

**General Insurance Study Group
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Workshop on Mortgage Indemnity Guarantee

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1 Overview

The aim of the workshop will be to review and discuss the techniques used by actuaries to deal with the peculiarities of mortgage indemnity business. We will also examine the effect of recent developments, such as the increasing use of mortgage protection insurance, on mortgage indemnity risks and consider how the mortgage indemnity premium charged by lenders fits in with the overall pricing of the mortgage product.

2 The Workshop

As is traditional, the workshop will start with a brief presentation followed by a discussion. The presentation will have the following main contents:

Background

- Lenders' exposures
- Cover offered by insurers
- Premium rates
- Recent claims experience
- Use of captives.

Reserving techniques

- Failure of traditional link-ratio techniques
- Techniques based on a triangle of claims/repossession numbers
- Roll rate techniques
- Other methods
- Adjustments.

Premium rating

- Key drivers of claims experience
- Rating individual risks or a lender's portfolio?
- Short term or long term rates?
- Model of claims experience for a given economic scenario
- Reflecting economic uncertainty.

Recent developments

- Reduction of DSS benefits
- Increasing use of mortgage protection insurance
- Union Finance.

Mortgage pricing

- Lenders' overall margins
- Sophistication of the pricing of individual risks
- Margins in mortgage indemnity premiums charged by lenders
- Default risks accepted by lenders
- Margins in premiums charged by insurers
- Risks accepted by insurers.