

UPDATE OF THE CLAIMS RESERVING MANUAL

WORKING PARTY MEMBERS

John Taylor (chairman)
Simon Brickman
Andrew English
Julian Lowe
Graham Lyons
Jonathan Orbell
Harry Reid
Hervé Vignalou

JULY 1995

Update of the Claims Reserving Manual

The *Claims Reserving Manual*, published by the Institute of Actuaries, is a comprehensive survey and description of general insurance reserving methods used in the UK. It is widely referred to for this important area of work, both by actuaries and by other professionals. In fact, two thirds of the 615 existing subscribers are non-actuaries.

The Manual was last updated in 1989 by Richard Verrall and the late Sidney Benjamin. Since then there have been a number of significant advances, particularly in stochastic techniques and in the estimation of reserve variability. Reserving for catastrophes and latent claims has also become a major issue.

The General Insurance Board therefore saw the early update of the Manual as an important task, and one that would help to raise the profile of the profession in this area of work. John Taylor was therefore asked to set up a Working Party to achieve this.

The work fell effectively into two main activities :

- Review and update of existing material in Volume I (led by Harry Reid)
- Introduction of more advanced methods into Volume II (led by Julian Lowe)

The Working Party has made good progress, and drafts are due to be submitted to the July Board meeting for approval. The main points regarding the update are as follows:

- The group felt that , ideally, Volume I should be re-written completely from the point of style and clarity. However, this was beyond the time resources of the Working Party, and it was agreed with the Board that a more limited immediate update should be done. This was facilitated by the loose-leaf format of the Manual. A new Introduction has also been added, explaining the update and linking the material together more coherently.
- Volume II has been re-designed so that, instead of reproducing papers in full, only a *short summary of each method (grouped by type)* will now be given. This is supplemented by a reference to the full paper for interested readers. We hope that the Institute Library can act as a focal point for all such requests, including copying facilities.

- A greater emphasis on the subjective nature of reserving, and the professional issues to be borne in mind by the would-be user, has been stated. This is important, in view of the perceived status of the Manual in the market, and the large numbers of non-actuarial readers.
- Worked examples on disk of two methods included in Volume II are to be made available to subscribers. These will be based on limited development triangles (say 7 years only), to prevent them having any commercial application for subscribers, using their own data. They will carry suitable disclaimers to this effect.
- We also hope to be able to offer the whole Manual in disk format, as an alternative to the standard printed version. This has been made possible by the use of optical-scanning equipment acquired by the Actuarial Education Service for conversion of its own course material. This option will be particularly useful for overseas subscribers, although UK purchasers may also find it attractive.
- Taking the above idea further, we believe that the Manual could be developed into an interactive teaching tool. However, this is a costly option that falls well beyond the resources of this Working Party. We have therefore referred the suggestion to the Education Service as a project that they could usefully take on, and they have expressed interest in the idea.

Subject to approval by the General Insurance Board, we hope to have sample copies of the new material and/or promotional literature available in time for the Convention; please check at the Convention desk. Failing that, enquiries may be directed to the Institute Library at Napier House, 4 Worcester Street, Oxford OX1 2AW.

John Taylor
July 1995