SIGMA Actuarial Consulting Group, Inc.

LOSS PROJECTION DISCUSSION POINTS

ITEM	CONSIDERATIONS
Loss Development Factors	■ How do unique factors compare with benchmark factors? With those used by the insurer? Pay attention to the "tail". At what point are all (or most) loss dollars paid and claims closed? ■ How have patterns changed over time? Are there any obvious trends? Are those trends reflected in the selected factors? ■ How stable are the factors? Are there any uncharacteristic late development in losses? How much weight is given to those "pops" in development in the selected factors?
Loss Development Methods	■ How stable (similar) are the methods for a given policy year? In total? Various methods with results within a tight range could imply less volatility in ultimate losses. ■ Do one or more large claims (or lack of) bias losses high (or low) for "green" periods? "Green" periods are those which are not complete or recently completed. Typically, these periods have higher development factors and are more sensitive to the timing of large claims. ■ How much development is applied to older years where all or most of the claims are closed?
Pure Loss Rates	■ Are there any noticeable trends in pure loss rates? What is driving the trend? Do certain areas need special analysis (eg. breakouts by location or claim type)? ■ Is the exposure base appropriate and captured consistently by year? Does one unit of exposure base generate the same volume of risk consistently across all years? Has the mix in exposure changed over the years? How is this quantified? ■ How stable (similar) are the pure loss rates by year? ■ Are there any potential events which may not be reflected in historical losses (eg. losses in higher retention layers, catastrophic events, new type of exposure)? ■ Do pure loss rates contemplate the effects of acquisitions or divestitures over time?
Claim Counts and Frequency	■ At what point are all claims reported in the development history? ■ Are claim counts trending in a certain direction? Is this trend driven by low, average or high-severity claims? ■ Are pure loss rate and frequency trends consistent? How have changes in internal procedures affected claim frequency over time? How have these changes affected loss severity?
Aggregate Loss Probability Distribution	■ How does the carrier's pure premium compare to the loss distribution? Is the risk margin reasonable? ■ Is the aggregate attachment point reasonable considering the loss distribution? ■ How does the loss distribution aggregated for multiple coverages insured by the same carrier compare to each single coverage? Is this considered in the carrier's pricing?