Getting Better Judgement – Empirical study

Please read the four questions in this study and provide your answers in the box below:

	Answer				
	A	B	C	D	E
Question 1	○	○	○	○	○
Question 2	○	○	○		
Question 3	○	○	○	○	○
Question 4	○	○	○		

Question 1

Most people have a strong opinion about the importance of expert judgement in actuarial work. Please indicate your opinion on the following statement: "Expert judgement is the most important part of actuarial work".

A. Strongly disagree **B.** Disagree **C.** Neither agree nor disagree **D.** Agree **E.** Strongly agree

Question 2

You are to estimate the dependency potential between two classes of business, and are doing so through a Low/Medium/High approach. Through your general actuarial training plus experience, and reading up of high level characteristics of the two classes of business, you decided that they should have medium level of dependency between them. As part of the peer review procedure, you went to spoke with the reserving actuary who has been reserving these two classes of business for every quarter in the past five years using deterministic methods. He suggested the dependency should be high, and pointed out three instances of large claims that are hot topics in the reserve committee. Would you now set the dependency level to:

A. Low? **B.** Medium? **C.** High?

Question 3

A consultancy recently tried to estimate a realistic disaster scenario (RDS) of a 2015 magnitude 8.0 Richter Earthquake with epicentre Los Angeles. They estimate the total insured loss to the Market to be in the range of $40bn-$120bn. Based on this limited information in which range would your point estimate lie?

A. Less than $50 billion

B. Between $50 billion and $70 billion

C. Between $70 billion and $90 billion

D. Between $90 billion and $110 billion

E. More than $110 billion

Question 4

You use internal realistic disaster scenarios (RDSs) to validate the 1:200 of your large loss distribution for next year's capital model and are about to discuss this with the underwriter. A line of business has had a higher than expected number of industry losses this year and the rates are expected to go up together with some small improvements in terms and conditions. Luckily the company only picked up a share on one of the large losses. The underwriter is happy with the current portfolio mix and level of exposure and not planning to change this. Do you expect the underwriter's view of the RDS:

A. To go up **B.** Broadly to stay the same **C.** To go down