



# Asian Actuarial Conference 2025 Bangkok

## Developing Actuarial Judgment

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# Developing Actuarial Judgement

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# Agenda

- What is Actuarial Judgement?
- How do you develop Actuarial Judgement?
- Demonstrating good Actuarial Judgment?



# WORD CLOUD

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What word(s)  
come to mind  
when you think of  
Actuarial  
Judgement?



# ● What is Actuarial Judgment?

Expert Judgment

Training/Knowledge

Experience

Expertise

Code of Conduct

Professional Judgment

# ● When do we use Actuarial Judgement?

- The **choice of data** for an assignment
- How to deal with **missing or inappropriate data**
- The **selection/usage** of the **methodology/models**
- The setting of key **assumptions**
- **Testing** model outcomes for **reasonableness**
- The **interpretation of** the model **outcome**
- **Selecting** among **results** from multiple reasonable models
- When dealing with **constraints** on time and money

# Exercising Actuarial Judgment

Do I have the knowledge and experience?

Do I have access to other knowledgeable experts?

Can I devote the appropriate time and resources?

Does this conflict with my ethical/moral principles?

Did I adhere to regulations and professional standards?

Did I avoid undue pressure and conflicts of interest?

Can I keep professional skepticism towards data and other pieces of information?

Do I feel confident I can explain & communicate results?



**How did you develop  
Actuarial Judgment?**



# Developing Actuarial Judgment

- Education and Qualifications
- Continued Learning
- **Understanding of Business**
- **Practical Experience**
- **Critical Thinking**
- **Mentorship**
- Ethics
- Communication Skills



# Life and Health perspectives

- Understanding of Business
- Experience Analysis
  - Credibility of Historic Experience Data & Future Expectations
- Operating & economic assumptions
  - Mortality rates & improvement
  - Mortality Spikes – Covid-19
  - Disability Rates
    - Incidence Rates
    - Termination Rates
  - Persistency
    - Lapse & Surrender Rates
  - Medical Trends & inflation
  - Expenses
  - Expense Trends & Inflation
  - Investment & Other Income
  - Corporate & Policy Taxation
  - Uncertainty/Risk
    - Regulation
    - Climate Change
    - Correlations (in tail)

# P&C perspectives

- Understanding of Business
- Experience Analysis
  - Claim count and Loss Development Patterns, Frequencies, Severities
- Considerations
  - Intended Measure
  - Data Organization
    - Type of year
    - Segmentation
  - Exposure Bases
  - Risk Classification
  - Mix of Business
  - Underwriting Quality
  - Limits/Deductible
  - Reinsurance
  - Policy Terms
  - New Coverages/Exposures
  - Expenses
  - Profit & Contingency Provisions

# P&C perspectives

- Considerations (cont'd)
  - Adjustments to Premium
    - Rate level adjustments
  - Adjustment to Losses
    - Judicial or legislative
    - Operational changes
    - Case reserving practices
    - Definitional changes
  - Trends
  - Credibility/Complement of Credibility
  - Treatment of Catastrophes
  - Infrequent Events
- Additional Funding Sources
- Pools & Associations
- International Considerations
- Accounting Changes
- Climate Change
- Contagion
- Bias

# ● Developing Actuarial Judgment

## Practical Experience

1

Know your data

2

Review  
diagnostics

3

Know strengths  
and weaknesses  
of your methods

4

Perform  
sensitivity tests

5

Check your work  
/ have it peer  
reviewed

# ● Developing Actuarial Judgment

- **Critical Thinking**

- These are insights that you have learned over time
  - Insights
  - Truism
  - Illumination
  - Realization
  - An “aha” moment







# Developing Actuarial Judgment

## Mentorship

- **A seasoned actuary or professional**
- **Peer review**
  - Learn how others think
  - Vary between someone familiar and someone unfamiliar
  - Unfamiliar feedback examples
    - Does mortgage guaranty have contagion risk?
    - What about hurricanes that make secondary landfall?
    - Will policy limits cap payouts?

# Indications of good Actuarial Judgment?

Consistent  
Decision-  
Making

Confidence  
from Others

Ability to  
Anticipate  
Outcomes

Critical  
Thinking Skills

Ability to  
Learn from  
Mistakes

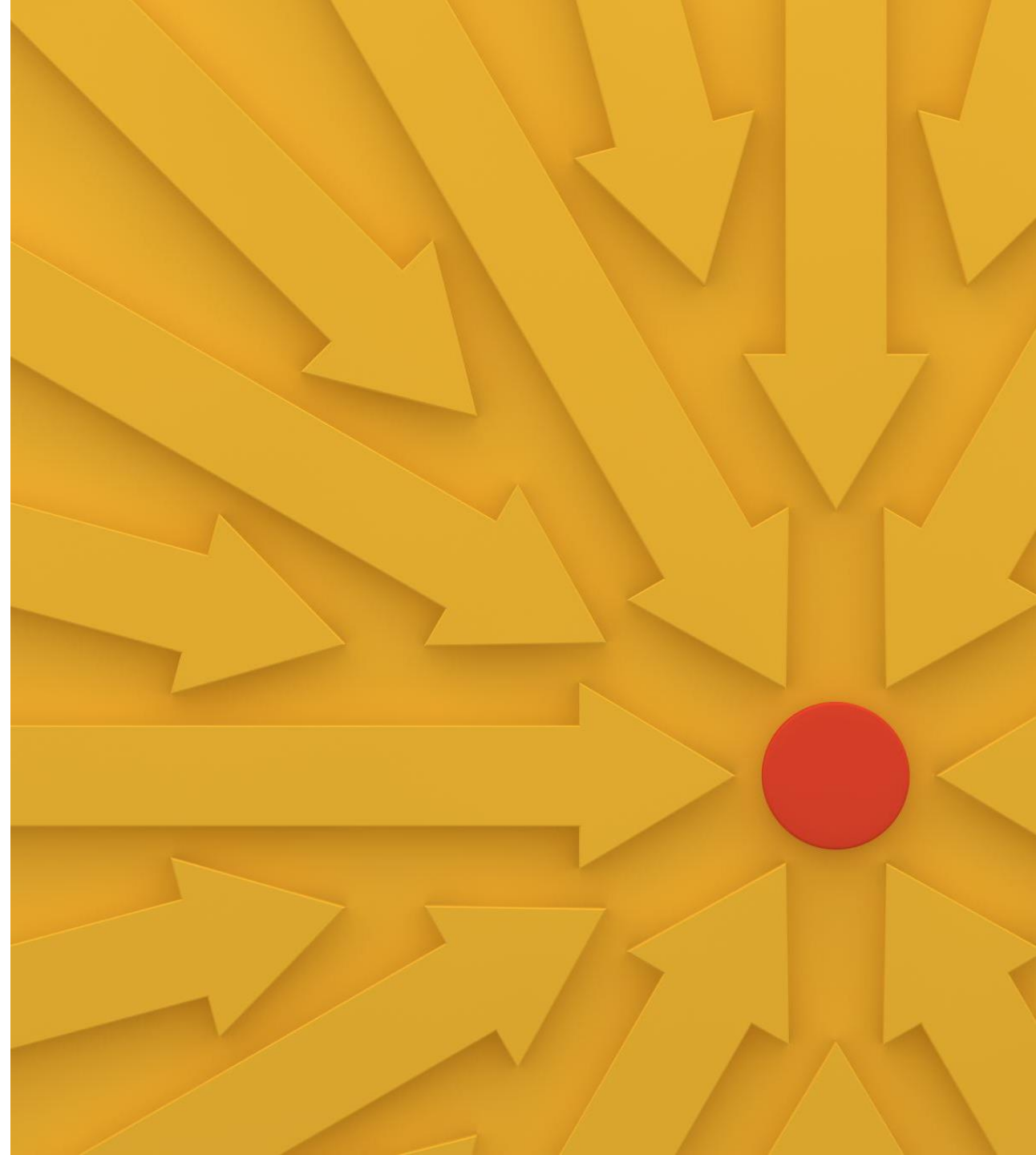
Ethical  
Decision-  
Making

Flexibility

Peer Review

# ● **Maintaining good Actuarial Judgment under pressure**

- Adherence to Professional Standards
- Transparent Communication
- Critical Thinking
- Ethical Decision-Making
- Seeking Advice
- Continuing Education
- Documentation





**Other thoughts?**