



Singapore
Actuarial
Society



Reserving Guidance Notes Working Party

SAS Conference

Topics

- The aim of the reserving guidance notes working party is to provide feedback and improvement suggestions on the current Singapore guidelines for actuaries investigating policy liabilities related to general insurance funds (GN 01) which was adopted at the EGM on November 18, 2004.
- This presentation represents the views of the working party.
- The team members of the working party are:
 - William Song (Chair)
 - William Liang
 - Felicia Er
 - Songphol Arrewijit
 - Ngu Jin Ye

Pop Quiz!

If you were an Australian actuary working in Singapore, which guidance note should you follow?

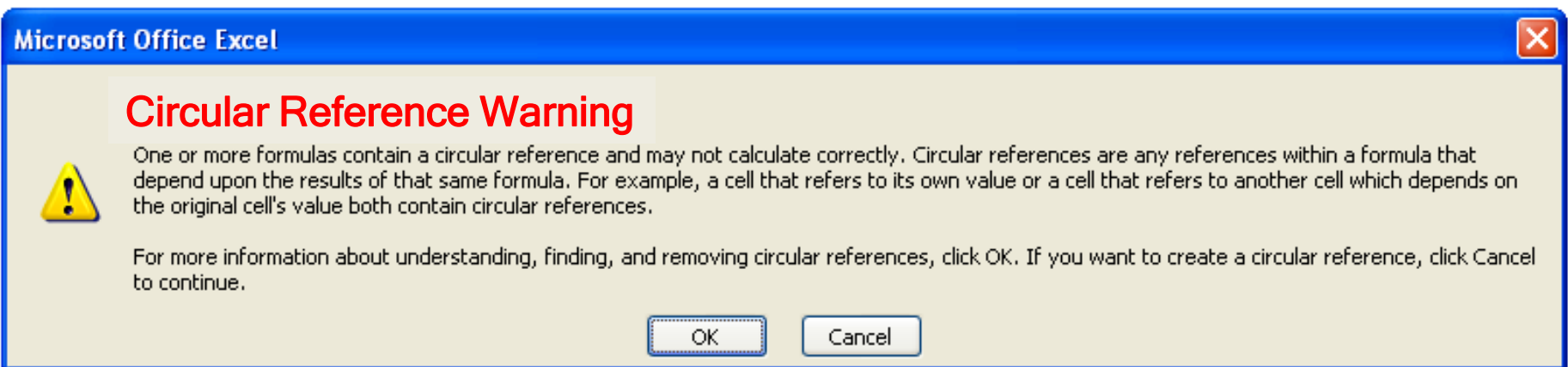


Australia Professional Standard (PS300)

Singapore reserving guidance note (GN01)

Australia PS300

A Member undertaking a General Insurance Claims valuation for an Entity in a jurisdiction other than Australia does not have to comply with this



general insurance companies on the conduct of policy business relating to general insurance business. Adherence to this guidance note is mandatory. This guidance note is meant to supplement (but not replace) existing professional standards from other actuarial bodies which apply to members working in Singapore.

Issue

Singapore guidance note is more prescriptive.

Suggestion

Move towards more a principle-based approach to allow for professional judgment. Greater alignment with international developments.



Issue

Singapore guidance note appears to focus more on analysis of experience than reconciliation with previous investigation

3.2

Suggestion

- Split out reconciliation (analysis of movement) from analysis of experience
- Greater emphasis on analysis of movement and actual versus experience , backtesting

with Previous Investigation

ysed on an individual
rts of similar claims.
ess being examined



Issue

No clear concept/definition of **materiality**

Suggestion

Definition and importance of materiality

Avoid obscuring material information



Other Feedbacks

- Reference to industry research papers on how to calculate risk margin (eg, Tillinghast risk margin study – Bateup and Read paper)
- Guidance note 8 years old (adopted since 18 November 2004)
- Section 4.5 **Stochastic Claim Experience Models** may not be practical in this region given the lack of data
- Reference to outdated regulation (MAS 210)
- Operational questionnaire

Comparison of Guidance Notes

Purpose / Effective Date

Singapore



UK



Australia



US



Latest Update	2004	2010/2011	2010/2011	2010/2011
Purpose	Mandatory (?)	Mandatory; for UK operations and overseas operation reporting into the UK	Mandatory; preceded by overseas guidance	Mandatory; preceded by overseas guidance

Data

Singapore



UK



Australia

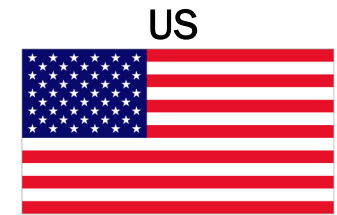


US



Reconciliation with FS	✓	✗	✓	✓
Verification (consistency, etc.)	✓	✓	✓	✓
Data Adjustment	✓	✓	✓	✓
Data Ownership			Reliance	✗

Assumptions and Methodology



Approach	Prescriptive	Principle-based	Principle-based	Principle-based
Definition of Best Estimate	Expected value	“Neutral”	Expected value	Expected value
Risk margin	✓	✗	✓	✗
Others	List of assumptions to consider	Documentation for internal use	List of assumptions and selection principle	

Uncertainty

Singapore



UK



Australia



US



Requirement for consideration & treatment	✓	✓	✓	✓
Quantification approach	✓	✗	✓	✗

Materiality

Singapore



UK



Australia



US



Definition of Materiality	x	Generic definition	x	Generic definition
Basis of materiality standard			Professional judgment	Actuary needs to comment on the basis of materiality standard

Reporting

Singapore



UK



Australia



US



Reporting Requirement	Prescriptive	Principle-based	Principle-based	Principle-based
Key point		Exclude obscuring immaterial information	Purpose Data Methods Assumptions Results Uncertainty Material matters Analysis of experience & movement “Code of Conduct”	Actuarial communication should be an ongoing & interactive process and should include all necessary disclosure requirement

MAS Circular (04/12)

MAS Circular Findings (1)

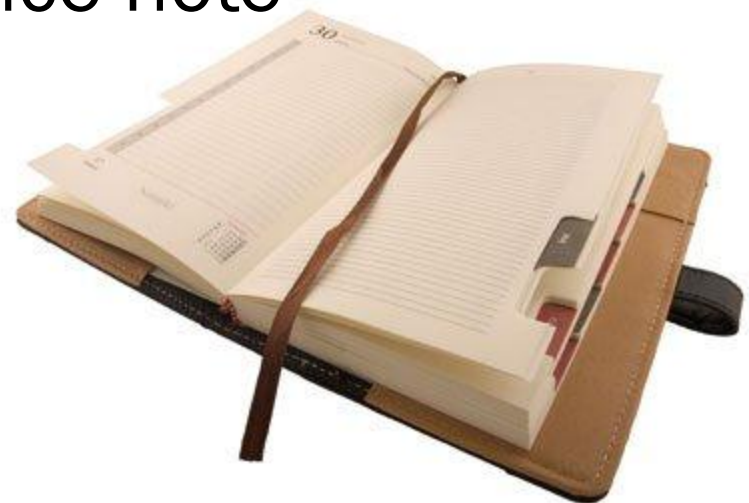
	Disclosure/ Documentation	Assessing impact on valuation	Approach & methodology	Comments
Reasonableness checks on data	○			Control and reliance
Business profile	○	○		
Underwriting & claims policies	○	○		Validation from observed experience
Business & industry conditions	○	○		

MAS Circular Findings (2)

	Disclosure/ Documentation	Assessing impact on valuation	Approach & methodology	Comments
Analysis of experience	○		○	Impact on assumption setting
Analysis of movement / Reconciliation	○		○	Attribution: change in basis vs experience
Derivation of PAD	○		○	Published industry research
Assessment of uncertainty	○		○	Sensitivity analysis

Next Step

- Formal paper
- Approval to amend
- Actuarial profession/MAS consultation on proposed amendments
- Release of updated guidance note



Thank you for your attention!

