The Actuarial Profession making thand a sense of the future

Estimating Reserving Uncertainty

32nd ANNUAL GIRO CONVENTION The Imperial Hotel, Blackpool

Members of the Working Party

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What were we asked to do?

Broadly:

 Look at methods in use for estimating reserving uncertainty only

 Communicating reserving uncertainty would be covered by GRIT

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Why were we asked?

Increasingly members of the Profession are being asked to quantify:

 what confidence level the held reserve is compared to the actuarial best estimate

 a reasonable range of outcomes around the actuarial best estimate

 how likely future payments will be X% higher than the held reserve

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Ranges – some definitions from GRIT Range of reasonable best estimates: "The actuary's view of the range of best estimates that a reasonable actuary could determine based on the available information...." Range of probable outcomes: "The range of possible outcomes falling between the 10th (or 5th) percentile and the 90th (or 95th) of the distribution of possible outcomes calculated by the actuary in his reserving work....

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