

# Making your (Statement of Actuarial Opinion) count

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# Making the most of this session!

- Effectively leverage the task of completing the Statement of Actuarial Opinion
  - Gather input
  - Provide mandatory output
  - Reveal results, analysis and insights
- COPLFR's Practice Note as your guide
- Consultants and company actuaries can benefit



# Poll question

- In general, the information I gather from others for my Statement of Actuarial Opinion is:
  - In writing
  - Based on formal meetings
  - Based on informal conversations
  - Don't gather additional information



# Input from internal partners

- IT – data team
  - Raw data
  - Reconciliations



- Reinsurance
  - Any changes?
    - Manual or mechanized
    - Collections and expectations



- Accounting





# Input from claims

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- Operations
  - Any changes?
  - Following procedures
  - Up to date
- External observations
  - Macro
  - State specific
  - Industry metrics
- Documentation from meetings



# Input from pricing/UW/product management

- Operations

- Any changes?
- New products, sales agents, new venues?
- Nonrenewal activity
- Expectations/indications

- State specific/coverage specific

- Macroeconomics
- State-specific issues
- Industry metrics

- Documentation from meetings







# Input from external sources

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- CLRS
  - Webinars/conferences
  - Industry press – daily briefings
  - Other media



# Key input communications – consulting perspective

- Data testing letter
  - Make sure this covers all data elements you relied on for your analysis
- Letter of representation
  - Frequently covers key topics associated with data, claims, underwriting/product management



# Key input communications – consulting perspective

- Company Actuary – where applicable
  - Key source of information
  - Discussions around all key areas of input into the opinion
    - Items covered in rep letter
    - Pricing/rate changes
    - New lines of business
    - Concerns around particular risks
    - Reinsurance



# How to make the most of it – consulting perspective

- Get directly involved in key discussion
  - Sit in with the Company Actuary on key discussions with claims, reinsurance, underwriting once a year when you can
- Check in with the company actuary frequently
  - Make sure this is more than a once-a-year exercise during opinion season.
  - Regular discussions ensure that items that happen throughout the year are not missed and can be appropriately considered



# Working with your auditor

- Company Actuary and auditor
  - Clearly define data
    - Share any difference from historical
  - Share major claims operational changes
  - Share major product changes



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# Poll question

- Who do you communicate your results to within the company?
  - Company Actuary
  - CFO
  - CEO
  - Board of directors
  - Audit committee
  - Other



# Sharing the output with ...

## Senior management

- “Deeper dive” than board presentation
- What should keep them up at night?
  - Risks
  - Trends — picture worth a thousand words (numbers!)
- Opportunity for collaboration



# Sharing the output with ...

## Claims

- Why do we ask/care about operational changes?
  - Show impact of late claims
  - Show impact of settlement changes
  
- Impact of trend on reserves





# Sharing the output with ...

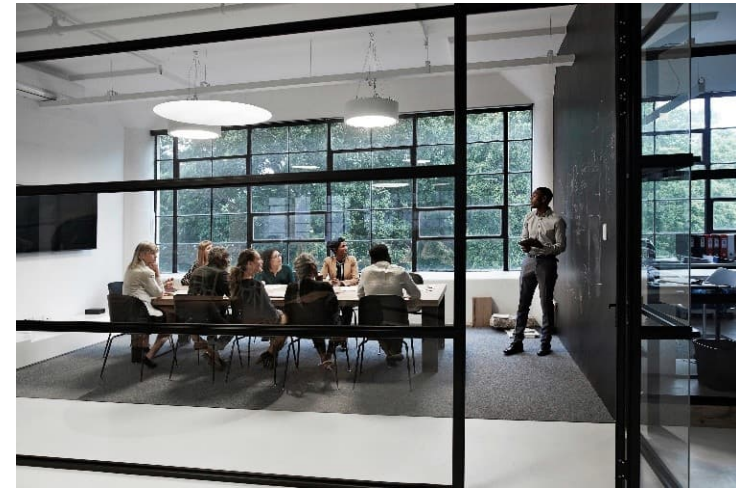
## Pricing/underwriting/product management

- Share large losses
  - Aberration or opportunity for improvement
- Share movement of past AYs
  - Impact on trends
- Comparison of assumptions



# Key result communications – consulting perspective

- **Company Actuary**
  - Sometimes, but preferably not, the only source of communication within the company
- **Management**
  - Who are you talking to? The CFO? The CEO? Both? More?
- **Board of directors (or committee of the board)**
  - Key stakeholder
    - Remember the board of directors appoints the actuary to sign the opinion!
- **Regulator**
  - The intended audience for the opinion and related documents
    - There are other users of actuarial opinions, but this is whom you are writing for!
- **Others?**



# How to make the most of it – consulting perspective

- More is better!
  - Communicate with as many of the above groups as you reasonably can
  - Aim to present to the board or its delegated committee directly rather than through company management
- Understand the company's goals
  - Knowing where the company is going, not just where it's been, allows you to put your opinion in context
- Give back!
  - If you're able to communicate directly with claims, underwriting, etc., provide them an update the next time you speak with them. They'll appreciate knowing what comes from the data they share



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