



General Insurance Reserving Transformation Webinar

5 November 2024 | 10:00-11:00am GMT



Agenda

Introduction – About the Survey

Themes and Survey Overview

Survey Findings

Conclusion – Closing Remarks

Q&A

About the survey



The Survey:

- Broad Consultation with General Insurance Market
- Overview of Reserving Processes and Software used
- This includes Current and Future Plans for Reserving Processes and Software usage
- Plans for AI/ML Implementation or if Currently using



Value Add:

Market Overview of:

- Current and Future States of the Reserving Processes
- Progress on the Adaptation of Technological Innovations
- Resource Management

Themes



Current Reserving Process

- Timing
- Software
- Manual vs Automation Challenges
- Use of AI and ML



Future reserving process

- Automation and Strategic Shift
- Automation Pitfalls
- Excel's Evolving Role
- Implementation



ML in Reserving

- Varied ML Adoption
- Off-the-Shelf vs Custom Models
- Implementation
- Data Quality



Governance

- Review within Team
- Review by Governance Functions
- Board Oversight



Resource management

- Future Reserving Team
- Coding Skills
- Staff Retention
- Work Environment



Wider Use of AI

- Implementation
- Data Quality and Infrastructure
- Compliance and Risk Management
- Regulation

Survey Overview

Survey Overview



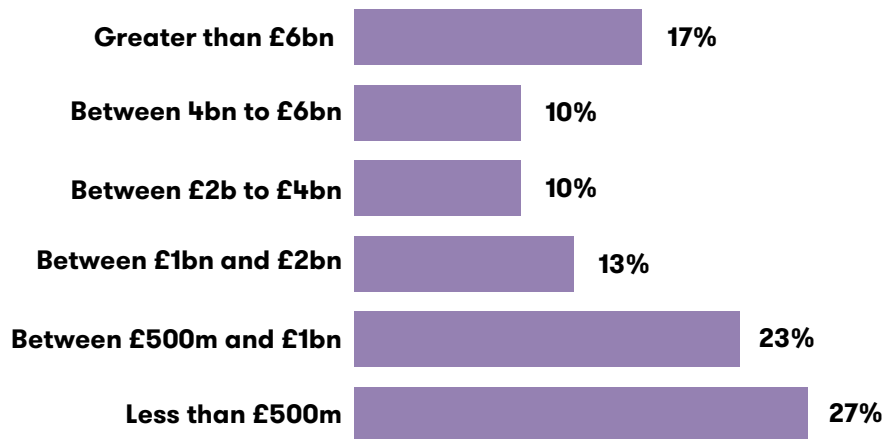
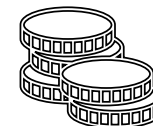
Approximately **60** entities have participated, comprising of general insurers and reinsurers, of which 41% are Lloyd's Syndicates - indicating a broad representation of the industry



Respondents

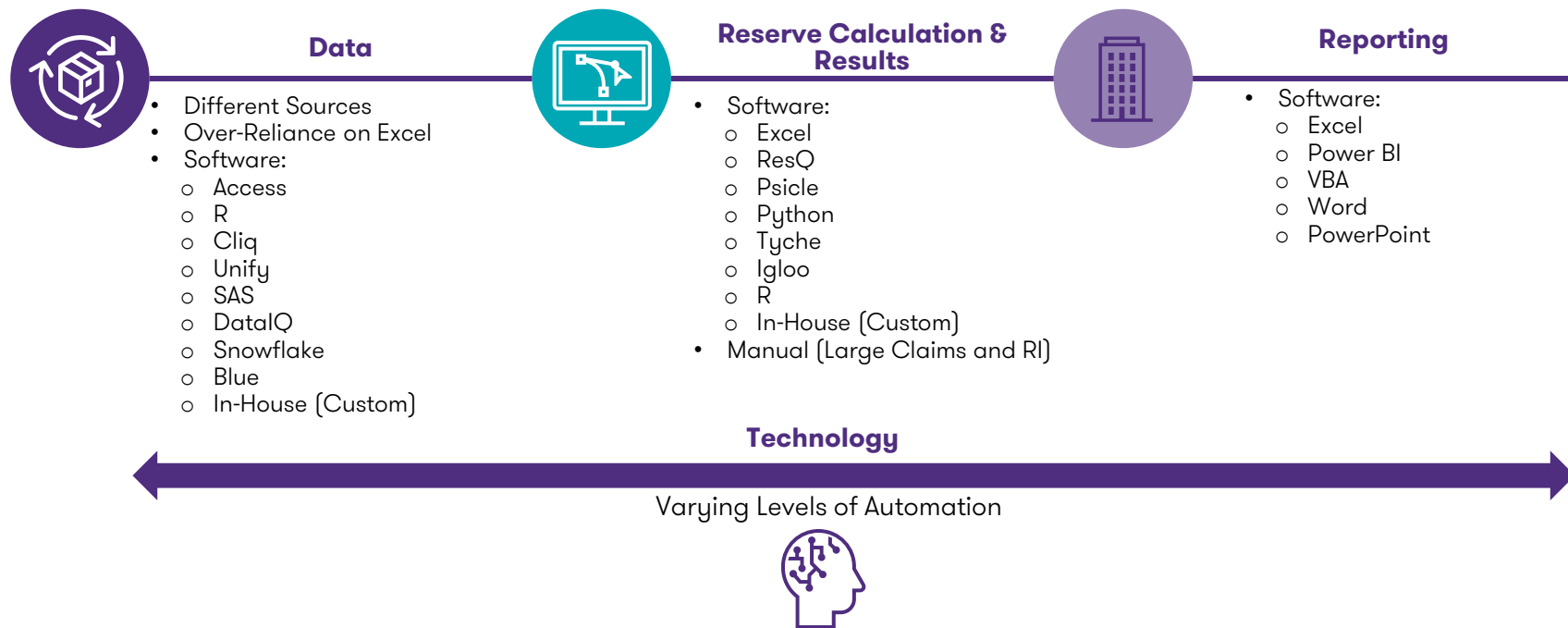
of the survey are mainly the Head of Reserving and the Chief Actuary of the organisations

Gross Reserve Distribution



Current Reserving Process

Current Process



Current Process

AvE

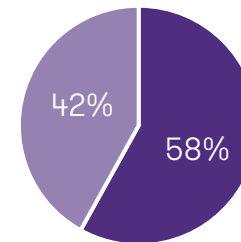
Actual vs Expected

- Majority perform Monthly
- Monthly AvE mainly used for triggers for future reviews vs reacting

Criteria for Reacting

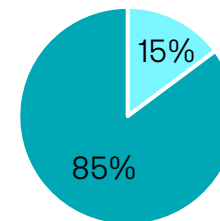
- % of Reserve Threshold
- Cat Claims or Significant Change in Ultimate's
- Ad-hoc and Judgement Based

Frequency of AvE



■ Monthly ■ Quarterly

React Every Time - Regardless of Trigger



■ Yes ■ No

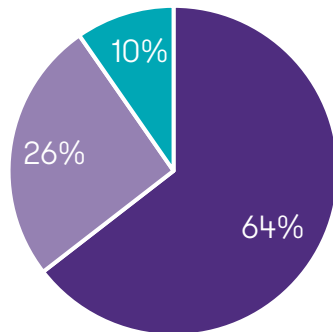
Current Process

Deep Dives and Frequency of Reporting



Deep-Dives

- Review every Class every time
- Deep-Dive Schedules

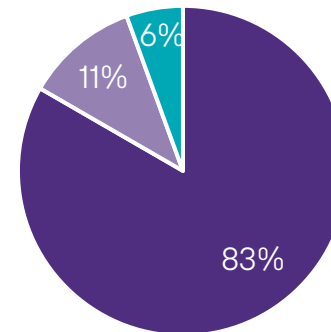


■ Deep Dive ■ Reserve Every Class ■ Mix



Frequency of Reporting

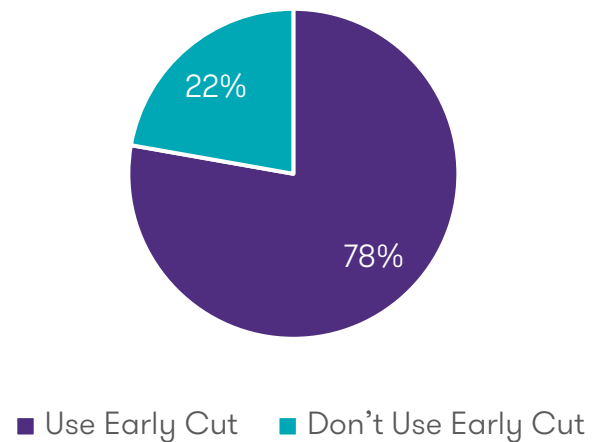
- Quarterly reserving most common
- Annual and Monthly Reserving were Rarely Observed



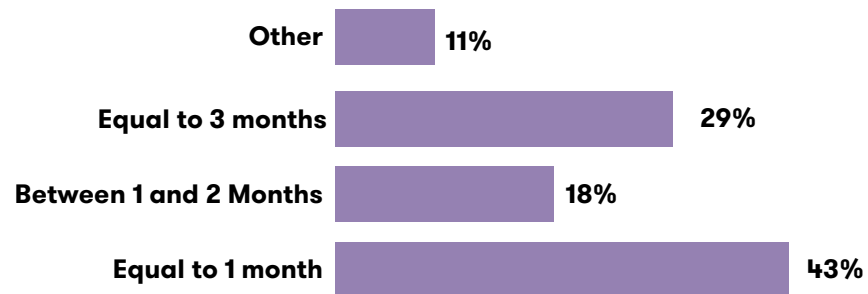
■ Quarterly ■ Semi-Annual ■ Other

Current Process

Early Cut



Early Cut Distribution



Current Process

ResQ

Of the 68% that Currently use ResQ Software:

39%

Utilise most of ResQ's Functions

61%

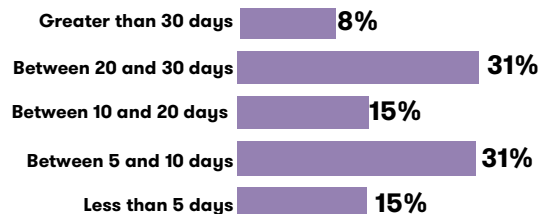
Use ResQ Mainly for Development Patterns



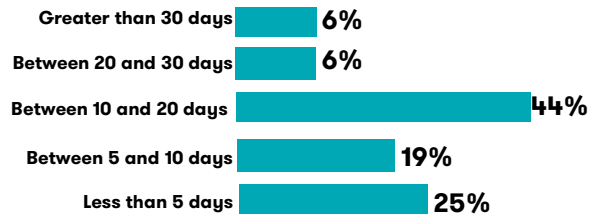
Current Process

Reporting IFRS 17 vs Non-IFRS 17

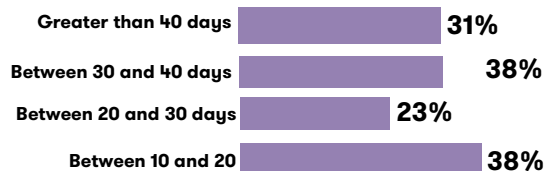
IFRS 17 Results



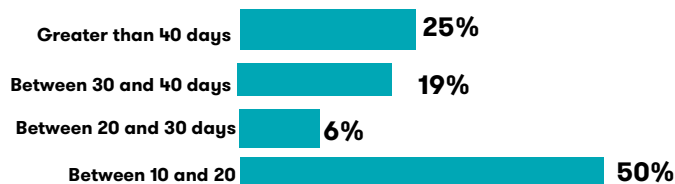
Non-IFRS 17 Results



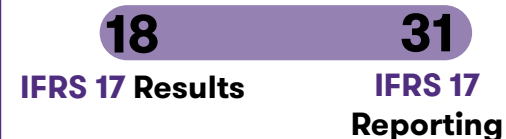
IFRS 17 Reporting



Non-IFRS 17 Reporting

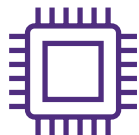


Average Days from when Initial Data Received



Future Reserving Process

Future reserving process



Automation and Strategic Shift

- Move Towards a Fully Automated Reserving Process with Data Reconciliations, Entity Splits and Reserving Bases
- Increased use of Technology
- Free up Time to Focus on Strategic Tasks



Implementation

- BAU vs Automation Project
- Contractors
- Isolated vs Company Wide

Automation Pitfalls



- Balance automation with ability of understanding underlying process
- Key-Person Risk
- Documentation
- Skills and Education

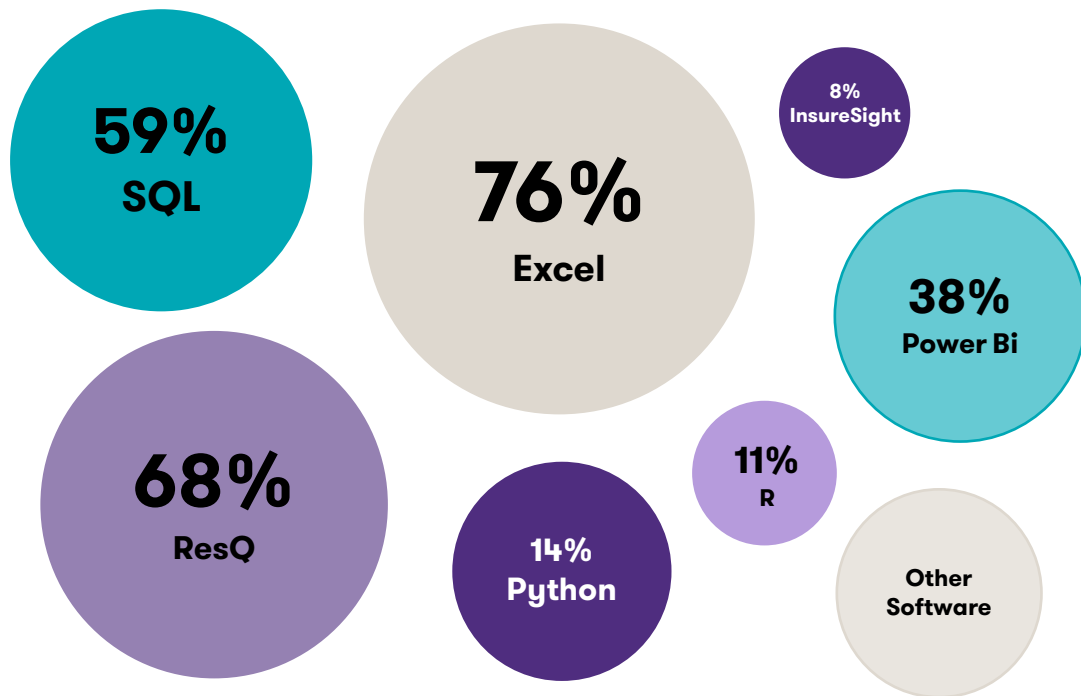


Excel's Evolving Role

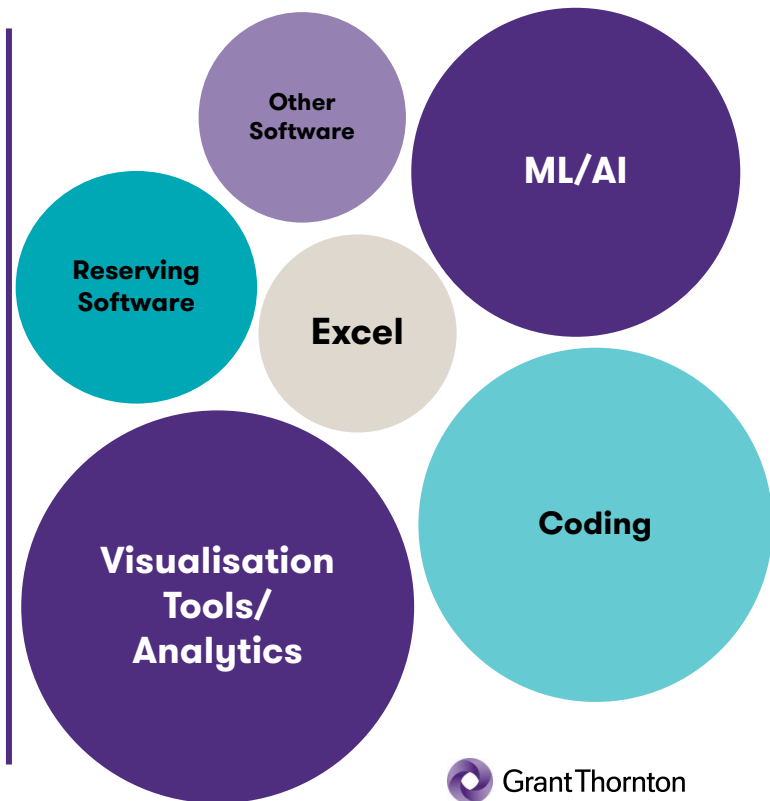
- Automation will reduce Manual Tasks
- Used as Interface throughout Process
- Useful for Ad-hoc Processes
- Remains Relevant

Evolution of Reserving Processes

Current

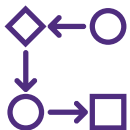


Future



Machine Learning

ML in Reserving



Varied ML Adoption

- Varying Views on Value Added
- Majority are Exploring Usage
- Dependent on Company Strategy



Implementation

- Challenger Model
- Trend Analysis
- Investigate Differences
- Audit Trail



Off-the-Shelf vs Custom Made Solutions

- InsureSight/ResQ ML Add-on
- Develop Own Model
- Cost vs Benefit

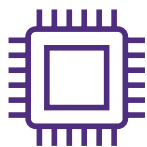


Data Quality

- Reliant on Data Quality
- Restricted to certain Classes of Business
- Longer Term Strategy

Wider Use of AI

Wider use of AI



Implementation

- Chatbot – Customer Service & Company Operations (U/W Manual)
- Enhancing Claims Data
- Co-Pilot for Report Writing
- Pricing Decisions
- Scanning Documents
- If not already Implemented, Automate using VBA in Excel and ResQ ML Add-ons



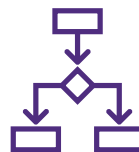
Compliance and Risk Management

- AI Policy
- Risk Register



Data Quality and Infrastructure

- Data Governance
- Chief Data Officer
- Improving Data Quality
- Technology Investment



Regulation

- Various AI Regulations
- Black-Box Risk
- FRC Guidance for Actuaries on AI usage
- Continually Evolving

Resource Management

Resource management

Coding Skills



- Voiced they would like or require coding knowledge in new hires.
- The preferred coding proficiency voiced was 54% for Python
- Hybrid skillset, actuarial and coding
- R is a part of the IFoA syllabus
- Training for actuaries on coding



Future Reserving Team

- Senior team: understand basics of coding
- Junior team: proficient in coding
- Core actuarial skills will remain critical
- Automation may result in requiring less resources/external resources
- Spend time on value added activities and to provide insight

Work environment



- Flexible working arrangements are key to retaining talent
- Automation pressures strain teams, particularly in smaller firms with limited resources



Staff Retention

- Varies across Teams, and by Responsibilities.
- Depending on Individual's Appetite for Change and Ability to Adapt
- Constant Regulatory Change and Evolving Environment a Challenge
- Factors:
 - Market Buoyancy
 - Career Growth Opportunities
 - Workload
 - Team Location

Governance

Governance



Review by Governance Functions

- Process Review by Internal Audit
- Control Review by Risk Management
- Technical Review:
 - Group function
 - Independent Review annual (eg SAO) or minimum 3 yearly
 - Pre-Reserve Working Group
 - Senior Manager Review



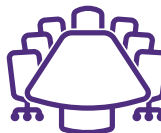
Team Review

- Tech Check by Peer
- Manager / HoR / CA Review



Other Functions

- Regular Claims and Underwriting Meetings
- CFO/CUO/COO Touchpoints
- Approval of Results prior to Board Review



Board Oversight

- Generally, only Approved Reviews
- Limited/No Changes after Committee
- More Challenge if Board Members have Actuarial Background

Closing Remarks

The industry is navigating a complex transition toward increased automation, with ML and AI becoming integral tools in the reserving process; however, it is important to maintain a balance between automation and human oversight.

One key insight from our survey ...



Actuaries have a soft spot for peppermint tea!

So, when in doubt, brew up and watch the numbers crunch themselves

Thank You



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Questions?



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