

An Introduction to Predictive Modeling ~Management Perspective~

2013 CAS Annual Meeting

Minneapolis, MN

November 4-6, 2013

Antitrust Notice

- **The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.**
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Management Role

- Direct Supervisor of Modelers
- Modeling Department Reports to You
- Decision Maker Regarding Implementation
- Executive
- Parallel Department

Pre-Model Considerations

- Objective and Scope
 - Loss Control...Cost Avoidance...Cash Flow Opportunity
 - Better Decision Making
- Resource Expectations
- Competitive Analysis
- Actuarial Standards
- Regulatory----->
- Implementation
 - Technological Limitations
 - Stance on Market Disruption



Microsoft
PowerPoint Presentat

Reasonability Checks

- Counter Intuitive Results
- Validation
 - Out of Sample?
 - Consistency Year to Year
- Goodness of Fit
 - Standard Error around Estimate
 - Deviance
 - Residual

Things to ask BEFORE, DURING & AFTER

- Documentation
- Other options considered? (Model Form, Statistical Technique, etc.)
- Data Limitations
- Financial Metric for Evaluating Effectiveness
- Assumptions