Casualty Loss Reserve Seminar P/C Insurance Company 10K Loss	
Reserve Disclosures	
September 2010	
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PricewaterhouseCoopers PRICEWATERHOUSECOPERS	
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10K P/C Insurance Company Reserve Disclosure Requirements SEC Comment Letters on Loss Reserves	
Q&A with Our Panel	

10K P/C Insurance Company Reserve Disclosure Requirements

Summary of 10K Disclosure Requirements for P/C Insurance Companies and Loss Reserves

Description of Business (Items 101-103 of Regulation S-K)

- Reserve reconciliation/roll forward
 10-year reserve runoff table

Management Discussion & Analysis (MD&A) (Item 303 of Regulation S-K)

Critical Accounting Estimates - explanation of methods/assumptions

Explanation of results and incurred losses from prior periods

- Reserve variability

Financial Statements (ASC 944-40-50, formerly FAS 60)

- Significant accounting policies
 Reserve reconciliation/roll forward
 Explanation of incurred losses from prior periods
- Carrying amount of discounted reserves including range of interest rates used to discount the reserve
 Methodologies for difficult to estimate liabilities (e.g. asbestos)

10K P/C Insurance Company Reserve Disclos	sure Requirements	S	
Sample Reserve Reconciliation	n/Roll Forwa	ard	
	12/31/2009	12/31/2008	12/31/2007
Gross Reserves, Beginning of Year	2,532,603	2,495,582	2,365,098
Reinsurance Recoverable	759,781	748,675	709,529
Net Reserves, Beginning of Year	1,772,822	1,746,908	1,655,569
Incurred Losses, Current Year	1,324,294	1,226,820	1,191,529
Incurred Losses, Prior Year	130,907	-37,692	40,352
,			
Paid Losses, Current Year	628,370	582,709	565,918
Paid Losses, Prior Year	694,867	580,505	574,624
Net Reserves, End of Year	1,904,787	1,772,822	1,746,908
Reinsurance Recoverable	816,337	759,781	748,675
Gross Reserves, End of Year	2,721,124	2,532,603	2,495,582
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10K P/C Insurance Company Reserve Disclosure Requirements				
Sample 10-year reserve	runoff tabl	e (3 years	of it)	
Development	2006	2007	2008	2009
Net Liability Unpaid	1,655,569	1,746,908	1,772,822	1,904,787
Net Liability Re-estimated as of:				
One Year Later	1,695,920	1,709,215	1,903,729	
Two Years Later	1,693,560	1,796,828		
Three Years Later	1,758,028			
Cumulative Net Deficiency / (Redundancy) PricewaterhouseCoopers	102,460	49,921	130,907	September 2010 Slide 6

10K P/C Insurance Company Reserve Disclosure Requirements	
10K Disclosure Requirements for P/C Insurance Companies and Loss Reserves - Guidance	
Enhanced guidance directed by the SEC is primarily from the following sources:	
Industry Guide 6	
Current Accounting and Disclosure Issues in the Division of Corporation Finance, Item II – R	
Commission Guidance Regarding MD&A	
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10K P/C Insurance Company Reserve Disclosure Requirements	
Industry Guide 6	
"Disclosures Concerning Unpaid Claims and Claim Adjustment	
Expenses of Property Casualty Insurance Underwriters"	
(http://www.sec.gov/about/forms/industryguides.pdf , Guide 6) Provides guidance to companies on disclosures:	
Description of business	
- Nature of changes to prior year estimates, impact of	
significant reinsurance transactions, significant assumptions and changes to such assumptions, etc.	
- Reserve reconciliation	
- Loss development table (10-year run off table)	
- Amount of discounting, differences statutory to GAAP	
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10K P/C Insurance Company Reserve Disclosure Requirements	
Current Accounting and Disclosure Issues in the Division of	
Corporation Finance, Item II - R	
"Disclosure of Liability for Unpaid Claims and Claim Adjustment Expenses and Reinsurance Recoverables on Paid and Unpaid Claims" (2006) (http://www.sec.gov/divisions/corpfin/clacctdisclosureissues.pdf, pages 65-67)	
Provides further guidance specifically to p/c insurance companies to disclose:	
Reserving policies, methodologies used, key assumptions	
 Policy for having differences between recorded amounts and those determined by actuaries 	
More detail regarding prior period development, changes in	
significant assumptions, and impact of reinsurance	
More detail on reserve variability and key assumptions	
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10K P/C Insurance Company Reserve Disclosure Requirements	
Commission Guidance Regarding Management's Discussion and	
Analysis of Financial Condition and Results of Operations	
Critical Accounting Estimates (http://www.sec.gov/rules/interp/33-8350.htm,Section V)	
Provides guidance to companies across industries as regards critical accounting estimates – focuses on:	
Greater insight into the quality and variability of information regarding financial condition and operating performance. Greater insight on the variability that is reasonably likely to result over time, and how such changes might impact the financial statements	
Both qualitative and quantitative disclosure	
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Section two	
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10K P/C Insurance Company Reserve Disclosure Requirements SEC Comment Letters on Loss Reserves Q&A with Our Panel	
SEC Comment Letters on Loss Reserves	
Typical SEC Comment Letters over Past Several Years	
SEC Comment letters typically request more disclosure	
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Common themes: • Methods and assumptions	
Change in estimates (prior period development) – why did	
amounts change, and why in the current period and not in a prior period	
 Variability – more insight on how sensitive the reserve amounts are to changes in key assumptions 	
 Management adjustments to actuarial estimates 	
External actuaries	
September 2010	

Typical Comments Comment #F — Methods and Assumptions Expand your disclosure describing methods used to determine your reserve for unpaid losses and loss adjustment expense as follows. Explain the strengths and weaknesses of each method. Explain the factors that you consider in selecting one method over another method. Explain the factors that you consider in selecting one method over another method. Explain the factors that you consider in selecting one method over another method. Explain the factors that you consider in selecting one method for each period presented. Companies have expanded disclosures to provide much more information on the basics of actuarial reserving Factorized and the factors that you consider in selecting one method for each period greater and the selection of the comment of the selection of the comment of the selection of the se		
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and why recognition in earlier periods was not required." September 2010	reserve developments. Ensure your disclosure clarifies the timing of the	
	and why recognition in earlier periods was not required."	
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SEC Comment Letters on Loss Reserves	
Typical Comments	
Comment #4 – Reserve Variability	
"Since you state that it is possible that actual claims will	
materially exceed your reserves and you have incurred	
significant losses beyond your estimates, please revise your	
disclosures to describe and quantify the reasonably likely changes in your key assumptions."	
onanges in your key assumptions.	
Company reactions have included:	
- Providing ranges, or	
- Identifying several assumptions and showing the amount of	
change to reserves from changes in the assumption	
September 2010	
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	1
SEC Comment Letters on Loss Reserves	
Typical Comments	
Comment #5 – Reserve Variability	
"In order to show investors the notantial variability in the most	
"In order to show investors the potential variability in the most recent estimate of your loss reserve, quantify and present	
preferably in a tabular format the impact that reasonably likely	
changes in the key assumptions identified may have on reported	
results, financial position and liquidity. Explain why management	
believes that scenarios quantified as reasonably likely."	
Company reactions have generally been the same as for	
Comment #4, with an added explanation as to why the different scenarios are reasonably likely	
unterent scenarios are reasonably likely	
PricewaterhouseCoopers Slide 17	
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SEC Comment Letters on Loss Reserves	
Typical Comments	
Comment #6 – Reserve Variability	
#Disease Ideas(force deleganths thousands	
"Please identify and describe those key assumptions such as frequency and severity that materially affect the estimate of the reserve for loss and	
loss adjustment expenses. In addition, please disclose the following:	
For each of your key assumptions quantify and explain what caused them to change from the assumptions used in the immediately preceding	
period. Please note that this discussion should supplement, rather than	
period. Please note that this discussion should supplement, rather than duplicate the disclosure provided responsive to Industry Guide 6.	
period. Please note that this discussion should supplement, rather than duplicate the disclosure provided responsive to Industry Guide 6. b. Explicitly identify and discuss key assumptions as of latest balance sheet	
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period. Please note that this discussion should supplement, rather than duplicate the disclosure provided responsive to Industry Guide 6. b. Explicitly identify and discuss key assumptions as of latest balance sheet date that are premised on future emergence that are inconsistent with historical loss reserve development patterns and explain why these assumptions are now appropriate given the inconsistency identified."	
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SEC Comment Letters on Loss Reserves	
Typical Comments Comment #7 – Management Adjustments	
"Describe management's policy, if any, for adjusting the liability for unpaid losses and loss adjustment expenses to an amount that is different than the amount determined by its actuaries.	
- If such a policy exists, describe the method used by management to determine the adjustment and the extent to which it relies on objective versus subjective determinations. Such adjustments may include, but not be limited to, an incremental provision, a reduction in the liability, or a reversal of a previously recorded adjustment.	
When such adjustments or reversals are made, include MD&A disclosure that identifies the amount of the adjustment or reversal, the method used by management to determine it, and the specific underlying reasons that explain why management believes the adjustment or reversal is necessary."	
Company reactions have included added details on such adjustments, including in descriptions of the various factors considered by management September 2010 Side 19	
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SEC Comment Letters on Loss Reserves	
Typical Comments Comment #8 – External Actuary	
Confinent #6 – External Actuary	
"You make reference to an "outside actuary." While you are	
not required to make this reference, when you do, you must	
also disclose the name of the outside actuary. If you include or incorporate by reference this disclosure into a 1933	
Securities Act filing, you will also need to include the consent	
of the outside actuary."	
Companies have had varied responses	
	-
September 2010 PricewaterhouseCoopers Slade 20 Slade 20	
Pricewaternouse-Coopers Side 20	
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Section three	
10K P/C Insurance Company Reserve Disclosure Requirements	
SEC Comment Letters on Loss Reserves	
Q&A with Our Panel	

Q&A with Our Panel	
Panel Q&A	
Moderator - Marc Oberholtzer, PwC	
Panel:	_
Michael E. Angelina, ACAS, MAAA Chief Actuary	
Endurance Specialty Holdings, Ltd.	_
Ken Dubbs, CPA	
Senior Manager	
PwC SEC Services	
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Questions and Comments	
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