



CLRS: REINSURANCE RESERVING

AGGREGATE VS. INDIVIDUAL CONTRACT ANALYSIS

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- Large, Mature Company
 - Data warehouse provides:
 - Complete triangles back to 1972
 - 80,000+ treaties and nearly 500,000 certificates
 - Special cases (latent, finite, commutes, cats) well identified and separable from basic loss triangles
 - Monitoring process in place whereby underwriters review performance of current contracts every quarter
 - Designated reserving department that performs annual reserve review and quarterly actual vs. expected monitoring

Philosophical Approach

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- Parsimonious approach to dividing data into triangles – fewer segments is better
 - 15 line breakdowns
 - Treaty vs. Facultative
 - Proportional vs. non-proportional (sometimes by layer)
 - Gross vs. ceded
- = 150+ triangles
- Special contracts analyzed separately where deemed necessary due to:
 - Contract features
 - Contract size
 - Contract effective date

Contract Features to Consider When Determining Whether to Segregate Individual Contracts

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- Features that affect development pattern
 - Aggregate limit/deductible
 - Loss corridor/cap
 - Seasonality of losses
 - Layer position vs. triangle
 - Client reporting issues
 - Insufficient line of business detail
 - Insufficient accident year/underwriting year coding
 - Reporting frequency differs from norm (i.e. annual reporting for European cedants vs. quarterly for US)

Contract Size and Effective Date Considerations

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- Very large contracts with credible development patterns should be considered for segregated treatment
 - Tend to appear and disappear with the pricing cycle
 - Tend to come from larger cedants with more sophisticated ceded reinsurance departments and systems
 - Even mid-sized contracts sometimes need to be segregated if they have effective dates that differ dramatically from the norm
 - Fourth quarter effective dates can be especially troubling
 - Effect is greater if data aggregated by underwriting year
 - Even accident year triangles can be affected on successive rows

Considerations

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- What are the capabilities of staff?
 - How many?
 - How experienced?
 - Research tools and data?
 - What are my reporting requirements?
 - Schedule P and Schedule F
 - Parent/Group reporting
 - What are my retrocessional requirements
 - Specific retrocessions
 - Corporate retrocessions



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