

A person is silhouetted against a vibrant sunset sky, juggling several red balls. The scene is set on a beach with waves in the background. The sky is filled with orange and yellow clouds, and a bright sun is visible on the horizon.

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GIRO Conference and Exhibition 2012
Juggling uncertainty the actuary's part to play

21st September 2012

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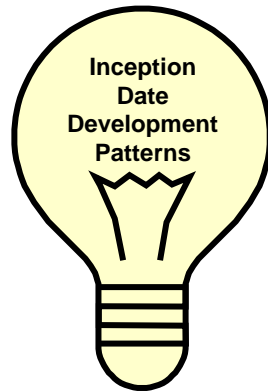
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Looking at Reserves through Contract Lenses
(A contract-by-contract approach to Reserving)
Joe Monk – Alterra Capital

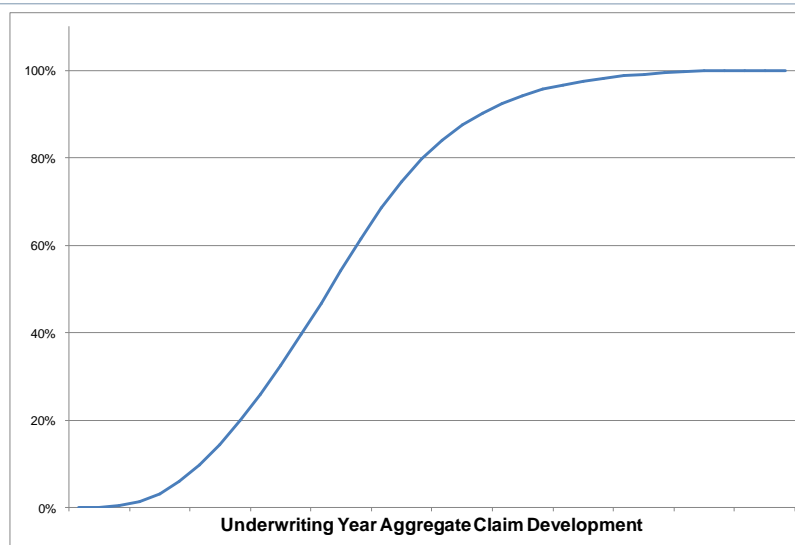
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Two ideas



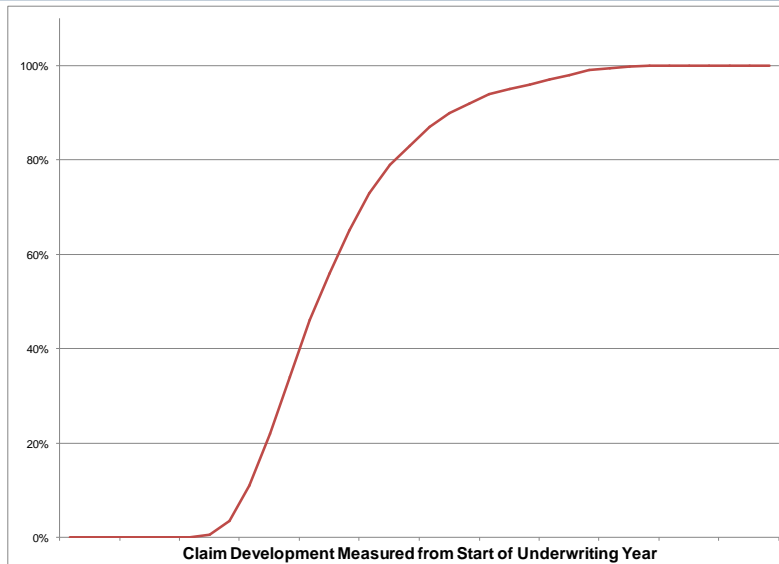
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Claim Development for an Underwriting Year



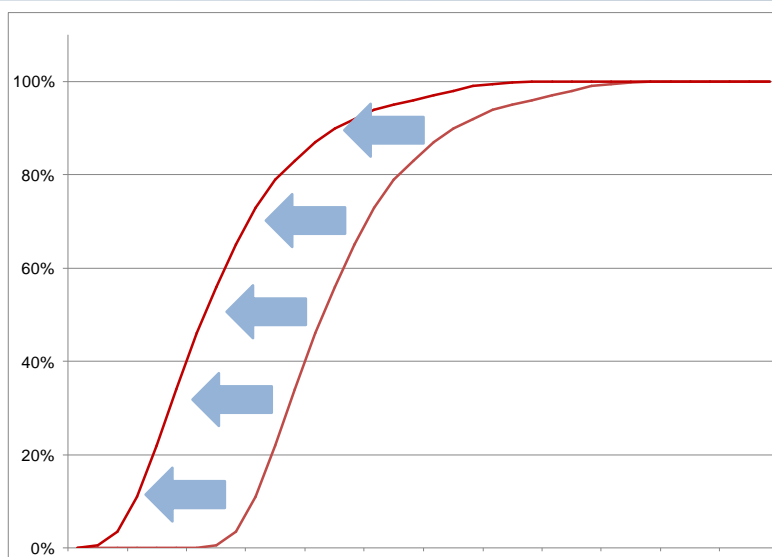
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Contract Claim Development from Underwriting Year



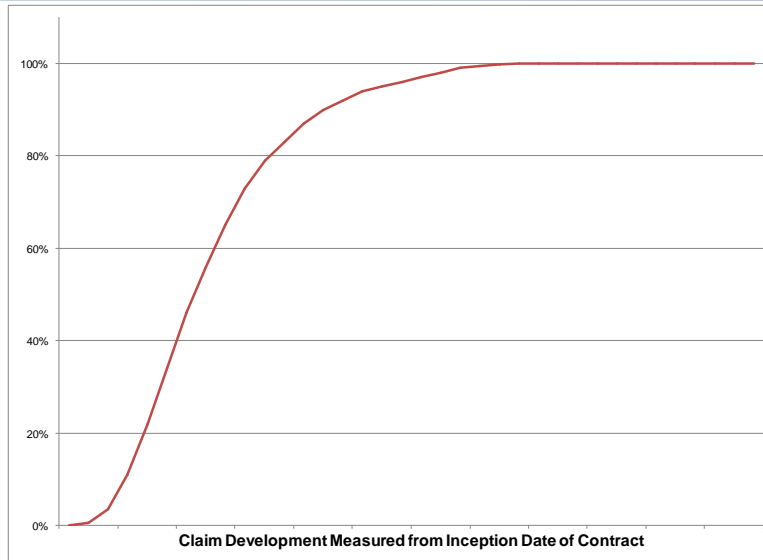
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Contract Claim Development



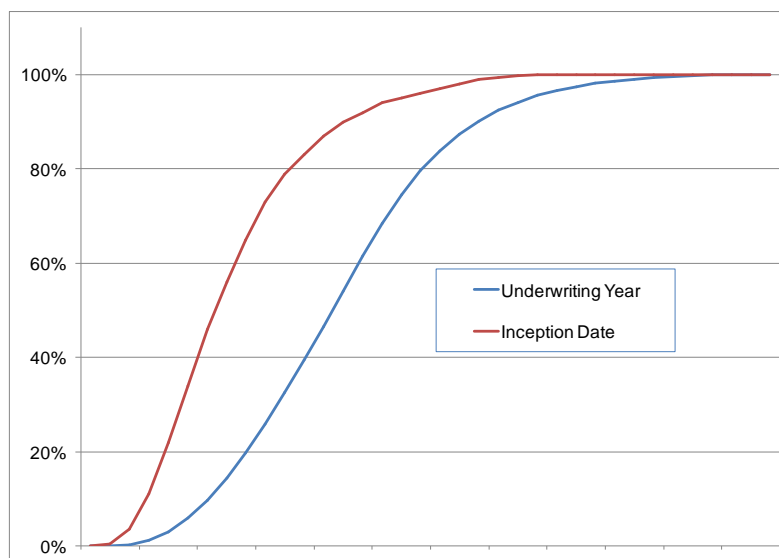
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Claim Development from Inception Date of Contract



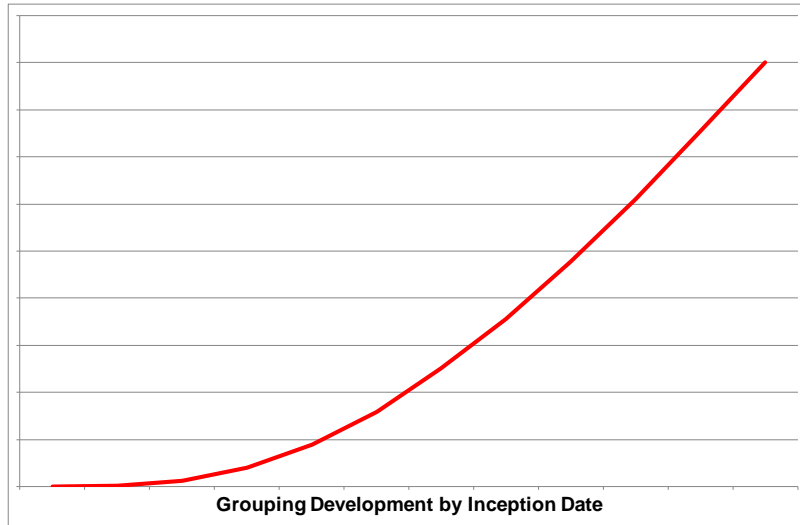
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Underwriting Year vs Inception Date



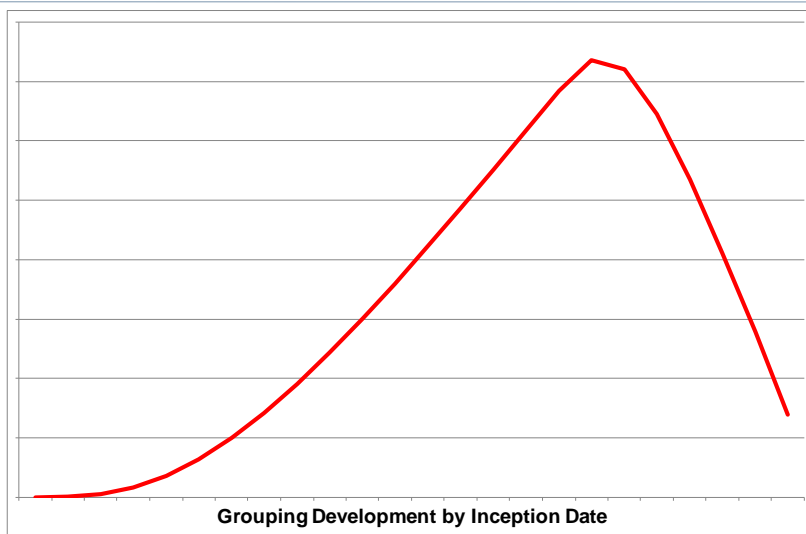
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Inception Date Development Triangles



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Inception Date Development Triangles



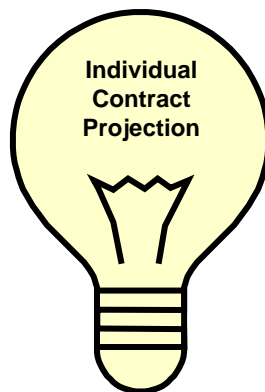
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Amending the Triangle



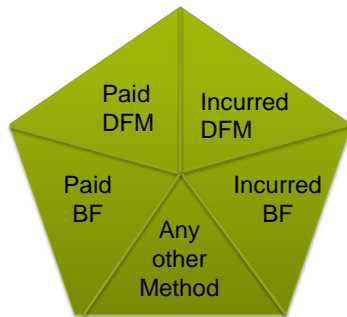
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Idea number Two



11

Individual Contract Projection



12

Analysis by contract



13

Analysis by contract



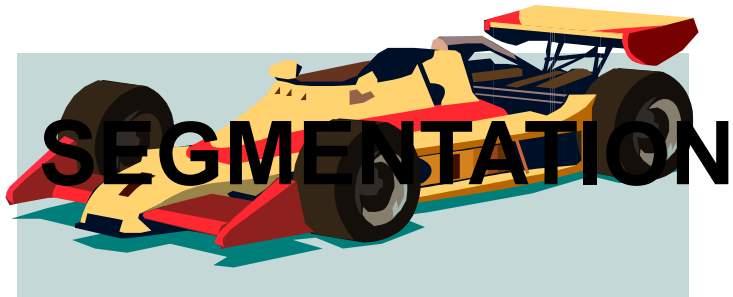
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Analysis by contract



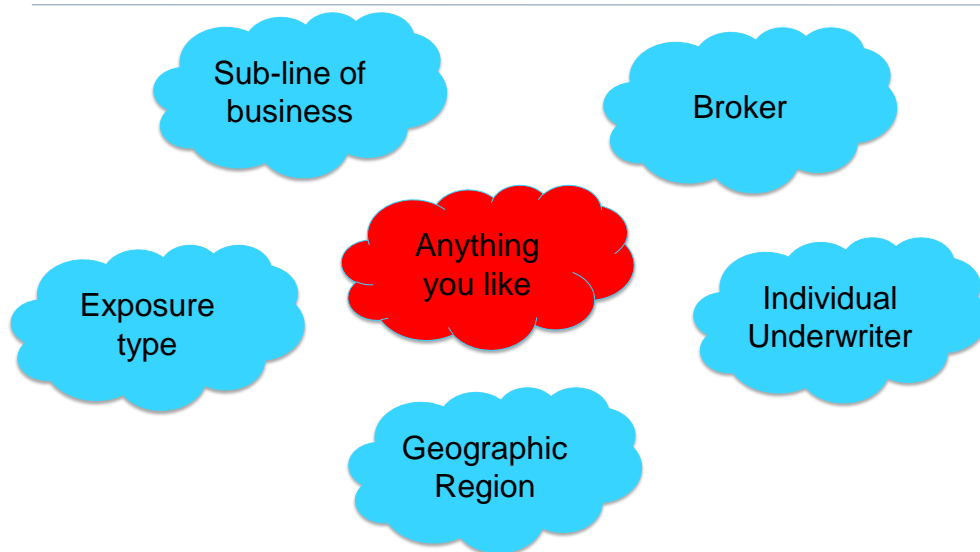
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Analysis by contract



16

Analysis by contract



17

Potential Issues

- Cat Events appear at several points in the claim development.
- How reliable is individual contract development ?
- Is the apparent acceleration of the development pattern really beneficial ?

18

In Practice

- Alterra uses this method for all entities and lines of business.
 - Both for Insurance and Reinsurance.
- Reinsurance
 - A significant number of contracts are individually projected based on pricing parameters.
- Insurance
 - Some lines of business have 10,000's contracts.
 - This method has proven particularly valuable.

19

Reserving is not the end of the process, it is the beginning of adding value to the business.

20

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Thank you

And with thanks to :

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