

Dear Sirs

I attended the open meeting at Staple Inn Hall on January 24, and was disappointed with the almost complete lack of focus on what I consider to be the main area where individual members of the profession can improve on their past performance - the communication of uncertainty. In fact I believe it was only mentioned by Sir Derek Morris himself, and not in any contributions from the floor.

I believe that this should be a major focus for improvement, although I should add that I do not consider that it will be an easy process. I have little doubt that there have been significant misunderstandings between actuaries and their clients, be they the external clients of consultants or the internal clients of employed actuaries. I would also make the point that communication is a two-way process, and it is often difficult to get the client to comprehend even the clearest statement of a relatively complex issue if they do not wish to hear it.

My personal experience is in the general insurance practice area, the last 10 years of it in consultancy, before I retired recently. In particular, I specialised in advising clients in the Lloyd's and London Market area, where uncertainty is particularly extreme. My colleagues and I made great efforts to ensure that we always highlighted the uncertainty issue, and our standard report wordings were, in my view, very strong in this area, possibly more so than some of our competitors. Nevertheless, I have no doubt that there were a significant number of occasions when, in spite of our best efforts, the message really did not get across to the recipients. For many purposes, such as reporting within shareholder or regulatory accounts, clients need a "best estimate" of figures, and actuaries assist in providing these - regrettably the client often sees none of the uncertainty around these best estimates.

I think the problems are well illustrated by an experience I had a few years ago. A colleague and I had a meeting with representatives of a client and the client's new parent company, which had little direct experience of the insurance industry. We discussed the reserve estimation work which we had just completed for them. In particular, we talked with the parent company representatives about the uncertainty in the reserves for the most recent year's business (the only part in which they had a direct interest). We estimated that the uncertainty could reasonably easily result in a deviation of 40% from our best estimate, as much of the business included was still "on risk". The parent company representatives were

horrified by the width of this range, and said that "if you cannot be more accurate than that, we will find a firm of advisers who can". They seemed to genuinely believe that the uncertainty was a failing on our part, rather than a feature of the natural world!

In light of such problems, I wonder whether, as suggested in the Introduction to the Interim Assessment, the Institute motto "certum ex incertis" is giving too strong a sense of comfort, and whether the profession should make some effort to improve the education of its members and their clients in this difficult area - I regret I have no concrete ideas as to the most effective means of doing this.

David Hart