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Individual Claim Loss Reserving

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Abstract.

Loss reserving is one of most difficult and exciting tasks facing actuaries. In a nutshell, a loss reserve is a provision for an insurer's liability for claims and loss reserving is the term used to describe the actuarial process of estimating the amount of an insurance company's liabilities for loss. Naturally, the financial condition of an insurance company can not be assessed without valid loss reserve estimates. Numerous approaches have been developed to give reasonable estimates, but most of these models are based on aggregated loss development triangles. However, triangular structures are only a convenient summary of a more complete data set and recently, some individual models using information with regard to the actual claims processes have been developed.

The intent of this presentation is to introduce the topic of loss reserving in an individual framework. Common principles and basic definitions of loss reserving will be presented. Also, we will explore the most common collective deterministic and stochastic models used by actuaries. Then, I will present new methodology which include more detailed information about individual loss development. Finally, a numerical example will be presented.