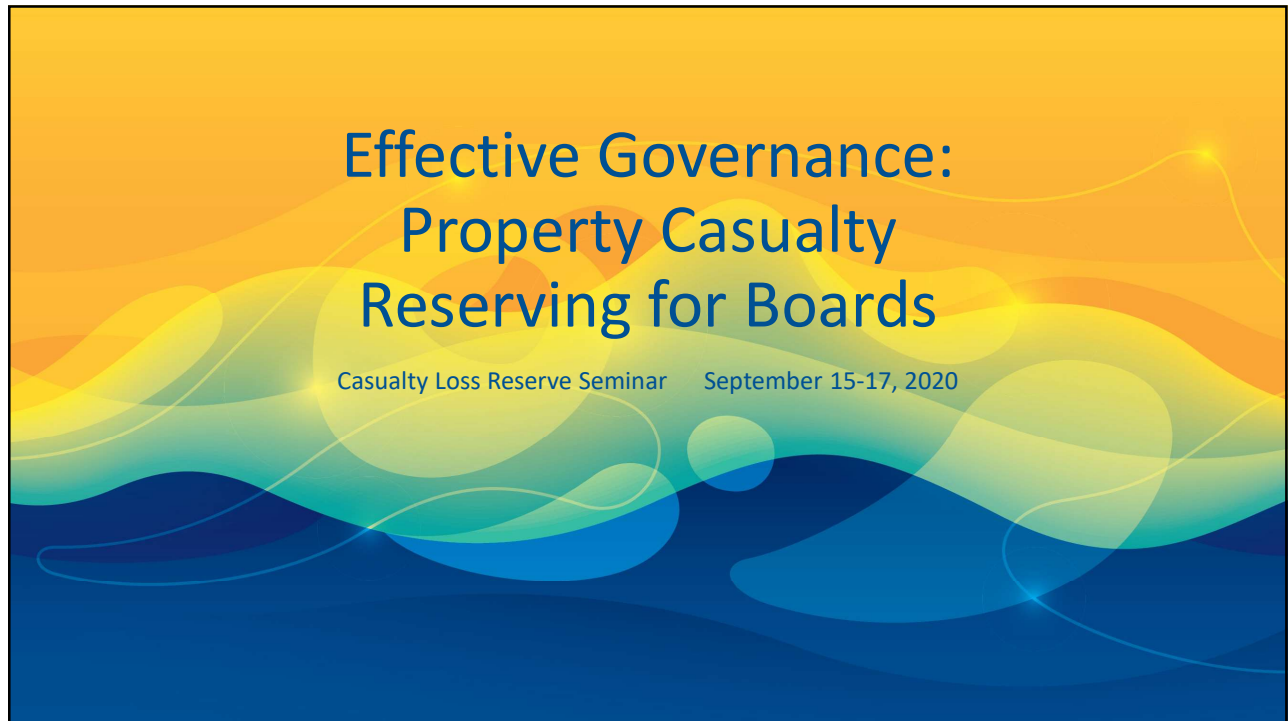




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Speakers/Moderator

- Kevin Donnelly, FCAS, FSA, MAAA
 - United Healthcare
 - Moderator
- Steve Wilson, FIA
 - Independent Advisor
- Brian Z. Brown, FCAS, MAAA
 - Milliman, Inc.
- Patricia A. Teufel, FCAS, MAAA
 - University of Connecticut

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This session is very interactive, we want your participation

How can Boards

- Increase their knowledge of the reserving process?
- Know what questions to ask when evaluating the reserving process?
- Establish an oversight process that ensures reserving issues are identified and discussed

How can Actuaries

- Help Boards understand reserving issues
 - Uncertainty
 - Data limitations
 - Why management or another actuary may not agree with their work

4

4

Historical perspective

- Reserves established in the late 1990's and early 2000's for many Commercial Lines for many carriers were very inadequate
- S&P Issued a report in 2003 - Insurance Actuaries -A Crisis of Credibility
- Various Regulations have been established since the early 2000's to prevent a repeat of large reserve inadequacies
 - Sarbanes-Oxley
 - The Actuarial Opinion summary and regulatory guidance
 - Others
- The human element and other factors can't be addressed by regulators alone – Board members need to be aware of these issues
 - Data limitations
 - Management pressure
 - Etc.

5

5

Current status

- While rates for some lines have begun to increase recently, rates for the last several years have been flat to down for many lines of business.
- Commercial Auto and D&O coverages have experienced poor results
- Carriers are still dealing with legacy issues (Asbestos, Pollution, Excess WC, etc.)
- AM Best said carriers are preparing for a marked increase in liability claims stemming from child sex abuse following statutory changes in 17 states
- COVID-19 losses will affect companies differently (Directors & Officers, event cancellation, trade credit, business interruption (especially in the UK), surety, etc.
- How can Boards prevent/mitigate the likelihood of reserve shortfalls?
- HOW CAN ACTUARIES HELP BOARDS?

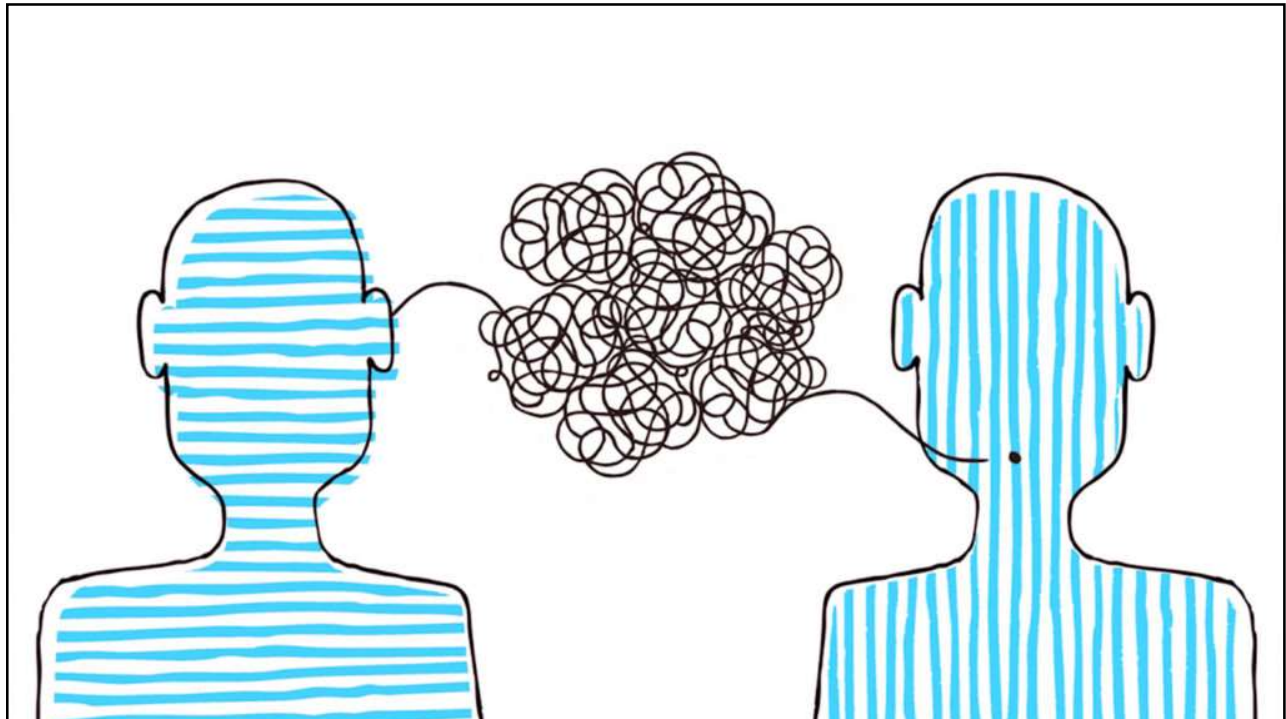
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Is the Industry Better Prepared?

- Can the regulations and advancements in analytics prevent another round of reserve shortfalls?
- How can Boards address the human element in loss reserve setting
 - Some management teams want to show a profit every quarter
 - Reserves are uncertain and it is difficult for the actuary to 'prove' that he or she is correct in discussions with management;
 - Are actuaries appropriately trained in dealing with conflict?
 - Unconscious bias - "Things can't be that bad"
 - A small lie won't do any harm?
 - Bad data or relying on management's statements that later turn out to be inaccurate.

7



8

How can actuaries improve communication?

- Know your audience
 - Insurance is complicated, so there will always be challenges explaining how it works
 - A group of Wharton professors labeled insurance “The most misunderstood industry”
- Practice your presentation with colleagues that are not familiar with your work
- Board members are intelligent but don’t have your technical training
- If the Board doesn’t understand, it is your fault for not explaining it clearly
- Experts often spend all day talking to other experts who share the same background knowledge
- Don’t use acronyms and jargon

9

9

Open communication channels help

- If you can meet with the Chair of the Audit Committee or other Board members outside of a Board meeting, you can get input on:
 - What items the Board may not fully understand or would like to discuss in greater detail
 - Ideas to make your point clearer
 - Better understanding the background and concern of other Board members
 - If you want to present a new idea, you can present and see if they understand

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10

What is your current role?

- A. Appointed Actuary
- B. Assist-support to the appointed actuary
- C. Board member
- D. Another actuarial function
- E. Other

11

What best characterizes your Board “principal”?

- A. Insurance Company Board – Independent
- B. Insurance Company Board – Management Only
- C. Board of Self-Insured Entity
- D. Combination of these
- E. Other

12

Why are you attending this session?

- A. Directly relevant to my current responsibilities
- B. Interesting topic – could be relevant to my work in the future
- C. Need CE credit
- D. Other

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In your role as Appointed Actuary, how often do you meet with the Board?

- A. Annually
- B. Quarterly
- C. More frequently than once a quarter
- D. Less frequently than annually
- E. Other

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Do you meet with the Chair of the Audit Committee or other Board members outside of regular Board meetings?

- A. Yes
- B. No

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What “soft skills” topics are included in your staff training? (More than one may apply)

- A. Presentation Skills
- B. Written communication skills
- C. Negotiation skills
- D. Unconscious bias
- E. Conflict Resolution
- F. Other

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What techniques do you use to train your employees on soft-skills topics? (More than one may apply)

- A. Formal training sessions – in house
- B. Formal training sessions – external
- C. “On the job” skills development
- D. Role Play
- E. Mentoring
- F. Other

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Do you practice presentations prior to presenting them to the Board?

- A. Yes
- B. No

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If yes, who do you practice with?

- A. On my own
- B. Peers
- C. Colleagues that don't have an actuarial background

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What are your objectives for Board presentations?

- A. I want the Board to understand every point of my presentation
- B. I want the Board to be confident in my expertise; I want to sound great and impress them
- C. I want the Board to take away 3 – 5 key points
- D. Other

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At what point in your career did you begin to feel comfortable in public speaking roles?

- A. I am STILL not comfortable with public speaking
- B. Comes pretty naturally to me; what's the problem?
- C. It was hard work and required a number of years (decades) of practice, but I am now comfortable as a public speaker
- D. Depends on the audience

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21

Have you ever felt uncomfortable with the level of challenge from a board or individual board member?

- A. Never
- B. On a few occasions, but rigorous challenge generally leads to better outcomes
- C. Yes, sometimes I consider the challenge to be too intense
- D. Often, and it causes me a lot of stress
- E. Very often, and it impacts my mental well-being

22

22

Have you ever felt uncomfortable with the level of challenge from your company's/client's senior management?

- A. Never
- B. On a few occasions, but rigorous challenge generally leads to better outcomes
- C. Yes, sometimes I consider the challenge to be too intense
- D. Often, and it causes me a lot of stress
- E. Very often, and it impacts my mental well-being

23

23

Have you ever felt bias or prejudice when making presentations to senior management or a Board?

- A. No
- B. Yes, there has been gender bias
- C. Yes, there has been racial bias
- D. Yes, the Board has a result that it wants and is reluctant to hear anything contrary to that perspective

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How do you deal with unconscious bias on YOUR part?

- A. My role as an actuary is to provide unbiased estimates; there is no bias in my observations
- B. Peer review really helps. I get a different perspective and can consider alternative views in deriving my estimates.
- C. I clearly outline my assumptions so that they are well understood
- D. I take explicit steps to ensure that I am mitigating unconscious bias

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What techniques do you use to convey reserve uncertainty to your Board?

- A. Scenario testing -- how (modest) changes in assumptions might affect the estimates
- B. Explicit consideration of reserve ranges – and what the reserve range means
- C. Confidence level analysis
- D. Other

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Has the explicit public discussion of COVID uncertainty changed the way you talk about reserve uncertainty?

- A. No. Should it?
- B. The general public has become more comfortable with discussions of uncertainty and that has allowed me to better frame the discussion on reserve uncertainty.
- C. I feel more comfortable discussing the underlying assumptions and their impact on the estimates – the Board seems to “get it”
- D. Other

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How often are you currently working from home?

- A. 10%
- B. 10-25%
- C. 25-50%
- D. 50-75%
- E. 75-100%
- F. Close to 100% (i.e. occasional visit to office)

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What platform do you use most frequently for video conferencing?

- A. Zoom
- B. Webex
- C. Microsoft Teams
- D. Google Meet
- E. Other

29

Which of the following statements applies with respect to your working from home (WFH)? (Multiple answers are possible)

- A. I prefer to spend more time in the office because I miss the social interaction when WFH
- B. I like WFH because I am more efficient and can spend more time on non-work activities, for example family, fitness, being in nature or at my local coffee shop
- C. I like WFH but look forward to schools opening.
- D. I have developed alternative techniques for social interaction away from the office

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In a post-COVID world, how often do you expect to be working from home?

- A. 10%
- B. 10-25%
- C. 25-50%
- D. 50-75%
- E. 75-100%
- F. Close to 100% (i.e. occasional visit to office)

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What industry is likely to experience the most significant lasting change to its business model post-COVID?

- A. Transportation
- B. Real Estate
- C. Education
- D. Medical
- E. Other

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Thank you

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