

Reserving for General Insurers – Current Challenges and Future Opportunities

SEMINAR



Institute of Actuaries of Australia

Friday, 22 September 2006

SHANGRI-LA HOTEL 176 CUMBERLAND ST, THE ROCKS, SYDNEY

GRIT – what are the lessons?

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GRIT – what are the lessons?

- GRIT overview
- Consulting our stakeholders
- Methods
- Understanding the business
- Uncertainty
- Behavioural impacts
- Measuring the past

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Consulting our stakeholders

- Survey results (p22)
 - Better communication of uncertainty
 - Key assumptions and reserve drivers
 - Better explanation of methods
 - Actuaries are poor at communicating

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Methods

- Applying existing methods more consistently (p28)
- Understanding conditions for use of models
- Choice of loss ratio
- Tail factors and link to cycle
- Grouping of business
- Timing of projections
- Large claims and reinsurance

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Understanding the business

- Diagnostics for
 - Policy database (p46)
 - Claims database
 - Major Open risk
 - Underwriting
 - Claims management
 - Reinsurance

Information for each class of business

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Behavioural impacts

- Anchor bias (p120)
- Framing
- Third party pressure
- Over confidence

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Measuring the past

QBE Insurance (QBE.AX)

Dec YE

Net Claims Development Table

	2001	2002	2003	2004	2005
Accident year (end of)	3,522	3,201	3,413	4,490	5,189
One year later	3,496	3,084	3,154	4,120	
Two years later	3,599	3,004	2,921		
Three years later	3,737	2,965			
Four years later	3,753				
Current estimate	3,753	2,965	2,921	4,120	5,189
Cumulative payments	2,883	1,975	1,474	1,566	873

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Measuring the past

Promina (PMN.AX)

Dec YE

Net Claims Development Table

	2001	2002	2003	2004	2005
Accident year (end of)	1,165	1,187	1,479	1,634	1,841
One year later	1,165	1,182	1,439	1,593	
Two years later	1,178	1,171	1,416		
Three years later	1,190	1,154			
Four years later	1,183				
Current estimate	1,183	1,154	1,416	1,593	1,841
Cumulative payments	1,053	990	1,162	1,240	1,123

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Measuring the past

Allianz Australia

Dec YE

Net Claims Development Table

	2001	2002	2003	2004	2005
Underwriting year (end of)	2,053	742	714	756	748
One year later	1,994	655	663	714	
Two years later	2,071	656	639		
Three years later	2,175	618			
Four years later	2,115				
Current estimate	2,115	618	639	714	748
Cumulative payments	1,264	237	142	85	36

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Measuring the past

Insurance Australia (IAG.AX)

Jun YE

Claims Development Table

	2002	2003	2004	2005	2006
Accident year (end of)	2,313	3,677	3,881	4,024	4,105
One year later	2,215	3,360	3,521	3,743	
Two years later	2,137	3,249	3,493		
Three years later	2,087	3,163			
Four years later					
Current estimate	2,051	3,163	3,493	3,743	4,105
Cumulative payments					

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Measuring the past

Suncorp-Metway (SUN.AX)

Jun YE

Claims Development Table

	2002	2003	2004	2005	2006
Accident year (end of)	3,289	711	696	800	812
One year later	3,255	689	714	704	
Two years later	3,126	642	609		
Three years later	2,929	563			
Four years later	2,892				
Current estimate	2,892	563	609	704	812
Cumulative payments	2,057	235	141	92	42

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Measuring the past

Zurich Australia

Dec YE

Net Claims Development Table

	2001	2002	2003	2004	2005
Accident year (end of)	211,532	204,326	205,423	216,910	252,004
One year later	183,848	168,059	191,672	198,966	
Two years later	169,135	164,528	172,460		
Three years later	169,523	156,952			
Four years later	156,085				
Current estimate	156,085	156,952	172,460	198,966	252,004
Cumulative payments	80,449	60,387	37,587	31,692	15,244

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