period is under review and can track improvements
  - Not necessarily a single report: one suggestion is that the best approach is to have more regular reports that fit in with the business cycle.


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The Opportunity – Report of Record to Living Report

- Look ahead be strategic
- Engage the Board: Prepare for success
- Use evidence to extract insight – rather than just present the evidence