



Institute
and Faculty
of Actuaries

Hot Topics – Actuarial Function Reporting Roundtable Feedback

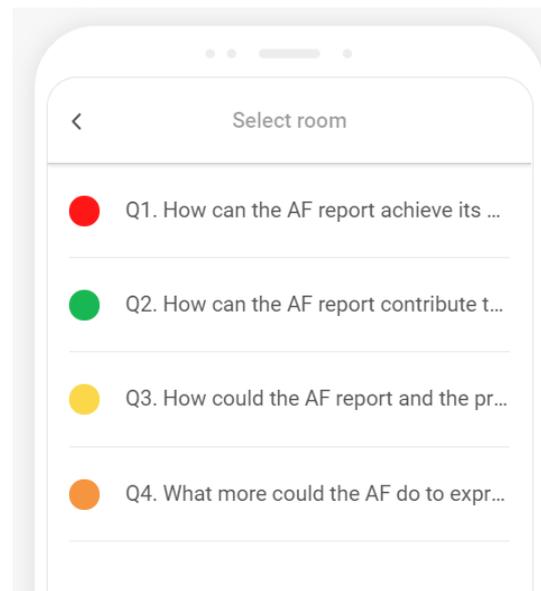
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Background and Agenda

- 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

How to join your event

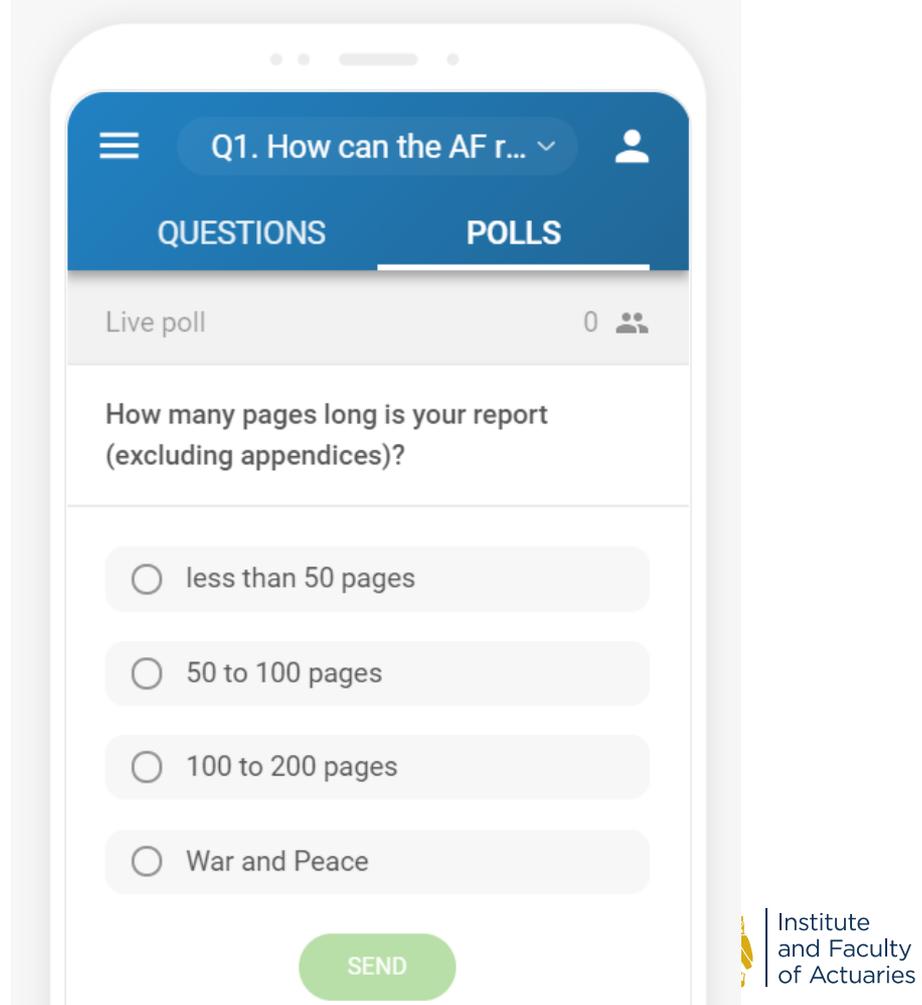
- 1 Open a browser on any laptop, tablet or smartphone
- 2 Go to **slido.com**
- 3 Enter the event code **#GIRO2018AFR**



Poll - number of pages

How to join your event

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The screenshot shows a mobile application interface for a poll. At the top, there is a blue header with a menu icon, the text "Q1. How can the AF r...", and a user profile icon. Below the header, there are two tabs: "QUESTIONS" and "POLLS", with "POLLS" being the active tab. The main content area shows a "Live poll" with 0 participants. The poll question is "How many pages long is your report (excluding appendices)?". There are four radio button options: "less than 50 pages", "50 to 100 pages", "100 to 200 pages", and "War and Peace". A green "SEND" button is located at the bottom of the poll form.

The Challenge

Report of Record



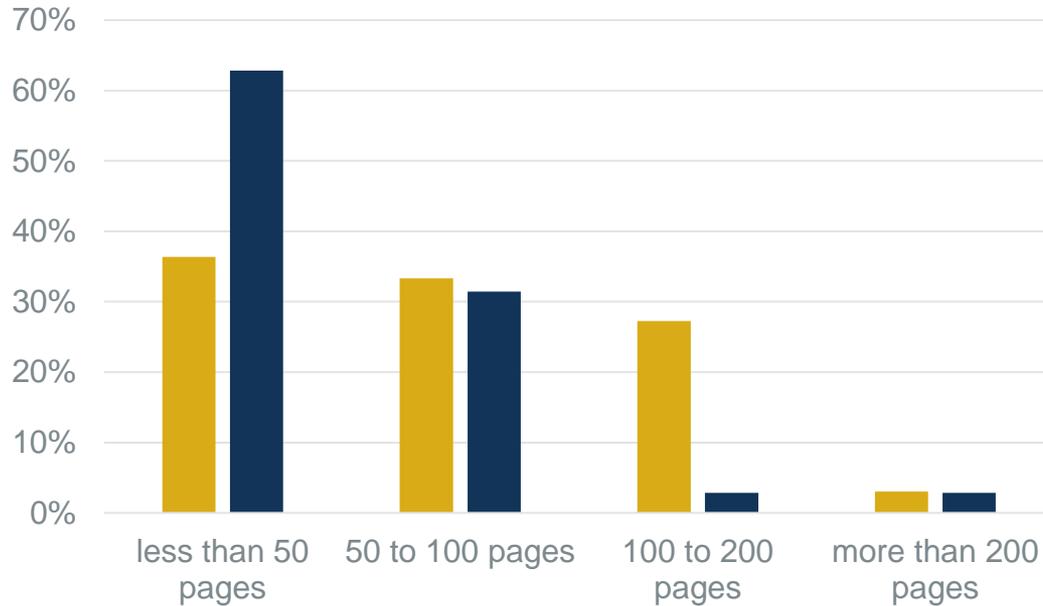
Living Report



- 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.



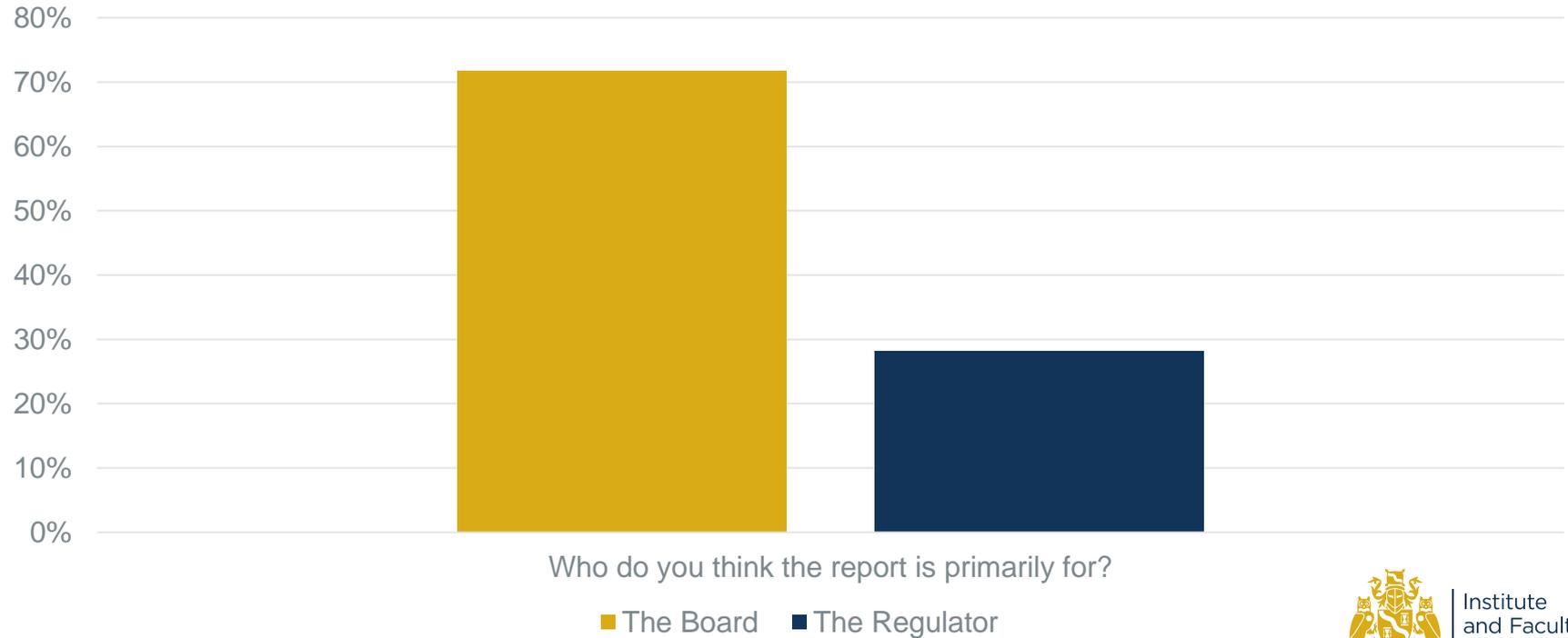
Pages in the report – survey result



- 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



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.
- <https://www.frc.org.uk/accountants/corporate-reporting-review/annual-review-of-corporate-reporting>

CHARACTERISTICS OF GOOD CORPORATE REPORTING

9

Nine characteristics of good corporate reporting

A Good Annual Report and Accounts:

Beyond basic compliance with the fundamental requirements of the law and accounting standards and the need for complete and accurate publication of accounting information, there are characteristics of corporate reporting which we believe make for a good annual report.

- 1 A Single Story**
The narrative in the front end is consistent with the back end and accounting information; significant points in the financial statements are explained in the narrative reports so that there are no surprises hidden in the accounts.
- 2 How the Money is Made**
The strategic report gives a clear and balanced account which includes an explanation of the company's business model and the salient features of the company's performance and position, good and bad.
- 3 What Worries the Board**
The risks and uncertainties described in the strategic report are genuinely the principal risks and uncertainties that concern the Board. The descriptions are sufficiently specific that the reader can understand why they are important to the company. The report also describes the mitigating actions taken by the Board to manage the impact of its principal risks and uncertainties. The links to accounting estimates and judgements are clear.
- 4 Consistency**
Highlighted or adjusted figures, key performance indicators (KPIs) and non-GAAP measures referred to in the strategic report are clearly reconciled to the relevant amounts in the accounts and any adjustments are clearly explained, together with the reasons why they are being made.
- 5 Cut the Clutter**
Important messages, policies and transactions are highlighted and supported with relevant context and are not obscured by immaterial detail. Cross-referencing and signposting is used effectively; repetition is avoided.
- 6 Clarity**
The language used is precise and explains complex accounting and reporting issues clearly; jargon and boiler-plate text are avoided.
- 7 Summarise**
Items are reported at an appropriate level of aggregation and tables of reconciliation are supported by, and consistent with, the accompanying narrative.
- 8 Explain Change**
Significant changes from the prior period, whether matters of policy or presentation, are properly explained.
- 9 True and Fair**
The spirit as well as the letter of accounting standards is followed. A true and fair view is a requirement of both UK and EU law and applies equally to accounts prepared in accordance with UK GAAP and IFRS.



Questions

Comments

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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

