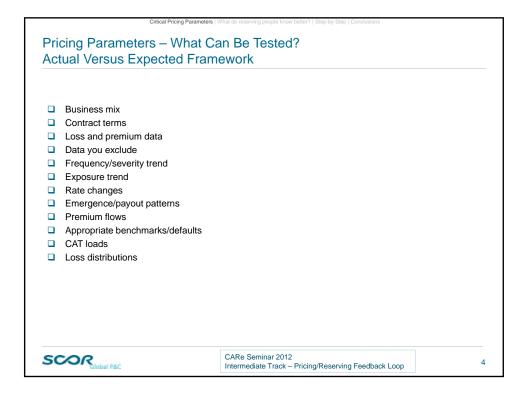


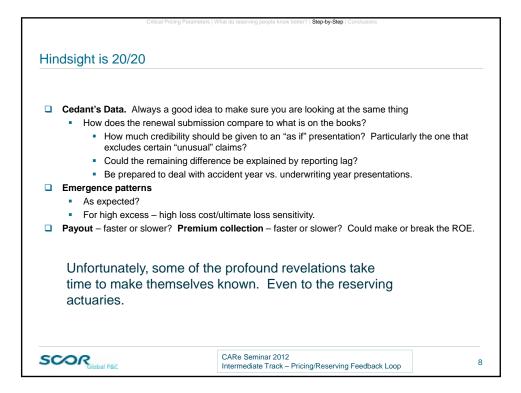
	/ing-To-Pricing: Feedback Loop
1	Critical pricing parameters
2	What do reserving people know better
3	Joint effort: Step-by-Step
4	Conclusions



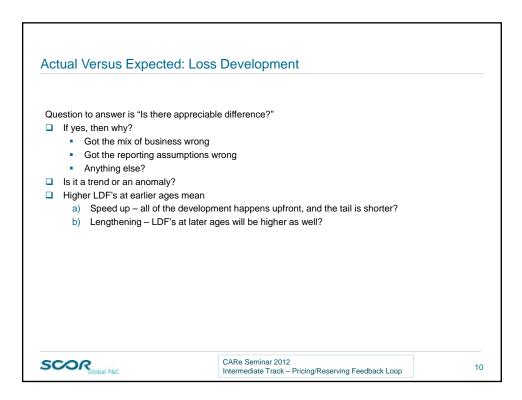
Reserv	ing-To-Pricing: Feedba	ck Loop	
1	Critical pricing parameters		
2	What do reserving people know k	petter	
3	Step-by-Step		
4	Conclusions		
scor	R Global P&C	CARe Seminar 2012 Intermediate Track – Pricing/Reserving Feedback Loop	5

	Yes	No
Cedant loss and premium data	0	
Mix of business	\odot	
Emergence/payout pattern		
Premium flows	<u></u>	
Large losses		
Everything else?		

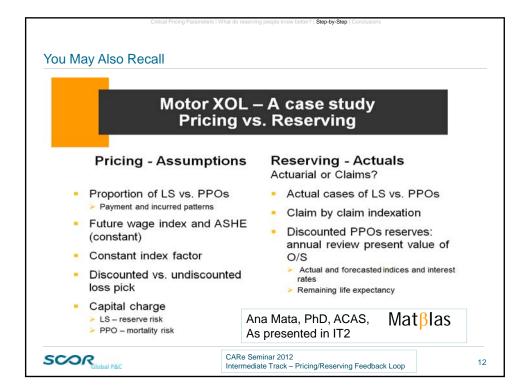
Reserv	ving-To-Pricing: Feedba	ick Loop	
1	Critical pricing parameters		
2	What do reserving people know b	petter	
3	Step-by-Step		
4	Conclusions		
sco	R Global P&C	CARe Seminar 2012 Intermediate Track – Pricing/Reserving Feedback Loop	7

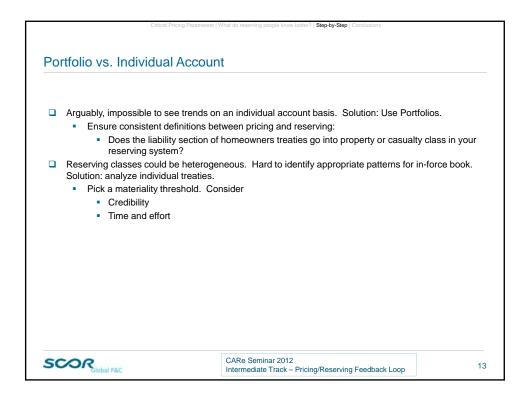


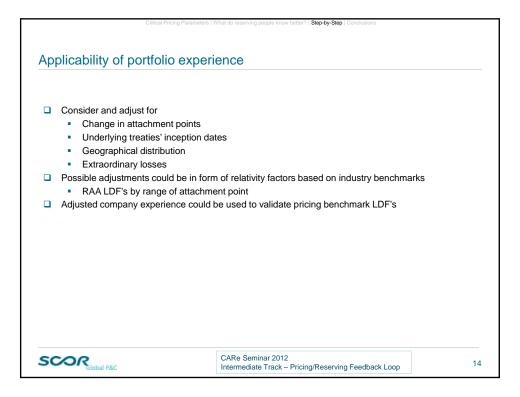
The Fact Is	Critical Pricing	9 Parameters What do reservir	ig people know better? St	ep-by-Step Conclusions	
However, hatBut one shot	ving some facts uld be careful in	are known, it's of could be better th not confusing the development facto	an running on p two.	,	
Accident Year	1	2	3	4	5
1992					1.031
1993				1.108	1.113
1994			1.124	1.112	1.050
1995		1.397	1.198	1.115	0.974
1996	2.224	1.299	1.193	1.072	1.122
1997	2.345	1.090	1.145	1.176	1.162
1998	2.451	1.192	1.468	1.248	1.168
1999	2.129	1.526	1.334	1.202	
2000	2.471	1.385	1.370		
2001	2.192	1.331		A trend or an a	nomalv?
2002	2.342				
	c		minar 2012 ate Track – Pricing/F	Reserving Feedback Loo	p 9

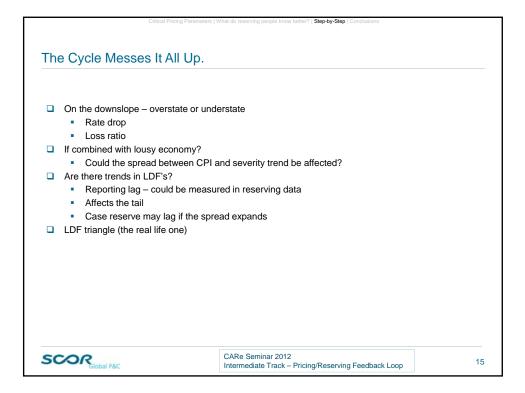


You May Re	call											
xpected Emergence - Pricing	g Assumptio	ns										
remOps-1 100x100	12	24	36	48	60	72	84	96	108	120	120+	1,100,000
Selected ATU	6.192	2.506	1.704	1.396	1.249	1.174	1.129	1.101	1.082	1.070		
Selected Cum'l % Reptd	16.1%	39.9%	58.7%	71.6%	80.1%	85.2%	88.6%	90.8%	92.4%	93.5%	100.0%	
Selected ATU	16.1%	23.8%	18.8%	12.9%	8.4%	5.1%	3.4%	2.3%	1.6%	1.0%	6.5%	
Incremental Reported	177,649	261,298	206,593	142,426	92,739	56,263	37,346	24,778	17,544	11,402	71 ,963	
Cumulative Reported	177,649	438,947	645,540	787,966	880,705	936,968	974,314	999,092	1,016,636	1,028,037	1,100,000	
ctual Emergence - Longer Ta	ailed Busine	ss Actually	Written									
rods 100x100	12	24	36	48	60	72	84	96	108	120	120+	1,500,00
Selected ATU	9.674	3.513	2.330	1.849	1.616	1,489	1.395	1.331	1.292	1.261		
Selected Cuml % Rptd	10.3%	28.5%	42.9%	54.1%	61.9%	67.1%	71.7%	75.1%	TT. 4%	79.3%	100.0%	
Selected Incr % Rptd	10.3%	18.1%	14.5%	11.1%	7.8%	5.2%	4.5%	34%	2.3%	19%	20.7%	
Incremental Reported Cumulative Reported	155,053 155,053	271,907 426,960	216,903 643,863	167, 167 811, 031	117,403 928,434	78,695 1.007,129	68,076 1.075,204	51,734 1,126,939	33,852 1,160,790	29,209 1.189,999	310,001 1,500,000	
Cumuauve Reponea	TS,OJ	420,900	043,803	BILUSI	926,434	1,007,129	ци <i>г</i> э,204	1, 120, 939	1, 100,790	r' ma'aaa 🔽	1,300,000	
ctual / Expected Emergence	87.3%		99.7%		105.4%						136.4%	
	Favorable	1	ls Expected	Somer	hat Worse						Nuch Worse	
												_
				nn Bucha		AS, MA	AA. ISC)				
			As	presente	ed in 111							

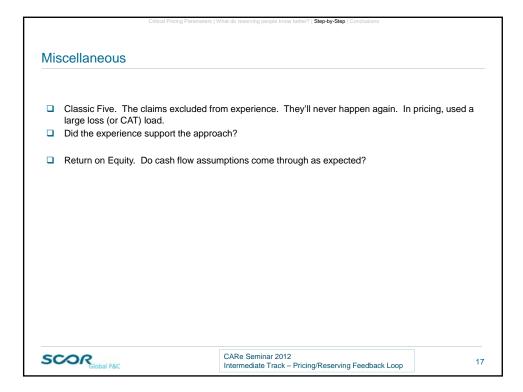


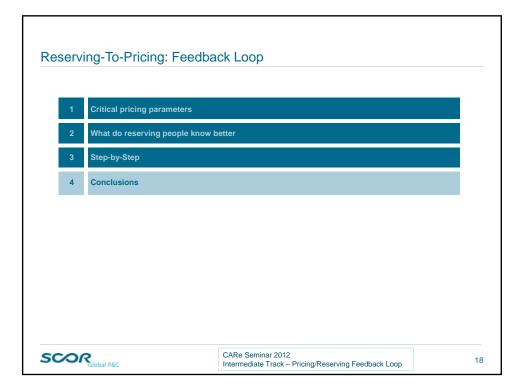






										ss Developn V) at the CL	
Accident Year	1	2	3	4	5	6	7	8	9	10	11
1988	<u>_</u>	2	3	4	<u>5</u>	1.082	1.061	<u>o</u>	<u>9</u> 1.022	0.998	1.00
1989					1.062	1.044		0.989	0.996	1.010	0.96
1990				1.092	1.095		0.977	0.998	1.037	0.992	1.00
1991			1.264	1.142		1.032	1.052	1.041	1.023	1.057	1.01
1992		1.255	1.060		1.031	1.052	1.016	1.041	1.102	1.057	1.03
1993	2.689	1.305		1.108	1.113	1.043	1.014	1.096	1.091	1.008	1.02
1994	2.321		1.124	1.112	1.050	1.067	1.089	1.060	1.037	1.085	1.10
1995		1.397	1.198	1.115	0.974	1.059	1.137	1.094	1.129	1.059	1.03
1996	2.224	1.299	1.193	1.072	1.122	1.153	1.123	1.064	1.096	1.076	1.03
1997	2.345	1.090	1.145	1.176	1.162	1.150	1.118	1.088	1.066	1.058	1.06
1998	2.451	1.192	1.468	1.248	1.168	1.131	1.102	1.111	1.084	1.127	
1999	2.129	1.526	1.334	1.202	1.169	1.154	1.088	1.060	1.091		
2000	2.471	1.385	1.370	1.309	1.174	1.161	1.103	1.099			
2001	2.192	1.331	1.472	1.267	1.175	1.145	1.092				
2002	2.342	1.387	1.465	1.230	1.176	1.097					
2003	1.853	1.213 1.278	1.178 1.226	1.111 1.166	1.110						
2004 2005	2.645 2.460	1.278	1.226	1.100							
2005	2.460	1.208	1.093								
2008	2.236	1.240									
2008	2.200										
Straight ave	ranes										
-	-										
1988-96	2.411	1.314	1.168	1.107	1.064	1.066	1.059	1.048	1.059	1.038	1.02
1997-01	2.318	1.305	1.358	1.240	1.170	1.148	1.101	1.089	1.080	1.093	1.06
post 2001	2.307	1.266	1.240	1.169	1.143	1.097	NA	NA	NA	NA	NA





	Sadly, reserving actuaries do not know everything
	But what they do see, should be shared with pricing (and underwriting)
D F	Particularly when things look different from expected in terms of
	 Exposure (losses happen to be products as opposed to prem/ops or PPO instead of LS)
	 Number of large losses (or CAT's)
	Loss emergence or payout pattern Premium flows
	 Premium nows Knowing what happens with the rates (within the cycle) could help distinguish patterns from
	aberrations